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 8688003347

NMB Bank Zimbabwe   @NMBBankZim   +263 775710000

CONDENSED AUDITED CONSOLIDATED RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

FINANCIAL SUMMARY

	Inflation adjusted		Historical Cost	
	31 December 2020 Audited	31 December 2019 Audited Restated	31 December 2020 Audited	31 December 2019 Audited
	ZWL	ZWL	ZWL	ZWL
Total income	2 278 895 874	3 278 415 691	2 760 886 768	464 285 244
Operating profit before impairment charge and loss on net monetary position	861 655 493	1 967 489 095	1 856 058 489	341 453 654
Total comprehensive income	1 030 289 817	1 151 854 267	2 704 776 561	473 463 396
Basic earnings per share (cents)	210.12	96.49	448.72	73.13
Total deposits	6 262 750 864	5 343 012 221	6 262 750 864	1 191 079 845
Total gross loans and advances	2 451 989 687	2 391 455 787	2 451 989 687	533 110 289
Total shareholders' funds and shareholders' liabilities	4 194 973 015	3 211 913 897	3 388 155 345	579 169 046

CHAIRMAN'S STATEMENT

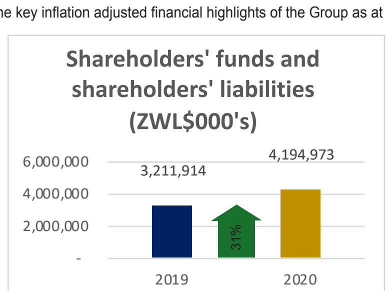
INTRODUCTION

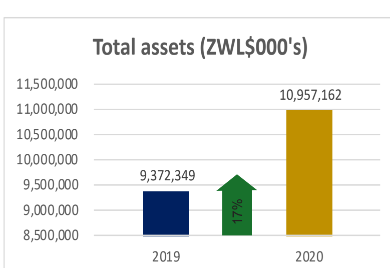
The 2020 operating environment was largely dogged by the devastating effects arising out of the outbreak of the COVID-19 pandemic which ravaged global economies. In response to the COVID-19 pandemic, the Government of Zimbabwe like many other Governments imposed lockdown measures of varying extents in an effort to curtail the spread of the deadly Corona virus. A number of policy pronouncements were made by the Government of Zimbabwe in response to the pandemic and these affected the operations of the Group during the period under review. Globally, the focus on COVID-19 has shifted to vaccination with notable strides having been made on that front by a number of countries. We remain hopeful that the vaccination programmes will yield the desired results which should go a long way in alleviating this global crisis.

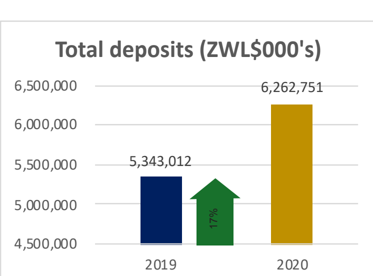
Focusing on the local economy, the first half of the year under review was characterised by hyper-inflation and incessant economic instability emanating from the deterioration of the country's foreign exchange rate. However, the introduction of the RBZ administered Foreign Exchange Auction System on 23 June 2020 appears to have significantly contained the rapid oscillations that were characterising the country's foreign exchange rate. Significant trades have been recorded on this platform from its inception and there has been notable stability in the foreign exchange regime ever since the auction system was introduced. This culminated in economic stability largely prevailing in the second half of the year with the annual inflation rate closing the year at 348.6% down from a peak of 837.5% recorded in July 2020. Our hopes remain pinned on the sustainability of this stability which will certainly foster economic growth into the foreseeable future.

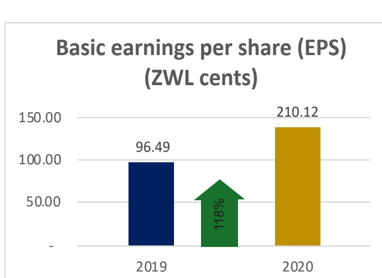
The Bank's digital strategy was launched at the most opportune time as it has been quite instrumental in driving business within the COVID-19 induced circumstances. The Bank has recorded significant growth, expansion and improvements on its digital platforms and this has resulted in enhanced service delivery. Furthermore, in response to the prevailing hyperinflationary environment, the Group adopted a number of value preservation strategies in order to ensure that shareholders' value is not eroded. These measures culminated in the Group's remarkable financial performance in spite of the difficult operating environment.

The key inflation adjusted financial highlights of the Group as at 31 December 2020 are depicted below:









SUSTAINABILITY REPORTING

With the prevailing Covid-19 pandemic, we continue to build value adding relationships with our staff and all stakeholders as well as in the communities which we operate in. The Board upholds high standards of management and corporate governance, which we believe are key to delivering sustainable shareholder value and contribute to the Group's long term success. It is our responsibility as the Board to ensure that management, not only delivers on short term objectives, but promotes the long term growth of the Group. We have fostered and are buttressing our culture of responsible business practices by paying more attention to sustainability issues.

Since our inception in 1993, we have opened up opportunities for our customers, communities, and the broader society. We endeavor to build a future that prioritises resilience, social mobility and the environment as well as economic growth. We have a long standing partnership with the community and the Government in general through our involvement in a diverse range of social and economic activities that serve broad community audiences. Our aim is to continuously strengthen our performance and create our sustainability strategy anchored on financial inclusion, education, water, housing, construction, health and climate.

To this end, the Group through its Banking subsidiary remains committed to financing the education sector, health, property & construction as well as supporting the SMEs, the youths, the disadvantaged, vulnerable groups in addition to supporting various environmental conservation initiatives. Through advancing affordable loans, support was extended to both educational institutions and students in pursuit of supporting the education sector. The Bank also provided support in the construction and maintenance of roads, dams and houses across the nation. Furthermore, the Bank extended funding to local authorities in a bid to ensure the provision of clean water and other critical amenities to residents. In order to assist in clearing the national housing backlog, the Bank also continued to advance mortgage facilities for residential accommodation. In addition, pursuant to its initiative to support industry and commerce, the Bank continues to advance mortgage facilities to its Corporate clients and SMEs towards the construction and acquisition of commercial properties.

SUSTAINABILITY REPORTING (Continued)

The Group complied with all environmental management and other related laws, regulations and best practices. Financing to both corporates and SMEs were done entirely in accordance with the Banking subsidiary's Statement of Commitment to Responsible Financing and Exclusion List.

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 and the University of Zimbabwe COVID-19 Awareness Campaign. We sponsored the TM/PnP Charity Golf tournament where funds raised were channelled towards the Meikles Foundation, which seeks to promote sustainable development through initiatives that seek to protect wildlife and the environment as well as achieve community welfare and education. Donations were also made to KidzCan for treatment of children living with cancer, commemoration of World Hearing Day, commemoration of the World Kidney Day and to Chambuta Children's Home.

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.

CORPORATE DEVELOPMENTS

The Bank's strategy remains firmly focused on the enhancement of its digital offerings to ensure seamless service delivery to the Bank's existing and future clients via its exciting and refreshing digital touch points. This strategy resonates very well with 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 continues with its financial inclusion drive and has intensified the opening of a number of low cost accounts via our NMBLite product. The Bank is also quite excited by its recently launched self-account opening portal which offers an amazing and easy self on-boarding experience to the Bank's future customers. The portal is going through further refinements which will provide even more exciting insights and convenience to the Bank's valued customers.

During the period under review, we successfully migrated our Head Office to the new home along Borrowdale road offering a refreshing environment for our staff and stakeholders. To enhance the customer experience, the Bank's Excellence branch previously located at the Borrowdale Sam Levy's Village, was also moved to the new Head Office much to the delight of our valued customers.

OUTLOOK AND STRATEGY

The containment of the COVID-19 pandemic continues to be an imperative for a global and local economic rebound in the short to medium term. We are confident that the measures adopted by the Government of Zimbabwe and the imminent vaccination of the population with the COVID-19 vaccine, coupled with the collective efforts of all corporates and citizens will continue to minimise the spread of the virus and its total elimination in the foreseeable future.

We are encouraged by the exchange rate stability which has been prevailing in the second half of the period under review and remain hopeful that the stability will continue prevailing in order to create a conducive operating environment for business and the attraction of capital which will go a long way in ensuring economic growth and stability in the foreseeable future.

The Group's banking subsidiary will continue to enhance its digital offerings to continuously improve the customer experience which will also contribute towards the Bank's desire to broaden its market segments and grow its deposit base.

In pursuit of the revised capitalisation levels announced by the Central Bank, the Group has been pursuing a number of value-preservation strategies to ensure the preservation and growth of the Bank's regulatory capital.

GROUP RESULTS

HYPERINFLATIONARY REPORTING

Following the liberalisation of the exchange rate on 22 February 2019, there has been a significant depreciation in the exchange rate of the local currency unit which in turn resulted in the economy plunging into hyper-inflation. In light of this background, the Directors assessed the impact of International Accounting Standard (IAS) 29 *"Financial Reporting in Hyperinflationary Economies"* and noted that the conditions required to apply IAS 29 had materialized in the Group's operating environment during the previous reporting period. Furthermore, the Public Accountants and Auditors Board (PAAB) issued a pronouncement on 11 October 2019 indicating that the economy had become hyper-inflationary. The Directors have thus prepared the accompanying financial statements using the hyperinflationary accounting basis to achieve fair presentation at the reporting date of 31 December 2020. Unless indicated otherwise, the results commentary below will be primarily on the Group's hyper-inflationary adjusted financial statements at the reporting date.

Financial performance

The profit before taxation was ZWL705 414 282 (2019 – ZWL691 317 803) during the period under review and this gave rise to total comprehensive income of ZWL1 030 289 817 (2019 – ZWL1 151 854 266) after total other comprehensive income of ZWL181 026 875. The Group achieved a basic earnings per share of 210.12 cents (2019 – 96.49 cents).

Operating expenses amounted to ZWL1 274 247 625 and these were up 18% from a prior year amount of ZWL1 079 026 942. The increase in operating expenditure was mainly due to staff rationalisation costs and COVID-19 related expenditure to ensure the safety of the Bank's customers and staff as well as to ensure adherence to the COVID-19 protocol set by the World Health Organisation.

Impairment losses on financial assets measured at amortised cost amounted to ZWL127 974 740 for the current period from a prior year amount of ZWL49 562 276 and the increase was mainly due to the increase in the Banking subsidiary's assets measured at amortised cost during the period under review. The bank has continued with its drive to reduce non-performing loans (NPLs) and the ratio stood at 0.44% as at 31 December 2020. This was lower than the 31 December 2019 ratio of 1.37% and below the Bank's and regulatory target of 5% as at 31 December 2020. The decrease in the NPL ratio was largely due to aggressive collections and stricter credit underwriting standards.

CHAIRMAN'S STATEMENT (continued)

Financial position

The Group's total assets increased by 17% from ZWL9 372 348 955 as at 31 December 2019 to ZWL10 957 161 610 as at 31 December 2020 mainly due to a 125% increase in investment securities, a 60% increase in investment properties and an increase of 25% in property and equipment. These increases were partly offset by a 32% decrease in intangible assets and an 11% decrease in cash and cash equivalents.

Investment properties increased from ZWL1 031 154 579 as at 31 December 2019 to ZWL1 653 496 476 as at 31 December 2020 due to additions and improvements made on the Bank's property portfolio in line with the value preservation strategies adopted by the Group to curtail the devastating effects of the prevailing hyperinflationary environment.

Investment securities (Treasury Bills and Bonds) increased from ZWL480 731 899 as at 31 December 2019 to ZWL1 081 820 457 as at 31 December 2020 mainly due to the acquisition of Treasury bills and Bonds. Nevertheless, the bank has set maximum limits for investment securities in order to ensure that most of the funds are channeled towards the productive sectors of the economy.

Total deposits increased by 17% from ZWL5 343 012 221 restated as at 31 December 2019 to ZWL6 262 750 864 as at 31 December 2020 as a result of the Bank's aggressive deposit mobilization efforts in pursuit of the broadening of the Bank's target market segments.

The Bank's liquidity ratio closed the period at 67.68% (2019 – 60.72%) and this was above the statutory requirement of a minimum of 30%.

Capital

The banking subsidiary's capital adequacy ratio stood at 52.56% (Historical – 43.78%) as at 31 December 2020 (31 December 2019 – 48.46%; Historical - 39.49%). The ratio was above the statutory minimum of 12%. Our capitalisation level is adequate to cover all risks and supports the underwriting of new business.

The Group's shareholders' funds and shareholders' liabilities have increased by 31% from ZWL3 211 913 897 restated as at 31 December 2019 to ZWL4 194 973 015 as at 31 December 2020 largely as a result of the current year's total comprehensive income.

The Bank's regulatory capital as at 31 December 2020 was ZWL2 186 036 634 and is above the minimum required regulatory capital of ZWL25 million. The bank remains confident that its plan to meet the revised minimum capital of the ZWL equivalent of USD30 million for a Tier 1 bank by 31 December 2021 is achievable.

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 31 December 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 1:81.3486 at 31 December 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.

DIVIDEND

The Board has resolved not to declare a dividend as the Group is focusing on achieving the minimum regulatory capital requirement of the ZWL equivalent of USD30 million for a Tier 1 bank by 31 December 2021 for its banking subsidiary.

DIRECTORATE

Mr Givemore Taputaira was appointed to the Board of NMBZ Holdings Limited and NMB Bank Limited on 2 January 2020. The directors of both NMBZ Holdings Limited and NMB Bank Limited boards are 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).

APPRECIATION

I wish to express my heartfelt gratitude to all our clients, shareholders, regulatory authorities and all other valued stakeholders for their continued support during these unprecedented times of the global health pandemic. To my fellow Board members, management and staff, I extend my appreciation for their hard work, diligence, commitment and focus which has underpinned the achievement of these commendable results.

May I take this opportunity to encourage all our stakeholders to stay safe and continue practicing the WHO guidelines in order to minimize the spread of the deadly corona virus.

MR. B. A. CHIKWANHA
CHAIRMAN
10 March 2021

DIRECTORS' REPORT EXTRACT
for the year ended 31 December 2020

1. RESPONSIBILITY

The Directors of the Group are mandated by the Companies and Other Business Entities Act (Chapter 24:31) of Zimbabwe to maintain adequate accounting records and to prepare consolidated and separate financial statements that present a true and fair view of the state of affairs of the Group and Company at the end of each financial year. The information contained in these consolidated and separate financial statements has been prepared on a going concern basis and is in accordance with the provisions of the Companies and Other Business Entities Act (Chapter 24:31) of Zimbabwe, the Banking Act (Chapter 24:20) of Zimbabwe and International Financial Reporting Standards (IFRSs).

2. INTERNAL FINANCIAL CONTROLS

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

3. GOING CONCERN

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

DIRECTORS' REPORT EXTRACT (continued)

4. STATEMENT OF COMPLIANCE

The condensed consolidated financial statements are prepared with the aim of complying fully with International Financial Reporting Standards (IFRSs) and have been prepared in the manner required by the Companies and Other Business Entities Act (Chapter 24:31) of Zimbabwe and the Banking Act (Chapter 24:20) of Zimbabwe. The detailed impact of this adoption is disclosed in note 3.12 (Changes in accounting policy).

The Directors have been able to achieve full compliance with IFRSs in previous reporting periods up to 31 December 2017. However, the 31 December 2020 and the comparative period as well as the 31 December 2018 financial reporting period could only achieve partial compliance to the IFRS reporting framework due to developments detailed below.

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

As explained in Note 2.4.5, "*Determination of the functional currency*", it is our opinion that following the Monetary Policy pronouncements of 1 October 2018 and 20 February 2019, as well as the issuance of Exchange Control Directive RU 28 of 2019 on 22 February 2019, the country's functional currency appeared to have changed from the United States Dollar in terms of the IAS 21 considerations. However, the Government of Zimbabwe issued Statutory Instrument (SI 33) of 2019 on 22 February 2019, which prescribes the rate of USD1:RTGS$1 in accounting for all transactions and events before the effective date of the statutory instrument.

Furthermore, it is our interpretation that the SI 33 of 2019 issued in terms of the Presidential Powers Temporary Measures Act [Chapter 10:20], ranks supreme to any contrary legislation including quasi-legislations, which therefore implies that in preparing the financial statements, we sought to comply with the provisions of SI 33 of 2019 ahead of the IAS 21 requirements; consequently, the Group could not fully apply the requirements of IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors".

This, in our opinion resulted in non-compliance with IAS 21 and IAS 8 and that non-compliance had a significant impact on the true and fair presentation of the Group's financial position and would therefore urge users of the financial statements to exercise due caution.

The consolidated and separate financial statements were approved by the Board of Directors on 10 March 2021.

MR B. A. CHIKWANHA
CHAIRMAN
10 MARCH 2021

MR B. P. WASHAYA
CHIEF EXECUTIVE OFFICER
10 MARCH 2021

AUDITOR'S STATEMENT

These abridged financial statements have been audited by Ernst & Young Chartered Accountants (Zimbabwe) and an adverse audit opinion issued thereon due to non-compliance with International Accounting Standard 21, *"The Effects of Changes in Foreign Exchange Rates"* and International Accounting Standard 8, *"Accounting Policies, Changes in Accounting Estimates and Errors"*. There are no key audit matters communicated in the auditor's report. The Auditor's report is available for inspection at the Holding Company's registered office. The Audit Partner for this engagement was Mr Walter Mupanguri (PAAB Practicing Number 0367).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2020

	Note	Inflation Adjusted		Historical Cost*	
		31 Dec 2020 ZWL	31 Dec 2019 ZWL Restated	31 Dec 2020 ZWL	31 Dec 2019 ZWL
Interest income	4	760 901 869	808 407 006	501 216 271	70 557 190
Interest expense		(142 992 756)	(231 899 654)	(90 638 279)	(16 894 088)
Net interest income		**617 909 113**	**576 507 352**	**410 577 992**	**53 663 102**
Fee and commission income	5.1	1 131 552 573	821 825 071	815 541 357	87 242 303
Net foreign exchange gains		128 836 005	1 143 047 353	217 274 144	99 863 112
Revenue		1 878 297 691	2 541 379 776	1 443 393 493	240 768 517
Other income	5.2	257 605 427	505 136 261	1 226 846 996	206 622 639
Operating income		**2 135 903 118**	**3 046 516 037**	**2 670 240 489**	**447 391 156**
Operating expenditure	6	(1 274 247 625)	(1 079 026 942)	(814 190 000)	(105 937 502)
Operating income before impairment charge and loss on monetary position		**861 655 493**	**1 967 489 095**	**1 856 050 489**	**341 453 654**
Impairment losses on financial assets measured at amortised cost	16.3	(127 974 740)	(49 562 276)	(127 974 740)	(11 048 567)
Loss on net monetary position		(28 266 471)	(1 226 609 016)	-	-
Profit before taxation		705 414 282	691 317 803	1 728 075 749	330 405 087
Taxation credit/(charge)	7	143 848 660	(314 097 585)	85 514 320	(44 504 548)
Profit for the period		**849 262 942**	**377 220 218**	**1 813 590 069**	**285 900 539**
Other comprehensive income					
Items that will not be reclassified to profit or loss					
Revaluation of land and buildings, net of tax		181 026 875	487 104 622	891 186 492	175 943 209
Items that may be reclassified to profit or loss					
Translation gain on change in functional currency, net of tax		-	287 529 426	-	11 619 648
Total comprehensive income for the year		**1 030 289 817**	**1 151 854 266**	**2 704 776 561**	**473 463 396**
Earnings per share (ZWL cents)					
- Basic	9.3	210.12	96.49	448.72	73.13
- Diluted	9.3	198.37	90.92	423.62	67.52
- Headline	9.3	208.41	95.21	443.72	72.73

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

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)

A Member of the Deposit Protection Scheme

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 31 December 2020

	Note	Inflation Adjusted 31 Dec 2020 ZWL	Inflation Adjusted 31 Dec 2019 ZWL Restated	Historical Cost* 31 Dec 2020 ZWL	Historical Cost* 31 Dec 2019 ZWL
SHAREHOLDERS' FUNDS					
Share capital	10.2.1	3 574 680	3 574 680	84 116	84 116
Capital reserves		756 522 688	759 195 015	19 121 607	19 184 170
Functional currency translation reserve		287 529 426	287 529 426	11 619 648	11 619 648
Revaluation reserves		668 131 497	487 104 622	1 067 266 442	176 079 950
Retained earnings		2 332 246 830	1 482 983 888	2 143 095 638	329 505 569
Total equity		**4 048 005 121**	**3 020 387 631**	**3 241 187 451**	**536 473 453**
Redeemable ordinary shares	11	14 335 253	64 305 875	14 335 253	14 335 253
Subordinated term loan	12	132 632 641	127 220 391	132 632 641	28 360 340
Total shareholders' funds and shareholders' liabilities		**4 194 973 015**	**3 211 913 897**	**3 388 155 345**	**579 169 046**
LIABILITIES					
Deposits and other liabilities	13.1	6 413 943 465	5 652 133 875	6 413 943 465	1 268 146 016
Deferred tax liabilities		291 040 065	505 497 805	174 727 794	97 653 191
Current tax liabilities		57 205 065	2 803 378	57 205 065	624 937
Total shareholders' funds and liabilities		**10 957 161 610**	**9 372 348 955**	**10 034 031 669**	**1 945 593 190**
ASSETS					
Cash and cash equivalents	15	1 964 637 240	2 208 405 864	1 964 637 240	492 304 267
Investment securities	14.1	1 081 820 457	480 731 899	1 081 820 457	107 166 155
Loans, advances and other assets	16	3 992 648 603	3 824 449 644	3 730 886 733	817 960 242
Trade and other investments	14.5.1	10 877 672	7 231 788	10 877 672	1 612 131
Investment properties		1 653 496 476	1 031 154 579	1 653 496 476	229 867 982
Intangible assets	17	35 509 627	52 097 749	4 133 707	1 397 186
Property and equipment	18	2 218 171 535	1 768 277 432	1 588 179 384	295 285 227
Total assets		**10 957 161 610**	**9 372 348 955**	**10 034 031 669**	**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 auditors have not expressed an opinion on the historical cost information.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 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
Restated balances at 1 January 2019	3 486 812	728 690 606	-	2 672 327	-	1 133 683 620	1 868 533 365
Profit for the year	-	-	-	-		377 220 218	377 220 218
Revaluation of land and buildings, net of tax	-	-	-	-	487 104 622	-	487 104 622
Share issue – scrip dividend	87 868	27 832 082	-	-	-	-	27 919 950
Dividends paid	-	-	-	-	-	(27 919 950)	(27 919 950)
Translation gain on change in functional currency, net of tax	-	-	287 529 426	-	-	-	287 529 426
Restated balances at 1 January 2020	**3 574 680**	**756 522 688**	**287 529 426**	**2 672 327**	**487 104 622**	**1 482 983 888**	**3 020 387 631**
Profit for the year	-	-	-	-	-	849 262 942	849 262 942
Revaluation of land and buildings, net of tax	-	-	-	-	181 026 875	-	181 026 875
Unwinding of share option reserve	-	-	-	(2 672 327)	-	-	(2 672 327)
Balances at 31 December 2020	**3 574 680**	**756 522 688**	**287 529 426**	**-**	**668 131 497**	**2 332 246 830**	**4 048 005 121**

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
Profit for the year	-	-	-	-		285 900 539	285 900 539
Revaluation of land and buildings, net of tax	-	-	-	-	175 943 209	-	175 943 209
Translation gain on change in functional currency, net of tax	-	-	11 619 648	-	-	-	11 619 648
Share issue – scrip dividend	3 141	2 657 873	-	-	-	-	2 661 014
Dividends paid	-	-	-	-	-	(3 772 370)	(3 772 370)
Balances at 31 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)
Profit for the year	-	-	-	-	-	1 813 590 069	1 813 590 069
Revaluation of land and buildings, net of tax	-	-	-	-	891 186 492	-	891 186 492
Balances at 31 December 2020	**84 116**	**19 121 607**	**11 619 648**	**-**	**1 067 266 442**	**2 143 095 638**	**3 241 187 451**

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

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 31 December 2020

	Inflation Adjusted 31 Dec 2020 ZWL	Inflation Adjusted 31 Dec 2019 ZWL Restated	Historical Cost* 31 Dec 2020 ZWL	Historical Cost* 31 Dec 2019 ZWL
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation	705 414 282	691 317 803	1 728 075 749	330 405 087
Non-cash items:				
- Depreciation (excluding right of use assets)	69 161 843	69 204 253	22 310 284	2 307 360
- Depreciation – Right of use assets	11 116 446	13 854 547	8 579 715	1 310 867
- Amortisation of intangible assets	24 416 805	28 513 215	915 580	733 909
- Impairment losses on financial assets measured at amortised costs	127 974 740	49 562 276	127 974 740	11 048 567
- Investment properties fair value gains	(228 646 579)	(419 983 776)	(1 182 737 157)	(194 387 322)
- Trade and other investments fair value adjustments	(3 645 884)	(4 097 075)	(9 265 541)	(1 499 630)
- Profit on disposal of property and equipment	(7 881 999)	-	(7 091 399)	-
- Loss/(Profit) on disposal of investment properties	2 198 385	(2 620 407)	(10 867 431)	(584 149)
- Interest capitalised on subordinated term loan	-	16 955 691	-	1 151 954
- Impairment reversal on land and buildings	-	-	-	(40 600)
- Unrealised foreign exchange gain	(204 729 321)	(414 431 455)	(204 729 321)	(92 386 267)
Operating cash flows before changes in operating assets and liabilities	495 378 718	28 275 072	473 165 219	58 059 776
Changes in operating assets and liabilities				
Increase/(decrease) in deposits and other liabilities	2 911 107 623	(8 413 499 169)	2 911 107 622	552 444 546
(Increase)/decrease in loans, advances and other assets	(2 755 618 219)	4 407 969 090	(1 356 425 376)	(326 882 932)
Net cash generated/(used) from operations	650 868 122	(3 977 255 007)	2 027 847 465	283 621 390
TAXATION				
Tax on dividends paid	-	(5 565 825)	-	(247 740)
Corporate tax paid	(85 059 033)	(65 138 185)	(73 473 484)	(9 079 118)
Net cash inflow/(outflow) from operations	**565 809 089**	**(4 047 959 017)**	**1 954 373 981**	**274 294 532**
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of intangible assets	(7 828 681)	(2 857 048)	(3 652 103)	(94 320)
(Acquisition)/disposal of investment securities	(974 654 302)	2 786 293 086	(974 654 302)	10 083 280
Proceeds on disposal of property and equipment	10 309 948	-	7 122 008	-
Acquisition of property and equipment	(255 160 354)	(158 457 976)	(110 752 486)	(24 308 497)
Proceeds on disposal of investment properties	15 381 940	26 415 943	15 381 940	5 888 719
Acquisition of investment properties	(411 275 642)	(8 698 276)	(245 405 846)	(351 515)
Net cash (used)/generated in investing activities	(1 623 227 091)	2 642 695 729	(1 311 960 789)	(8 782 333)
CASH FLOWS FROM FINANCING ACTIVITIES				
Payment of interest on subordinated term loan	-	(3 602 420)	-	(180 450)
Repayment of lease liabilities	(30 928 423)	(18 782 170)	(14 658 020)	(1 276 043)
Cash dividend paid	-	(19 739 519)	-	(832 659)
Share issue costs – scrip dividend	-	(618 030)	-	(30 958)
Net cash outflow from financing activities	(30 928 423)	(42 742 139)	(14 658 020)	(2 320 110)
Net (decrease)/increase in cash and cash equivalents	(1 088 346 425)	(1 448 005 427)	627 755 172	263 192 089
Net foreign exchange and monetary adjustments on cash and cash equivalents	844 577 801	523 370 450	844 577 801	116 671 266
Cash and cash equivalents at beginning of the year	2 208 405 864	3 133 040 841	492 304 267	112 440 912
Cash and cash equivalents at the end of the year	1 964 637 240	2 208 405 864	1 964 637 240	492 304 267
Additional information on operational cashflows on interest				
Interest received	729 123 038	757 446 936	469 437 446	65 548 752
Interest paid (including interest on lease liability)	(116 012 408)	(215 571 870)	(63 657 930)	(15 089 895)

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 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

The condensed consolidated financial statements are prepared and presented on the basis that they reflect the information necessary to be a fair summary of the annual financial statements from which they are derived. This includes financial results that agree with or can be recalculated from the related information in the audited consolidated financial statements and that contain the information necessary so as not to be misleading in the circumstances. The information contained in these consolidated financial results does not contain all the disclosures required by International Financial Reporting Standards, the Companies and Other Business Entities Act (Chapter 24:31) of Zimbabwe and the Banking Act (Chapter 24:20) of Zimbabwe, which are disclosed in the full consolidated annual financial statements from which this set of condensed financial statements were derived. For a better understanding of the Group`s financial position, its financial performance and cash flows for the year, these condensed financial statements should be read in conjunction with the audited consolidated annual financial statements.

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. The Directors have thus 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	27.8639
31 December 2019	551.63	4.4859
31 December 2020	2 474.52	1.0000

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

- All comparative figures as of and for the periods ended 31 December 2018, 31 December 2019 and 31 December 2020 have been restated by applying the change in the index from the date of last re-measurement to 31 December 2020;
- Income statement transactions have been restated by applying the change in the index from the approximate date of the transactions to 31 December 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 31 December 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 31 December 2020;
- Equity has been restated by applying the change in index from the date of issue to 31 December 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 as additional information for the users of the Group's financial statements. The Auditors have not expressed an opinion on the historical results.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2020

2.2 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 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.

2.3 Comparative financial information

The comparative information covers a period of the previous twelve months.

2.4 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 year ended 31 December 2020 is included in the following notes:

2.4.1 Deferred tax

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

2.4.2 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 was subsequently replaced by the Foreign Exchange Auction System on 23 June 2020 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 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 Foreign Exchange Auction System. 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.

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 Foreign Exchange Auction System rate.

2.4.3 Investment securities

The Group has Treasury Bills and Government Bonds for which there is currently no market information to facilitate the application of fair value principles in determining fair value disclosures. Directors have made a significant judgment in determining that the carrying amount approximates fair value. (refer to note 14.1).

2.4.4 Impairment losses on loans and advances

The Bank adopted IFRS 9 with effect from 1 January 2018.

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.

The impairment loss on loans and advances is disclosed in more detail under note 8 and note 16.3.

2.4.5 Determination of the functional currency

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2020

2.4.5 Determination of the functional currency (Continued)

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).

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.

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.

2.4.6 Lease arrangements

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

2.4.7 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. The Directors fully acknowledge the challenges and uncertainties posed by the COVID-19 pandemic. As such, significant judgements have generally been applied in light of the potential impacts of COVID-19 on the Group's activities.

2.5 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 condensed 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 consolidated 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 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 measured at fair value. Gains and losses arising from a change in fair value of investment properties are recognised in the statement of comprehensive income. The fair value is determined at the end of each reporting period, by a registered 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 year-end. 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 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 tax
Current tax comprises expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. It is measured using rates enacted or substantively enacted at the reporting date in the country where the 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.

NOTES TO THE CONDENSED AUDITED FINANCIAL STATEMENTS
for the year ended 31 December 2020

3.6 Taxation (Continued)

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. For this purpose, the carrying amount of investment property measured at fair value is presumed to be recovered through sale, and the Group has not rebutted this presumption. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Additional taxes that arise from the distribution of dividends by the Group 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.

3.7 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.

3.8 Revenue recognition

Revenue is recognised to the extent that it is probable that the 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. The specific recognition criteria described below must also be met before revenue is recognised.

3.9 Interest income

For all financial instruments measured amortised cost, interest income or expense is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income includes income arising out of the banking activities of lending and investing.
Interest expense

3.10 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.

3.11 Shareholders' funds and shareholders' liabilities

Shareholders' funds and shareholders' liabilities refer to the investment made by the shareholders in the Group and it consists of share capital, share premium, share options reserve, retained earnings, revaluation reserve, functional currency translation reserve, redeemable ordinary shares and subordinated term loans.

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.

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

Measurement methods

Amortised cost and effective interest rates

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

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

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

Interest Income

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

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

Initial recognition and measurement

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

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

(a). When the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. a Level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognised as a gain or loss.
(b). In all other cases, the difference is deferred and the timing of recognition of deferred day one profit or loss is determined individually. It is either amortised over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement.

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3.13.1 Financial Assets

(i) Classification and subsequent measurement

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

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

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

Debt instruments

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

Classification and subsequent measurement of debt instruments depend on:

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

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

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

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

- cash and cash equivalents;
- loans and advances to customers;
- investment securities;
- lease receivables;
- facilities approved but not drawn down; 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 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;

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.

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3.13.1 Financial Assets (Continued)

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 in other liabilities.

Definition of default

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

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

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

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

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

Significant increase in credit risk

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

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

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

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

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

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

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

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

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

(iii) Modification of loans

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

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay.
- Whether any substantial new terms are introduced, such as a profit share/equity-based return that substantially affects the risk profile of the loan.
- Significant extension of the loan term when the borrower is not in financial difficulty. Significant change in the interest rate.
- Change in the currency the loan is denominated in.
- Insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan.

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3.13.2 Financial Liabilities

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.

3.13.3 Financial guarantee contracts and loan commitments

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.

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 financial 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.

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.

3.13.4 Critical accounting estimates and judgements

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.

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

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

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.

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.

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3.13.5 Measurement of the expected credit loss allowance (Continued)

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 information, 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 a 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.

3.13.6 Regulatory guidelines and International Financial Reporting Standards requirements in respect of the Bank's activities

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	
	31 December 2020 ZWL	31 December 2019 ZWL Restated	31 December 2020 ZWL	31 December 2019 ZWL
Loans and advances to banks	16 542 933	19 190 164	10 198 110	2 368 733
Loans and advances to customers	708 206 922	643 787 970	466 881 802	58 942 089
Investment securities	36 152 014	145 428 872	24 136 359	9 246 368
	760 901 869	808 407 006	501 216 271	70 557 190

5. NON INTEREST INCOME

5.1 FEE AND COMMISSION INCOME

	Inflation adjusted		Historical cost	
	31 December 2020 ZWL	31 December 2019 ZWL Restated	31 December 2020 ZWL	31 December 2019 ZWL
Retail banking customer fees	312 978 016	254 814 639	220 625 391	24 101 648
Corporate banking credit related fees	99 687 124	70 979 783	64 826 957	10 259 457
Financial guarantee fees	7 268 349	2 236 976	3 858 135	212 188
International banking commissions	24 363 557	29 356 098	17 771 535	3 070 999
Digital banking fees	687 255 527	464 437 575	508 459 339	49 598 011
	1 131 552 573	821 825 071	815 541 357	87 242 303

5.2 OTHER INCOME

	Inflation adjusted		Historical Cost	
	31 December 2020 ZWL	31 December 2019 ZWL Restated	31 December 2020 ZWL	31 December 2019 ZWL
Trade and other investments fair value adjustments	3 645 884	4 097 075	9 265 541	1 499 630
Fair value gains on investment properties	228 646 579	419 983 776	1 182 737 157	194 387 322
(Loss)/profit on disposal of investment properties	(2 198 385)	2 620 407	10 867 431	584 149
Profit on disposal of property and equipment	7 881 999	-	7 091 399	-
Rental income	7 610 897	5 745 809	5 641 865	391 885
Recoveries	5 879 717	66 140 660	3 406 069	9 519 359
Other net operating income	6 138 736	6 548 534	7 837 534	240 294
	257 605 427	505 136 261	1 226 846 996	206 622 639

6. OPERATING EXPENDITURE

	Inflation Adjusted		Historical Cost	
	31 December 2020 ZWL	31 December 2019 ZWL Restated	31 December 2020 ZWL	31 December 2019 ZWL
The operating profit is after recognising the following:				
Administration costs**	618 699 280	521 028 863	395 919 343	55 318 360
Audit fees:				
- Current year	13 977 416	7 088 694	8 388 890	993 686
- Prior year	2 814 505	1 427 391	1 553 413	200 090
Impairment reversal on land and buildings*	-	-	-	(40 600)
Depreciation – (excluding right of use assets)	69 161 843	69 204 252	22 310 284	2 307 360
Amortisation of intangible assets	24 416 805	28 513 216	915 580	733 909
Depreciation –right of use assets	11 116 446	13 854 548	8 579 715	1 310 867
Directors' remuneration	34 698 537	27 608 198	13 902 765	2 531 536
- Fees	13 309 810	7 110 228	3 520 400	644 487
- Expenses	237 005	570 374	37 960	80 767
- Services rendered	21 151 722	19 927 596	10 344 405	1 806 282
Staff costs - salaries, allowances and related costs	499 362 793	410 301 780	362 620 010	42 582 294
	1 274 247 625	1 079 026 942	814 190 000	105 937 502

*The impairment reversal on land and building arose due to fair value changes in the Group's land and buildings measured using the revaluation model.
**Included in administration costs are lease finance costs amounting to ZWL16 443 895 (2019 – ZWL11 561 568) in respect of property leases which the Group uses for the purpose of carrying on its trade.

7. TAXATION

	Inflation Adjusted		Historical Cost	
	31 December 2020 ZWL	31 December 2019 ZWL	31 December 2020 ZWL	31 December 2019 ZWL
Current tax	130 053 612	44 813 146	130 053 612	9 989 877
Deferred tax	(273 902 272)	269 284 439	(215 567 932)	34 514 671
	(143 848 660)	314 097 585	(85 514 320)	44 504 548

8. IMPAIRMENT LOSSES ON LOANS AND ADVANCES

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 amortised 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.

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. Impairment losses are applied to write off loans and advances in part or in whole when they are considered partly or wholly irrecoverable. The aggregate impairment losses which are made during the year are dealt with as per paragraph 8.3.

9. EARNINGS PER SHARE

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

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

9.1 Earnings

	Inflation Adjusted		Historical Cost	
	31 December 2020 ZWL	31 December 2019 ZWL Restated	31 December 2020 ZWL	31 December 2019 ZWL
Profit for the year	849 262 942	377 220 218	1 813 590 069	285 900 539
Headline earnings for the period	842 335 788	372 232 488	1 793 375 973	284 353 334

9.2 Number of shares

	Inflation adjusted		Historical Cost	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
9.2.1 Basic earnings per share				
Weighted average number of ordinary shares for basic and headline earnings per share	404 171 689	399 498 150	404 171 689	399 498 150
9.2.2 Diluted earnings per share				
Number of shares at beginning of period	404 171 689	3 292 955 196	404 171 689	392 955 196
Effect of dilution:				
Share options exercised	-	-	-	-
Weighted average number of shares issued – scrip dividend	-	6 542 954	-	6 542 954
	404 171 689	399 498 150	404 171 689	399 498 150
Share options approved but not granted	23 942 639	23 942 639	23 942 639	23 942 639
	428 114 328	423 440 789	428 114 328	423 440 789

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		Inflation Adjusted		Historical Cost	
		31 December 2020 ZWL	31 December 2019 ZWL Restated	31 December 2020 ZWL	31 December 2019 ZWL
9.2.3	**Headline earnings**				
	Profit for the period	849 262 942	377 220 218	1 813 590 069	285 900 539
	Add/(deduct) non-recurring items				
	Trade investments fair value gains	(3 645 884)	(4 097 075)	(9 265 541)	(1 499 630)
	Profit on disposal of property and equipment	(7 881 999)	-	(7 091 399)	-
	Loss/(profit) on disposal of investment properties	2 198 385	(2 620 407)	(10 867 431)	(584 149)
	Tax effect thereon	2 402 344	1 729 752	7 010 275	536 574
	Headline earnings	842 335 788	372 232 488	1 793 375 973	284 353 334

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 per share (ZWL cents)

	Inflation Adjusted		Historical Cost	
	31 December 2020 ZWL	31 December 2019 ZWL Restated	31 December 2020 ZWL	31 December 2019 ZWL
Basic	210.12	96.49	448.72	73.13
Diluted	198.37	90.92	423.62	67.52
Headline	208.41	95.21	443.72	72.73

10. SHARE CAPITAL

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

10.2 Issued and fully paid

	Inflation adjusted			
	31 December 2020 Shares million	31 December 2019 Shares million	31 December 2020 ZWL	31 December 2019 ZWL Restated
10.2.1 Ordinary shares				
Ordinary shares	404	404	3 574 680	3 574 680

	Historical Cost			
	31 December 2020 Shares million	31 December 2019 Shares million	31 December 2020 ZWL	31 December 2019 ZWL
Ordinary shares	404	404	84 116	84 116

	Inflation Adjusted			
	31 December 2020 Shares million	31 December 2019 Shares million	31 December 2020 ZWL	31 December 2019 ZWL Restated
10.2.2 Redeemable ordinary shares				
Redeemable ordinary shares	104	104	29 040	130 269

	Historical Cost			
	31 December 2020 Shares million	31 December 2019 Shares million	31 December 2020 ZWL	31 December 2019 ZWL
Redeemable ordinary shares	104	104	29 040	29 040

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 (2019 – 23 942 639). No share options were exercised from the Scheme as at 31 December 2020.

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

11. REDEEMABLE ORDINARY SHARES

	Inflation Adjusted		Historical Cost	
	31 December 2020 ZWL	31 December 2019 ZWL Restated	31 December 2020 ZWL	31 December 2019 ZWL
Nominal value (note 10.2.2)	29 040	130 269	29 040	29 040
Share premium	14 306 213	64 175 606	14 306 213	14 306 213
	14 335 253	64 305 875	14 335 253	14 335 253

On 30 June 2013, the Group received USD14 831 145 capital from Nederlandse Financierings-Maatschappij Voor Ontiwikkelingslanden N.V. (FMO), Norwegian Investment Fund for Developing Countries (Norfund) and AfricInvest Financial Sector Holdings (AfricInvest) who were allocated 34 571 429 shares each (total 103 714 287) for individually investing USD4 943 715. This amount, net of share issue expenses, was used to recapitalise the Bank in order to contribute towards the minimum capital requirements previously set by the Reserve Bank of Zimbabwe of ZWL200 million by 31 December 2020. FMO and Norfund came together with Rabobank to form ARISE which is a development finance institution primarily focusing on investing in African financial institutions to support and enhance financial service delivery in Africa.

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

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

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12. SUBORDINATED TERM LOAN

	Inflation Adjusted		Historical Cost	
	31 December 2020 ZWL	31 December 2019 ZWL Restated	31 December 2020 ZWL	31 December 2019 ZWL
At 1 January	127 220 391	41 953 193	28 360 340	1 505 647
Monetary adjustment	(98 860 051)	(44 194 322)		
Exchange revaluation	104 272 301	116 108 249	104 272 301	25 883 189
Interest capitalised	-	16 955 691	-	1 151 954
Interest paid	-	(3 602 420)	-	(180 450)
	132 632 641	127 220 391	132 632 641	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 has a seven year maturity date (13 June 2020) from the first disbursement date.

The above liability would, in the event of the winding up of the issuer, be subordinated to the claims of depositors and all other creditors of the issuer. The Group defaulted on a principal repayments with respect to this subordinated loan during the year ended 31 December 2019 as a result of the prevailing nostro funding challenges affecting the economy. There was a breach on the Aggregate Unhedged Open Foreign Currency Positions Ratio covenant which stood at 19.05% (instead of a maximum 10%) between the Group and the Development Financial Institution at the reporting date of 31 December 2020. However, there were no defaults on interest payments.

On 22 February 2019, the Reserve Bank of Zimbabwe (RBZ) issued an Exchange Control directive, RU 28 of 2019 which established an interbank foreign exchange market to formalise the buying and selling of foreign currency through the Banks and Bureaux de change. In order to establish an exchange rate between the current monetary balances and foreign currency, the Monetary Authorities denominated the existing RTGS balances in circulation, as RTGS dollars. The RBZ pegged the initial trades at 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 during the reporting period.

13. DEPOSITS AND OTHER LIABILITIES

13.1 Deposits and other liabilities

	Inflation Adjusted		Historical Cost	
	31 December 2020 ZWL	31 December 2019 ZWL Restated	31 December 2020 ZWL	31 December 2019 ZWL
Deposits from banks and other financial institutions**	1 603 493 431	1 386 184 358	1 603 493 431	309 012 254
Current and deposit accounts from customers*	4 659 257 433	3 956 827 863	4 659 257 433	882 067 591
Total deposits	6 262 750 864	5 343 012 221	6 262 750 864	1 191 079 845
Trade and other payables*	151 192 601	309 121 654	151 192 601	77 066 171
	6 413 943 465	5 652 133 875	6 413 943 465	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 ZWL707 186 403 (2019 – ZWL654 115 604), ZWL365 711 501 (2019 – ZWL330 653 630) and ZWL484 792 463 (2019 – ZWL90 292 554) 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 Afreximbank 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 preceding year, 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 during the reporting period, the above mentioned lines of credit balances have since been transferred to the RBZ for an orderly expunging of the debts. The Bank has been communicating with the lenders regarding these developments.balances have since been 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 31 December 2020 at the closing rate of USD/ZWL1:81.3486. 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. During the reporting period, the RBZ approved the legacy debt in respect of the FMO and Swedfund lines of credit.

13.2 Maturity analysis

	Inflation Adjusted		Historical Cost	
	31 December 2020 ZWL	31 December 2019 ZWL Restated	31 December 2020 ZWL	31 December 2019 ZWL
Less than 1 month	5 498 905 442	4 686 461 205	5 498 905 442	1 044 719 581
1 to 3 months	749 093 396	226 671 312	749 093 396	50 530 229
3 to 6 months	9 281 600	151 148 281	9 281 600	33 694 415
6 months to 1 year	2 145 131	197 063 165	2 145 131	43 929 895
1 to 5 years	3 160 969	80 807 732	3 160 969	18 013 895
Over 5 years	164 326	860 526	164 326	191 830
	6 262 750 864	5 343 012 221	6 262 750 864	1 191 079 845

13.3 Sectoral analysis of deposits

	Inflation Adjusted			
	31 December 2020 ZWL	%	31 December 2019 ZWL Restated	%
Agriculture	136 424 405	2	113 854 228	2
Banks and other financial institutions	1 603 493 431	26	1 386 184 358	26
Distribution	567 405 668	9	535 137 029	10
Individuals	622 092 240	10	462 209 895	9
Manufacturing	742 623 796	12	736 800 679	14
Mining companies	108 883 701	2	90 869 882	2
Municipalities and parastatals	275 200 417	4	260 152 204	5
Other deposits	781 769 028	13	519 515 687	10
Services	1 146 241 726	18	969 121 283	18
Transport and telecommunications	278 616 452	4	269 166 976	4
	6 262 750 864	100	5 343 012 221	100

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)

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13.3 Sectoral analysis of deposits (Continued)

	Historical Cost			
	31 December 2020 ZWL	%	31 December 2019 ZWL	%
Agriculture	136 424 405	2	25 380 717	2
Banks and other financial institutions	1 603 493 431	26	309 012 254	26
Distribution	567 405 668	9	119 294 305	10
Individuals	622 092 240	10	103 037 176	9
Manufacturing	742 623 796	12	164 249 753	14
Mining companies	108 883 701	2	20 256 979	2
Municipalities and parastatals	275 200 417	4	57 993 887	5
Other deposits	781 769 028	13	115 811 950	10
Services	1 146 241 726	18	216 039 339	18
Transport and telecommunications	278 616 452	4	60 003 485	4
	6 262 750 864	100	1 191 079 845	100

13.4 Lease Liabilites

	Inflation Adjusted		Historical Cost	
	31 December 2020 ZWL	31 December 2019 ZWL Restated	31 December 2020 ZWL	31 December 2019 ZWL
At 1 January	14 978 271	30 443 511	3 338 967	3 078 687
Monetary adjustment	(10 277 836)	(3 574 861)	-	-
Remeasurements	36 968 582	3 398 610	29 233 252	757 613
Finance costs accrual	13 205 194	3 493 181	6 031 589	778 710
Payment of lease liability	(30 928 423)	(18 782 170)	(14 658 020)	(1 276 043)
	23 945 788	14 978 271	23 945 788	3 338 967

14. FINANCIAL INSTRUMENTS

14.1 Investment securities

	Note	Inflation Adjusted		Historical Cost	
		31 December 2020 ZWL	31 December 2019 ZWL Restated	31 December 2020 ZWL	31 December 2019 ZWL
Amortised cost – Gross		1 086 000 591	482 537 469	1 086 000 591	107 568 657
Impairment allowance	16.3				
Stage 1		(4 180 134)	(1 805 570)	(4 180 134)	(402 502)
		1 081 820 457	480 731 899	1 081 820 457	107 166 155

The Group holds Treasury Bills and Government Bonds amounting to ZWL1 086 000 591 with interest rates ranging from 5% 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 ZWL1 081 820 457, a total of ZWL173 295 710 had been pledged as security against interbank borrowings..

14.2 Maturity analysis of investment securities – amortised cost

	Inflation adjusted		Historical Cost	
	31 December 2020 ZWL	31 December 2019 ZWL Restated	31 December 2020 ZWL	31 December 2019 ZWL
Less than 1 month	400 000 000	11 214 639	400 000 000	2 500 000
1 to 3 months	450 000 000	28 664 954	450 000 000	6 390 075
3 to 6 months	100 360 440	85 231 257	100 360 440	19 000 000
6 months to 1 year	124 257 920	245 768 444	124 257 920	54 787 417
1 to 5 years	-	60 599 131	-	13 508 934
Over 5 years	11 382 231	51 059 044	11 382 231	11 382 231
	1 086 000 591	482 537 469	1 086 000 591	107 568 657
Expected Credit loss allowance	(4 180 134)	(1 805 570)	(4 180 134)	(402 502)
	1 081 820 457	480 731 899	1 081 820 457	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 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 Dec 2020 ZWL	Level 1 ZWL	Level 2 ZWL	Level 3 ZWL
Trade investments	10 877 672	-	-	10 877 672
	10 877 672	-	-	10 877 672
	31 Dec 2019 ZWL Restated	Level 1 ZWL	Level 2 ZWL	Level 3 ZWL
Trade investments	7 231 788	-	-	7 231 788
	7 231 788	-	-	7 231 788

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14.3.1 Financial instruments measured at fair value - fair value hierarchy (Continued)

	Historical Cost			
	31 Dec 2020 ZWL	Level 1 ZWL	Level 2 ZWL	Level 3 ZWL
Trade investments	10 877 672	-	-	10 877 672
	10 877 672	-	-	10 877 672
	31 Dec 2019 ZWL	Level 1 ZWL	Level 2 ZWL	Level 3 ZWL
Trade investments	1 612 131	-	-	1 612 131
	1 612 131	-	-	1 612 131

During the reporting periods ended 31 December 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.

Level 3 fair value measurements

Reconciliation – Trade and other investments

	Inflation Adjusted		Historical Cost	
	31 December 2020 ZWL	31 December 2019 ZWL Restated	31 December 2020 ZWL	31 December 2019 ZWL
Balance at 1 January	7 231 788	3 134 713	1 612 131	112 501
Gain recognised in profit or loss	3 645 884	4 097 075	9 265 541	1 499 630
	10 877 672	7 231 788	10 877 672	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	
	31 December 2020 ZWL	31 December 2019 ZWL Restated	31 December 2020 ZWL	31 December 2019 ZWL
Assets				
Cash and cash equivalents	1 964 637 240	2 208 405 864	1 964 637 240	492 304 267
Loans, advances and other accounts	3 992 648 603	3 824 449 644	3 730 886 733	817 960 242
Investment securities	1 081 820 457	480 731 899	1 081 820 457	107 166 155
Total	7 039 106 300	6 513 587 407	6 777 344 430	1 417 430 664
Liabilities				
Deposits and other liabilities	6 413 943 465	5 652 133 875	6 413 943 465	1 268 146 016
	6 413 943 465	5 652 133 875	6 413 943 465	1 268 146 016

15. CASH AND CASH EQUIVALENTS

		Inflation Adjusted		Historical Cost	
		31 December 2020 ZWL	31 December 2019 ZWL Restated	31 December 2020 ZWL	31 December 2019 ZWL
Balances with the Central Bank		416 178 289	1 197 870 374	416 178 289	267 032 753
Current, nostro accounts* and cash		1 394 496 343	718 678 470	1 394 496 343	160 209 897
Interbank placements		155 000 000	293 823 543	155 000 000	65 500 000
Expected Credit loss allowance	16.3	(1 037 392)	(1 966 523)	(1 037 392)	(438 383)
		1 964 637 240	2 208 405 864	1 964 637 240	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 and the Bank's transactions which include payments and cash withdrawals.

16. TOTAL LOANS, ADVANCES AND OTHER ASSETS

	Inflation Adjusted		Historical Cost	
	31 December 2020 ZWL	31 December 2019 ZWL Restated	31 December 2020 ZWL	31 December 2019 ZWL
Fixed term loans – Corporate	1 562 652 442	1 187 356 239	1 562 652 442	264 688 911
Fixed term loans – Retail	281 313 339	425 135 512	281 313 339	94 772 446
Mortgages	93 469 773	262 816 821	93 469 773	58 587 891
Overdrafts	361 361 619	437 823 811	361 361 619	97 600 959
	2 298 797 173	2 313 132 383	2 298 797 173	515 650 207
Other assets	1 693 851 430	1 511 317 261	1 432 089 560	302 310 035
	3 992 648 603	3 824 449 644	3 730 886 733	817 960 242

16.1 Maturity analysis

	Inflation Adjusted		Historical Cost	
	31 December 2020 ZWL	31 December 2019 ZWL Restated	31 December 2020 ZWL	31 December 2019 ZWL
Less than 1 month	1 033 855 947	621 004 551	1 033 855 947	138 436 142
1 to 3 months	289 817 298	287 785 692	289 817 298	64 154 025
3 to 6 months	123 458 690	97 071 834	123 458 690	21 639 536
6 months to 1 year	285 085 872	473 261 772	285 085 872	105 500 893
1 to 5 years	601 281 710	689 385 946	601 281 710	153 679 923
Over 5 years	118 490 170	222 945 992	118 490 170	49 699 770
Total advances	2 451 989 687	2 391 455 787	2 451 989 687	533 110 289
Allowances for impairment losses on loans and advance	(152 784 373)	(76 776 964)	(152 784 373)	(17 115 343)
ECL at 1 January	(76 776 964)	(370 608 882)	(17 115 343)	(13 300 690)
Monetary adjustment	59 661 621	310 943 909	-	-
ECL charge through profit or loss	(139 000 331)	(22 113 552)	(139 000 331)	(4 929 615)
Bad debts written off	3 331 301	5 001 561	3 331 301	1 114 962
Suspended interest on credit impaired financial assets	(408 141)	(1 546 440)	(408 141)	(344 739)
	2 298 797 173	2 313 132 383	2 298 797 173	515 650 207
Other assets	1 693 851 430	1 511 317 261	1 432 089 560	302 310 035
	3 992 648 603	3 824 449 644	3 730 886 733	817 960 242

The Bank is continuing recovery efforts in respect of loans written off in the year under review amounting to ZWL3 331 301.

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16.2 Sectoral analysis of utilisations

	Inflation Adjusted				Historical Cost			
	31 December 2020 ZWL	%	31 December 2019 ZWL Restated	%	31 December 2020 ZWL	%	31 December 2019 ZWL	%
Agriculture and horticulture	576 171 487	23	434 087 244	18	576 171 487	23	96 767 992	18
Conglomerates	41 000 000	2	10 754 380	1	41 000 000	2	2 397 398	1
Distribution	244 984 807	10	393 795 281	16	244 984 807	10	87 785 991	16
Food & beverages	220 830 811	9	132 143 741	6	220 830 811	9	29 457 868	6
Individuals	386 873 236	16	566 169 298	24	386 873 236	16	126 212 109	24
Manufacturing	303 504 490	12	273 362 783	11	303 504 490	12	60 715 905	11
Mining	1 169 804	-	5 190 674	-	1 169 804	-	1 157 120	-
Services	677 455 052	28	576 952 386	24	677 455 052	28	128 615 906	24
	2 451 989 687	100	2 391 455 787	100	2 451 989 687	100	533 110 289	100

The material concentration of loans and advances is with services sector at 28% (2019 - 24%) and the agriculture and horticulture sector at 23 % (2019 - 18%).

16.3 Impairment analysis of financial assets measured at amortised cost

Inflation Adjusted

	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount at 1 January 2020	3 998 366 764	52 618 440	32 665 167	4 083 650 371
Monetary adjustment	(3 107 039 200)	(40 888 584)	(25 383 353)	(3 173 311 137)
Transfers	(18 745 248)	15 638 978	3 106 270	-
- to 12 months to ECL	11 520 254	(11 255 119)	(265 135)	-
- to lifetime ECL not credit impaired	(27 771 744)	27 935 519	(163 775)	-
- to lifetime ECL credit impaired	(2 493 758)	(1 041 422)	3 535 180	-
Net movement in financial assets	2 924 011 632	13 364 320	328 726	2 937 704 678
Balance as at 31 December 2020	**3 796 593 948**	**40 733 154**	**10 716 810**	**3 848 043 912**
Loss allowance analysis	89 981 483	3 677 029	17 862 444	111 520 956
- ECL – Loans, advances & guarantees	55 237 491	3 677 029	17 862 444	76 776 964
- Guarantees and facilities approved not drawn down	30 971 903	-	-	30 971 903
- ECL – Investment securities	1 805 566	-	-	1 805 566
- ECL – Interbank placements	1 966 523	-	-	1 966 523
Monetary adjustment	(69 922 552)	(2 857 335)	(13 880 496)	(86 660 383)
Transfers	(5 544 987)	4 604 170	940 818	-
- to 12 month ECL	1 144 087	(1 123 468)	(20 619)	-
- to lifetime ECL not credit impaired	(6 211 014)	6 247 125	(36 111)	-
- to lifetime ECL credit impaired	(478 060)	(519 487)	997 548	-
Net increase/(decrease) in ECL	122 188 399	3 780 921	2 005 420	127 974 740
Loans and advances	122 735 705	3 780 921	5 336 721	131 853 347
Guarantees and facilities approved not drawn down	(4 923 947)	-	-	(4 923 947)
Investment securities	3 777 631	-	-	3 777 631
Interbank placements	599 010	-	-	599 010
Bad debts written off	-	-	(3 331 301)	(3 331 301)
Revaluation exchange on loans and advances ECL	7 146 984	-	-	7 146 984
Balance as at 31 December 2020	**143 849 327**	**9 204 785**	**6 928 186**	**159 982 298**
Loans and advances	136 651 402	9 204 785	6 928 186	152 784 373
Guarantees and facilities approved not drawn down	1 980 398	-	-	1 980 398
Investment securities	4 180 134	-	-	4 180 134
Interbank placements	1 037 392	-	-	1 037 392
	143 849 327	**9 204 785**	**6 928 186**	**159 982 298**

16.3 Impairment analysis of financial assets measured at amortised cost

Inflation Adjusted

	Stage 1	Restated Stage 2	Stage 3	Total
Gross carrying amount at 1 January 2019	10 372 667 341	569 220 752	445 219 314	11 387 107 406
Monetary adjustment	(8 657 895 019)	(632 066 397)	(455 393 530)	(9 745 354 946)
Transfers	(44 193 878)	50 132 828	(5 938 950)	
- to 12 months to ECL	6 023 795	(5 527 068)	(496 728)	-
- to lifetime ECL not credit impaired	(46 356 437)	57 584 624	(11 228 186)	-
- to lifetime ECL credit impaired	(3 861 236)	(1 924 728)	5 785 964	-
Net movement in financial assets	2 327 788 320	65 331 257	48 778 333	2 441 897 910
Balance as at 31 December 2019	**3 998 366 764**	**52 618 440**	**32 665 167**	**4 083 650 371**
Loss allowance analysis				
At 1 January 2019	34 762 887	3 828 104	23 367 674	61 958 665
- ECL – Loans, advances & guarantees	32 469 190	3 828 104	23 367 674	59 664 968
- ECL – Investment securities	1 993 469	-	-	1 993 469
- ECL – Interbank placements	300 228	-	-	300 228
Transfers	(3 881 638)	3 930 852	(49 214)	-
- to 12 month ECL	157 593	(146 903)	(10 690)	-
- to lifetime ECL not credit impaired	(3 040 060)	4 593 817	(1 553 757)	-
- to lifetime ECL credit impaired	(999 171)	(516 062)	1 515 233	-
Net increase/(decrease) in ECL	59 100 228	(4 081 927)	(5 456 025)	49 562 276
Loans and advances	26 649 947	(4 081 927)	(454 464)	22 113 553
Guarantees and facilities approved not drawn down	30 971 885	-	-	30 971 885
Investment securities	(187 900)	-	-	(187 900)
Interbank placements	1 666 296	-	-	1 666 296
Bad debts written off	-	-	(5 001 561)	(5 001 561)
Balance as at 31 December 2019	**89 981 477**	**3 677 029**	**17 862 435**	**111 520 941**
Loans and advances	55 237 500	3 677 029	17 862 435	76 776 964
Guarantees and facilities approved not drawn down	30 971 885	-	-	30 971 885
Investment securities	1 805 570	-	-	1 805 570
Interbank placements	1 966 523	-	-	1 966 523
Balance as at 31 December 2019	**89 981 477**	**3 677 029**	**17 862 435**	**111 520 941**

NOTES TO THE CONDENSED FINANCIAL STATEMENTS
for the year ended 31 December 2020

16.4 Credit-impaired financial assets

	Inflation Adjusted		Historical Cost	
	31 December 2020 ZWL	31 December 2019 ZWL Restated	31 December 2020 ZWL	31 December 2019 ZWL
Total credit impaired financial assets	10 716 808	32 665 167	10 716 808	7 281 814
Expected credit losses on credit impaired financial assets	(6 928 186)	(17 862 444)	(6 928 186)	(3 981 948)
Retail loans insurance	(499 057)	(2 238 696)	(499 057)	(499 057)
Suspended interest on credit-impaired financial assets	(408 141)	(1 546 440)	(408 141)	(344 739)
Net credit impaired financial assets	2 881 424	11 017 587	2 881 424	2 456 070

The net credit impaired financial assets represents recoverable portions covered by realisable security, which includes guarantees, cessation of debtors, mortgages over properties, equities and promissory notes all fair valued at ZWL1 276 250 (2019 – ZWL42 146 249).

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

	Inflation Adjusted		Historical Cost	
	31 December 2020 ZWL	31 December 2019 ZWL Restated	31 December 2020 ZWL	31 December 2019 ZWL
Executive directors	950 501	3 347 229	950 501	746 174
Officers	68 885 501	134 337 317	68 885 501	26 946 866
Officers' companies	-	-	-	-
	69 836 002	137 684 546	69 836 002	27 693 040
ECL on staff loans – Stage 1	(5 067 579)	(218 685)	(5 067 579)	(48 750)
	64 768 423	137 465 861	64 768 423	27 644 290

17. INTANGIBLE ASSETS

Inflation Adjusted

	Computer Software ZWL	Total ZWL
Cost		
Balance at 1 January 2019	211 223 328	211 223 328
Acquisitions	2 857 048	2 857 048
Capitalisation	-	-
Balance at 31 December 2019	214 080 376	214 080 376
Acquisitions	7 828 681	7 828 681
Balance at 31 December 2020	**221 909 057**	**221 909 057**
Accumulated amortisation		
Balance at 1 January 2019	133 469 410	133 469 409
Amortisation for the year	28 513 215	28 513 216
Balance at 31 December 2019	161 982 625	161 982 625
Amortisation for the year	24 416 805	24 416 805
Balance at 31 December 2020	**186 399 430**	**186 399 430**
Carrying amount		
At 31 December 2020	35 509 627	35 509 627
Restated at 31 December 2019	52 097 749	52 097 749
At 1 January 2019 - Restated	77 753 918	77 753 918

Historical Cost

	Computer Software ZWL	Total ZWL
Cost		
Balance at 1 January 2019	5 375 405	5 375 405
Acquisitions	94 320	94 320
Capitalisation	-	-
Balance at 1 January 2019	5 469 725	5 469 725
Acquisitions	3 652 103	3 652 103
Balance at 31 December 2020	9 121 828	9 121 828
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	915 580	915 580
Balance at 31 December 2020	4 988 121	4 988 121
Carrying amount		
At 31 December 2020	4 133 707	4 133 707
At 31 December 2019	1 397 186	1 397 186
At 1 January 2019	**2 036 773**	**2 036 77**

NOTES TO THE CONDENSED FINANCIAL STATEMENTS
for the year ended 31 December 2020

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	299 956 370	284 611 050	51 149 660	181 066 977	-	112 346 127	929 130 184
Additions	82 249 874	51 491 608	5 205 185	19 511 309	-	-	158 457 976
Capitalisations	(64 658 100)	5 502 543	1 317 424	4 566 022	-	53 272 111	-
Revaluation gain	-	-	-	-	-	656 033 161	656 033 161
Translation gains on change in functional	-	-	-	-	-	387 245 018	387 245 018
Initial recognition – Right of use assets	-	-	-	-	67 778 565	-	67 778 565
Remeasurement – Right of use assets	-	-	-	-	3 398 610	-	3 398 610
At 31 December 2019 - restated	317 548 144	341 605 201	57 672 269	205 144 308	71 177 175	1 208 896 417	2 202 043 514
Additions	182 930 656	69 629 485	-	2 600 213	-	-	255 160 354
Remeasurement – Right of use assets	-	-	-	-	36 968 582	-	36 968 582
Capitalisations	(69 856 376)	23 034 417	2 738 632	36 227 221	-	7 856 106	-
Revaluations	-	-	-	-	-	240 471 407	240 471 407
Disposals	-	(904 038)	(15 076 762)	(13 731 577)	-	-	(29 712 377)
At 31 December 2020	**430 622 424**	**433 365 065**	**45 334 139**	**230 240 165**	**108 145 757**	**1 457 223 930**	**2 704 931 480**
Accumulated depreciation							
At 1 January 2019 - restated	-	148 685 254	40 815 524	150 293 775	-	10 912 729	350 707 282
Charge for the year	-	47 588 166	7 737 014	11 168 351	-	2 710 722	69 204 253
Right of use Assets	-	-	-	-	13 854 547	-	13 854 547
At 31 December 2019 - restated	-	**196 273 420**	**48 552 538**	**161 462 126**	**13 854 547**	**13 623 451**	**433 766 082**
Charge for the year – Property and equipment	-	48 910 965	3 900 074	14 744 475	-	1 606 329	69 161 843
Charge for period – Right of use assets	-	-	-	-	11 116 446	-	11 116 446
Disposals	-	(904 038)	(15 076 760)	(11 303 628)	-	-	(27 284 426)
At 31 December 2020	**-**	**244 280 347**	**37 375 852**	**164 902 973**	**24 970 993**	**15 229 780**	**486 759 945**
Carrying amount							
At 31 December 2020	430 622 424	189 084 718	7 958 287	65 337 191	83 174 764	1 441 994 151	2 218 171 535
At 31 December 2019 – Restated	317 548 144	145 331 781	9 119 731	43 682 182	57 322 628	1 195 272 966	1 768 277 432
At 1 January 2019 - Restated	299 956 370	135 925 796	10 334 136	30 773 202	-	101 433 398	578 422 902

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

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	9 463 995	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
Initial recognition - Right of use assets	-	-	-	-	3 338 967	-	3 338 967
Remeasurement – Right of use assets	-	-	-	-	757 613	-	757 613
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
Reclassification from Investment properties	-	-	-	-	-	40 600	40 600
At 31 December 2019	**14 824 374**	**11 615 145**	**1 769 802**	**6 848 941**	**4 096 580**	**268 382 880**	**307 537 721**
Additions	52 381 396	56 223 172	-	2 147 918	-	-	110 752 486
Remeasurement – Right of use assets	-	-	-	-	29 233 252	-	29 233 252
Capitalisations	(58 590 341)	15 356 278	1 994 819	36 227 220	-	5 012 023	-
Disposals	-	(46 837)	(372 492)	(396 841)	-	-	(816 170)
Revaluation gain	-	-	-	-	-	1 183 829 028	1 183 829 028
At 31 December 2020	**8 615 429**	**83 147 758**	**3 392 129**	**44 827 238**	**33 329 832**	**1 457 223 931**	**1 630 536 318**
Accumulated depreciation							
At 1 January 2019	-	3 607 903	1 008 262	3 626 458	-	391 644	8 634 267
Charge for the year – Property and equipment	-	1 427 692	222 449	481 383	-	175 836	2 307 360
Charge for the year – Right of use assets	-	-	-	-	1 310 867	-	1 310 867
At 31 December 2019	**-**	**5 035 595**	**1 230 711**	**4 107 841**	**1 310 867**	**567 480**	**12 252 494**
Charge for the year	-	5 048 413	341 867	2 257 704	-	14 662 300	22 310 284
Charge for period – Right of Use Asset	-	-	-	-	8 579 715	-	8 579 715
Disposals	-	(40 080)	(372 492)	(372 989)	-	-	(785 561)
At 31 December 2020	**-**	**10 043 928**	**1 200 086**	**5 992 556**	**9 890 582**	**15 229 780**	**42 356 932**
Carrying amount							
At 31 December 2020	8 615 429	73 103 831	2 192 043	38 834 681	23 439 250	1 441 994 151	1 588 179 384
At 31 December 2019	14 824 373	6 579 550	539 092	2 741 099	2 785 713	267 815 400	295 285 227
At 1 January 2019	9 463 994	3 805 448	261 508	851 764	-	3 461 354	17 844 069

Measurement of fair value

Fair value hierarchy

Immovable properties were revalued as at 31 December 2020 on the basis of valuations carried out by independent professional valuers, PMA Real Estate (Private) Limited. The valuation which conforms to International Valuation Standards, was in terms of the policy as set out in the accounting policies section. All movable assets are measured at their carrying amounts which are arrived at by the application of a depreciation charge on their cost values over the useful lives of the assets.

The valuation of land and buildings was arrived by applying yield rates of 10% on rental levels of between ZWL332 – ZWL574 per square metre.

Level 3

The fair value of immovable properties of ZWL1 441 994 151 (2019 – ZWL1 193 666 636) has been categorised under level 3 in the fair value hierarchy based on the inputs used for the valuation technique described below.

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

	Inflation Adjusted 31 December 2020 ZWL	Inflation Adjusted 31 December 2019 ZWL Restated	Historical Cost 31 December 2020 ZWL	Historical Cost 31 December 2019 ZWL
At 1 January	1 195 272 966	112 346 127	267 815 400	3 461 354
Translation gains on change in functional currency	-	387 245 018	-	15 649 358
Transfers from work in progress	7 856 106	53 272 111	5 012 023	11 875 574
Revaluation gain	240 471 407	656 033 161	1 183 829 028	236 960 551
Impairment reversal	-	-	-	40 600
Depreciation	(1 606 328)	(13 623 451)	(14 662 300)	(172 037)
Balance at 31 December	1 441 994 151	1 195 272 966	1 441 994 151	267 815 400

Valuation technique and significant unobservable inputs

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

Valuation Technique	Significant Unobservable Inputs	Inter-relationship between key unobservable inputs and fair value measurement
The Direct Comparison Method was applied on all residential properties	• Weighted average expected market rental growth (5%); and • Average market yield of 10%.	The estimated fair value would increase / (decrease) if: • Expected market rental growth were higher/ (lower); and • The risk adjusted discount rates were lower/ (higher).

Below is an indication of the sensitivity analysis following changes on the significant unobservable inputs:-

	Changes in fair value following changes in:	
Change (%)	Expected market rental growth	Discount rates
+5%	16 964 637	59 683 332
+3%	10 178 782	35 809 999
+1%	3 392 927	11 936 666
-1%	(3 392 927)	(11 936 666)
-3%	(10 178 728)	(35 809 999)
-5%	(16 964 637)	(59 683 332)

19. CAPITAL COMMITMENTS

	Inflation Adjusted 31 December 2020 ZWL	Inflation Adjusted 31 December 2019 ZWL Restated	Historical Cost 31 December 2020 ZWL	Historical Cost 31 December 2019 ZWL
Capital expenditure contracted for	-	26 145 307	-	5 828 388
Capital expenditure authorised but not yet contracted for	290 414 317	527 401 476	290 414 317	117 569 873
Balance at 31 December	290 414 317	553 546 783	290 414 317	123 398 261

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

20. CONTINGENT LIABILITIES

	Inflation adjusted 31 December 2020 ZWL	Inflation adjusted 31 December 2019 ZWL Restated	Historical Cost 31 December 2020 ZWL	Historical Cost 31 December 2019 ZWL
Guarantees	107 418 549	569 489 191	107 418 549	126 952 189
Facilities approved but not drawn down	47 635 086	90 021 971	47 635 086	20 067 960
Expected credit losses on facilities approved but not drawdown	(1 490 863)	(6 525 618)	(1 490 863)	(1 477 002)
Expected credit losses on guarantees	(489 529)	(24 346 282)	(489 529)	(5 427 344)
Balance at 31 December	153 073 243	628 639 262	153 073 243	140 115 803

21. EXCHANGE RATES

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

		31 December 2020 Mid - rate ZWL	31 December 2019 Mid - rate ZWL
United States Dollar	USD	81.3486	16.7734
British Sterling	GBP	111.5978	22.1677
South African Rand	ZAR	5.5919	0.8350
European Euro	EUR	100.3522	18.8164
Botswana Pula	BWP	7.5734	0.6302

22. EVENTS AFTER REPORTING DATE

Subsequent to the Group's year end date of 31 December 2020, the Government of Zimbabwe announced more stringent COVID-19 induced lockdown measures in an attempt to contain the spread of the novel Corona virus. The Directors assessed this development and concluded that this had no impact on the Group's operations, largely due to the fact that the nation had been operating under lockdown conditions of varying degrees for the greater part of the year and no material adverse impact was noted in terms of the Group's operations.

NMB BANK LIMITED

Registered Commercial Bank. A Member of The Deposit Protection Scheme

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2020

	Note	Inflation Adjusted 31 December 2020 ZWL	Inflation Adjusted 31 December 2019 ZWL Restated	Historical Cost * 31 December 2020 ZWL	Historical Cost * 31 December 2019 ZWL
Interest income		760 901 869	808 407 006	501 216 271	70 557 190
Interest expense		(142 992 756)	(231 899 654)	(90 638 279)	(16 894 088)
Net interest income		617 909 113	576 507 352	410 577 992	53 663 102
Fee and commissions income		1 131 552 573	821 825 071	815 541 357	87 242 303
Net foreign exchange gains		128 836 005	1 143 047 353	217 274 144	99 863 112
Revenue		1 878 297 691	2 541 379 776	1 443 393 493	240 768 517
Other income	a	257 605 427	505 136 261	1 226 846 996	206 622 639
Operating income		2 135 903 118	3 046 516 037	2 670 240 489	447 391 156
Operating expenditure	b	(1 276 919 952)	(1 078 732 397)	(814 252 563)	(105 925 077)
Operating income before impairment charge and loss on net monetary position		858 983 166	1 967 783 640	1 855 987 926	341 466 079
Impairment losses on loans and advances financial assets measured at amortised cost		(127 974 740)	(49 562 276)	(127 974 740)	(11 048 567)
Loss on net monetary position		(33 913 732)	(1 531 074 030)	-	-
Profit before taxation		697 094 694	387 147 334	1 728 013 186	330 417 512
Taxation credit/(charge)		143 895 722	(314 036 945)	85 514 320	(44 513 700)
Profit for the period		840 990 416	73 110 389	1 813 527 506	285 903 812
Other comprehensive income					
Items that will not be reclassified to profit or loss					
Revaluation of land and buildings, net of tax	c	181 026 875	487 104 622	891 186 492	175 943 209
Items that may be reclassified to profit or loss					
Translation gain on change in functional currency		-	287 529 426	-	11 619 648
Total comprehensive income for the year		1 022 017 291	847 744 437	2 704 713 998	473 466 669
Earnings per share (ZWL cents)					
- Basic and diluted	d	5 095.04	442.93	10 987.05	1 732.12
- Headline	d	5 043.08	412.71	10 852.93	1 722.74

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

STATEMENT OF FINANCIAL POSITION
as at 31 December 2020

	Note	Inflation Adjusted 31 December 2020 ZWL	Inflation Adjusted 31 December 2019 ZWL Restated	Historical Cost* 31 December 2020 ZWL	Historical Cost* 31 December 2019 ZWL
SHAREHOLDER'S FUNDS					
Share capital	e	726 287	726 287	16 506	16 506
Share premium		1 287 623 341	1 287 623 341	31 474 502	31 474 502
Functional currency translation reserve		287 529 426	287 529 426	11 619 648	11 619 648
Revaluation reserve		668 131 497	487 104 622	1 067 266 442	176 079 950
Retained earnings		1 816 157 257	975 166 841	2 142 925 978	329 398 472
Total shareholder's funds		**4 060 167 808**	**3 038 150 517**	**3 253 303 076**	**548 589 078**
LIABILITIES					
Deposits and other liabilities		6 411 399 844	5 677 309 617	6 411 399 844	1 265 602 395
Current tax liabilities		57 280 584	3 142 149	57 280 584	700 457
Deferred tax liabilities		291 053 567	505 558 370	174 741 298	97 666 693
Subordinated term loan		132 632 641	127 220 391	132 632 641	28 360 340
Amount owing to Holding company		2 143 122	9 613 735	2 143 122	2 143 122
Total liabilities		**6 894 509 758**	**6 322 844 262**	**6 778 197 489**	**1 394 473 007**
Total shareholder's funds and liabilities		**10 954 677 566**	**9 360 994 779**	**10 031 500 565**	**1 943 062 085**
ASSETS					
Cash and cash equivalents	f	1 964 637 240	2 208 405 864	1 964 637 240	492 304 267
Investment securities		1 081 820 457	480 731 898	1 081 820 457	107 166 155
Loans, advances and other assets		3 990 164 559	3 813 095 469	3 728 355 629	815 429 137
Unquoted investments		10 877 672	7 231 787	10 877 672	1 612 131
Investment properties	g	1 653 496 476	1 031 154 580	1 653 496 476	229 867 982
Intangible assets		35 509 627	52 097 750	4 133 707	1 397 186
Property and equipment		2 218 171 535	1 768 277 431	1 588 179 384	295 285 227
Total assets		**10 954 677 566**	**9 360 994 779**	**10 031 500 565**	**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 auditors have not expressed an opinion on the historical cost information.

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 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	726 287	1 287 623 341	-	-	929 976 402	2 218 326 030
Profit for the year	-	-	-	-	73 110 389	73 110 389
Revaluation of land and buildings, net of tax	-	-	-	487 104 622	-	487 104 622
Change in functional currency	-	-	287 529 426	-	-	287 529 426
Dividends paid	-	-	-	-	(27 919 950)	(27 919 950)
Balances at 31 December 2019	726 287	1 287 623 341	287 529 426	487 104 622	975 166 841	3 038 150 517
Profit for the year	-	-	-	-	840 990 416	840 990 416
Revaluation of land and buildings, net of tax	-	-	-	181 026 875	-	181 026 875
Balances at 31 December 2020	**726 287**	**1 287 623 341**	**287 529 426**	**668 131 497**	**1 816 157 257**	**4 060 167 808**

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
Profit for the year	-	-	-	-	285 903 812	285 903 812
Revaluation of land and buildings, net of tax	-	-	-	175 943 209	-	175 943 209
Dividend paid	-	-	-	-	(3 772 370)	(3 772 370)
Translation gain on change in functional currency, net of tax	-	-	11 619 648	-	-	11 619 648
Balances at 31 December 2019	16 506	31 474 502	11 619 648	176 079 950	329 398 472	548 589 078
Profit of the year	-	-	-	-	1 813 527 506	1 813 527 506
Revaluation of land and buildings, net of tax	-	-	-	891 186 492	-	891 186 492
Balances at 31 December 2020	16 506	31 474 502	11 619 648	1 067 266 442	2 142 925 978	3 253 303 076

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STATEMENT OF CASH FLOWS
for the year ended 31 December 2020

	Inflation Adjusted 31 December 2020 ZWL	Inflation Adjusted 31 December 2019 ZWL Restated	Historical Cost* 31 December 2020 ZWL	Historical Cost* 31 December 2019 ZWL
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation	697 094 694	387 147 334	1 728 013 186	330 417 512
Non-cash items				
- Impairment losses on financial assets measured at amortised cost	127 974 740	49 562 276	127 974 740	11 048 567
- Investment properties fair value adjustment	(228 646 579)	(419 983 776)	(1 182 737 157)	(194 387 322)
- Profit on disposal of property and equipment	(7 881 999)	-	(7 091 399)	-
- Loss/(profit) on disposal of investment properties	2 198 385	(2 620 407)	(10 867 431)	(584 149)
- Trade and other investments fair value gains	(3 645 884)	(4 097 075)	(9 265 541)	(1 499 630)
- Impairment reversal on land and buildings	-	-	-	(40 600)
- Depreciation (excluding Right of use assets)	69 161 843	69 204 253	22 310 284	2 307 360
- Depreciation – Right of use assets	11 116 446	13 854 547	8 579 715	1 310 867
- Interest capitalised on subordinated term loan	-	16 955 691	-	1 151 954
- Amortisation of intangible assets	24 416 805	28 513 216	915 580	733 909
- Unrealised foreign exchange gains	(204 729 322)	(414 431 455)	(204 729 321)	(92 386 267)
Operating cash flows before changes in operating assets and liabilities	487 059 129	(275 895 395)	473 102 656	58 072 201
Changes in operating assets and liabilities				
Increase/(decrease) in deposits and other liabilities	2 911 107 621	(8 118 094 629)	2 911 107 622	523 624 534
(Increase)/decrease in loans, advances and other assets	(2 747 298 628)	4 416 537 017	(1 356 362 812)	(298 115 759)
Net cash generated/(used) from operations	650 868 122	(3 977 453 008)	2 027 847 466	283 580 977
Taxation				
Corporate tax paid	(85 059 033)	(65 138 187)	(73 473 484)	(9 079 118)
Net cash inflow/(outflow) from operating activities	565 809 089	(4 042 591 194)	1 954 373 982	274 501 860
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds on disposal of property and equipment	10 309 948	-	7 122 008	-
Acquisition of intangible assets	(7 828 681)	(2 857 048)	(3 652 103)	(94 320)
Acquisition of property and equipment	(255 160 354)	(158 457 976)	(110 752 486)	(24 308 497)
Acquisition of investment properties	(411 275 642)	(8 698 276)	(245 405 846)	(351 515)
(Disposal)/Acquisition of investment securities	(974 654 302)	2 786 293 082	(974 654 303)	10 083 280
Decrease in amount owing from Holding Company	-	15 556 477	-	558 303
Increase in amount owing to Holding Company	-	48 148 236	-	2 143 122
Proceeds on disposal of investment properties	15 381 940	26 415 941	15 381 940	5 888 719
Net cash(outflow)/inflow from investing activities	(1 623 227 090)	2 706 400 436	(1 311 960 790)	(6 080 908)
CASH FLOWS FROM FINANCING ACTIVITIES				
Dividend paid	-	(89 430 083)	-	(3 772 370)
Payment of interest on subordinated term loan	-	(3 602 420)	-	(180 450)
Repayment of lease liabilities	(30 928 423)	(18 782 169)	(14 658 019)	(1 276 043)
Net cash outflow from financing activities	(30 928 423)	(111 814 672)	(14 658 019)	(5 228 863)
Net (decrease)/ increase in cash and cash equivalents	(1 088 346 425)	(1 448 005 430)	627 755 172	263 192 089
Net foreign exchange and monetary adjustments on cash and cash equivalents	844 577 801	523 370 454	844 577 801	116 671 266
Cash and cash equivalents at beginning of the year	2 208 405 864	3 133 040 840	492 304 267	112 440 912
Cash and cash equivalents at the end of the year (note f)	1 964 637 240	2 208 405 864	1 964 637 240	492 304 267
ADDITIONAL INFORMATION ON OPERATING CASHFLOWS FROM INTEREST				
Interest received	729 123 038	757 446 936	469 437 446	65 548 752
Interest paid (including interest on lease liabilities)	(116 012 408)	(215 571 870)	(63 657 930)	(15 089 895)

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NOTES TO THE CONDENSED FINANCIAL STATEMENTS
for the year ended 31 December 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	
	31 December 2020 ZWL	31 December 2019 ZWL Restated	31 December 2020 ZWL	31 December 2019 ZWL
Unquoted investments fair value gains	3 645 884	4 097 075	9 265 541	1 499 630
(Loss)/profit on disposal of investment properties	(2 198 385)	2 620 407	10 867 431	584 149
Profit on disposal of property and equipment	7 881 999	-	7 091 399	-
Fair value gains on investment properties	228 646 579	419 983 776	1 182 737 157	194 387 322
Rental income	7 610 897	5 745 809	5 641 865	391 885
Bad debts recovered	5 879 717	66 140 660	3 406 069	9 519 359
Other operating income	6 138 736	6 548 534	7 837 534	240 294
	257 605 427	505 136 261	1 226 846 996	206 622 639

b. OPERATING EXPENDITURE

The operating profit is after recognising the following:

	Inflation Adjusted		Historical Cost	
Administration costs**	621 371 606	520 734 317	395 981 906	55 305 935
Audit fees:				
- Current year	13 977 416	7 088 694	8 388 890	993 686
- Prior year	2 814 505	1 427 391	1 553 413	200 090
Impairment reversal on land and buildings*	-	-	-	(40 600)
Depreciation – (excluding Right of use assets)	69 161 843	69 204 253	22 310 284	2 307 360
Amortisation of intangible assets	24 416 806	28 513 216	915 580	733 909
Depreciation – Right of use assets	11 116 446	13 854 548	8 579 715	1 310 867
Directors' remuneration	34 698 537	27 608 198	13 902 765	2 531 536
- Fees for services as directors	13 309 810	7 110 228	3 520 400	644 487
- Expenses	237 005	570 374	37 960	80 767
- Services rendered	21 151 722	19 927 596	10 344 405	1 806 282
Staff costs - salaries, allowances and related costs	499 362 793	410 301 780	362 620 010	42 582 294
	1 276 919 952	1 078 732 397	814 252 563	105 925 077

*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.
**Included in administration costs are lease finance costs amounting to ZWL16 443 895 (2019 – ZWL11 561 568) in respect of property leases which the Group uses for the purpose of carrying on its trade.

c. OTHER COMPREHENSIVE INCOME

	Inflation Adjusted		Historical Cost	
	31 December 2020 ZWL	31 December 2019 ZWL Restated	31 December 2020 ZWL	31 December 2019 ZWL
Revaluations of land and buildings	240 471 407	656 029 331	1 183 829 028	236 950 551
Tax effect	(59 444 532)	(168 924 709)	(292 642 536)	(61 007 342)
	181 026 875	487 104 622	891 186 492	175 943 209
Translation gain on change in functional currency	-	387 248 848	-	15 649 358
Tax effect	-	(99 719 422)	-	(4 029 710)
	-	287 529 426	-	11 619 648
	181 026 875	774 634 048	891 186 492	187 562 857

d. EARNINGS PER SHARE

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

		Inflation Adjusted		Historical Cost	
		31 December 2020 ZWL	31 December 2019 ZWL Restated	31 December 2020 ZWL	31 December 2019 ZWL
d.1	**Earnings**				
	Profit for the year	840 990 416	73 110 389	1 813 527 506	285 903 812
	Headline earnings	832 412 839	68 122 659	1 791 390 811	284 356 607
d.2	**Number of shares**				
	Weighted average shares in issue	16 506 050	16 506 050	16 506 050	16 506 050
d.3	**Headline earnings**				
	Profit for the period	840 990 416	73 110 389	1 813 527 506	285 903 812
	Add/(deduct) non-recurring items				
	Unquoted investments fair value gains	(3 645 885)	(4 097 075)	(9 265 541)	(1 499 630)
	Profit on disposal of property and equipment	(7 881 999)	-	(7 091 399)	-
	Loss/(profit) on disposal of investment properties	2 198 385	(2 620 407)	(10 867 431)	(584 149)
	Tax thereon	751 922	1 729 752	5 087 676	536 574
	Headline earnings	832 412 839	68 122 659	1 791 390 811	284 356 607
d.4	**Earnings per share (ZWL cents)**				
	Basic and diluted	5 095.04	442.93	10 987.05	1 732.12
	Headline	5 043.08	412.71	10 852.93	1 722.74

e. SHARE CAPITAL

e.1 Authorised
The authorised ordinary share capital at 31 December 2020 is at the historical cost figure of ZWL25 000 (2019 - ZWL25 000) comprising 25 million ordinary shares of ZWL0.001 each.

e.2 Issued and fully paid
The issued share capital at 31 December 2020 is at the inflation adjusted figure of ZWL726 287 (2019 restated – ZWL726 287) and historical cost of ZWL16 506 (2019 – 16 506) comprising 16 506 050 (2019 – 16 506 050) ordinary shares of ZWL0.001 each in historical cost terms.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS
for the year ended 31 December 2020

f. CASH AND CASH EQUIVALENTS

	Inflation Adjusted		Historical Cost	
	31 December 2020 ZWL	31 December 2019 ZWL Restated	31 December 2020 ZWL	31 December 2019 ZWL
Balances with the Central Bank*	416 178 289	1 197 870 374	416 178 289	267 032 753
Current, nostro accounts and cash	1 394 496 343	718 678 470	1 394 496 343	160 209 897
Interbank placements (see below)	155 000 000	293 823 543	155 000 000	65 500 000
Expected Credit loss allowance (Stage 1)	(1 037 392)	(1 966 523)	(1 037 392)	(438 383)
	1 964 637 240	2 208 405 864	1 964 637 240	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 and the Bank's transactions which include payments and cash withdrawals

g. INVESTMENT PROPERTIES

	Inflation Adjusted		Historical Cost	
	31 December 2020 ZWL	31 December 2019 ZWL Restated	31 December 2020 ZWL	31 December 2019 ZWL
At 1 January	1 031 154 580	583 765 312	229 867 982	20 950 606
Additions	411 275 642	8 698 276	245 405 846	351 515
Disposals	(17 580 325)	(23 795 535)	(4 514 509)	(5 304 570)
Fair value gains	228 646 579	419 983 776	1 182 737 157	194 387 322
Reclassification from non-current assets held for sale	-	807 453	-	180 000
Translation gain on change in functional currency	-	41 695 297	-	19 303 109
At 31 December 2020	1 653 496 476	1 031 154 579	1 653 496 476	229 867 982

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

Rental income amounting to ZWL7 610 897 (2019 – ZWL5 745 809) was received and no operating expenses were incurred on the leased investment properties in the current year due to the net leasing arrangement on the properties.

The Bank has no restrictions on the realisability of its investment properties and no contractual obligations to purchase, construct or develop the investment properties or for repairs, maintenance and enhancements.

Measurement of fair value

Fair value hierarchy

The fair value of the Bank's investment properties as at 31 December 2020 has been arrived at on the basis of valuations carried out by independent professional valuers, PMA Real Estate (Private) Limited. The valuation which conforms to International Valuation Standards, was in terms of the policy as set out in the accounting policies section and was derived with reference to market information close to the date of the valuation.

Level 3

The fair value for investment properties of ZWL1 653 496 476 (2019 – restated ZWL1 031 154 580) has been categorised under level 3 in the fair value hierarchy based on the inputs used for the valuation technique described below.

Measurement of fair value (continued)

Valuation technique and significant unobservable inputs

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

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

Below is an indication of the changes in fair values following change to the key unobservable limits:

	Changes in fair value following changes in:		
	Expected market rental growth	Occupancy rates	Risk adjusted discount rates
+5%	82 674 824	177 364 674	217 959 661
+3%	49 604 894	106 418 804	130 775 796
+1%	16 534 965	35 472 935	43 591 932
-1%	- 16 534 965	(35 472 935)	(43 591 932)
-3%	- 49 604 894	(106 418 804)	(130 775 796)
-5%	- 82 674 824	(177 364 674)	(217 959 661)

Below is an indication of the sensitivity analysis at different void periods.

Void periods	Change in fair value
1 month	444 365 259
2 months	253 650 555
4 months	(127 778 851)

NOTES TO THE CONDENSED FINANCIAL STATEMENTS
for the year ended 31 December 2020

h. CORPORATE GOVERNANCE AND RISK MANAGEMENT

1. RESPONSIBILITY

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

2. CORPORATE GOVERNANCE

The Bank adheres to principles of corporate governance derived from the National Code on Corporate Governance Zimbabwe, King IV Report, the United Kingdom Combined Code and Reserve Bank of Zimbabwe 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. Board and Director evaluations are carried out an annual basis, wherein the effectiveness of the Board is reviewed, including its gender and skills mix. Furthermore, the independence of Independent Non-Executive Directors is reviewed on an annual basis. The Bank has in place an Ethics Charter ("Code of Ethics") that all Board and staff members are required to adhere to. Also the Bank adheres to its Environmental and Social Risk Management Framework, wherein its main objectives are to:

- Identify and assess environmental and social risks and opportunities associated with a Client's activities and its sphere of influence;
- Promote improved social and environmental performance of a Client's companies; and
- Avoid, or where avoidance is not possible, minimize, mitigate, or compensate for adverse impacts on workers, affected communities, and the environment.

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.

3.1 Directors' attendance (NMB Bank Limited Board is the same as the NMBZ Holdings Limited Board)

	Board of Directors		Audit Committee		Risk Management		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	5	5			1	1					4	4	4	4			3	3
Mr. B. Ndachena (E)	5	5					4	4							9	9		
Mr. B. P. Washaya (E)	5	5					4	4			4	4	4	4			3	3
Ms. S. Chitehwe	5	5	4	4			4	4	4	4					9	9	3	3
Mr. J. Tichelaar	5	5					4	4	4	3	4	4					3	3
Mr. J. de la Fargue	5	5			4	3	4	3			6	6	4	4	9	9		
Ms. J. Maguranyanga	5	4	4	4	3	3			4	4	6	6						
Mr. C. Chikaura	5	5	4	4	4	4	4	4			6	6	4	4	9	8		
Ms. C. Glover	5	5			4	4	4	4	4	4							3	3
Mr. G. Taputaira	5	5	4	4	4	4			4	4							3	3

KEY

Meetings planned	Meetings attended

(E) Executive

4. RISK MANAGEMENT

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

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

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

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

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

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 Group's general credit strategies centre on sound credit granting process, diligent credit monitoring and strong loan collection and recovery. There is a separation between loan collection and recovery. There is a separation between loan granting and credit monitoring to ensure independency and effective management of the loan portfolio. The Board has put in place sanctioning committees with specific credit approval limits. The Credit Management department does the initial review of all applications before recommending them to the Executive Credit Committee and finally the Board Credit Committee depending on the loan amount. The Group has in place a Board Loans Review Committee responsible for reviewing the quality of the loan book and adequacy of loan loss provisions.

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

NOTES TO THE CONDENSED FINANCIAL STATEMENTS
for the year ended 31 December 2020

4.1 Credit risk (continued)

Credit Management

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

Credit Monitoring and Financial Modelling

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

Credit Administration

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

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

4.2 Market risk

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

Management ALCO meets on a monthly basis and operates within the prudential guidelines and policies established by the Board ALCO. The Board ALCO is responsible for setting exposure thresholds and limits, and meets on a quarterly basis.

4.3 Liquidity risk

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

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

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

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

4.5 Legal and compliance risk

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

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 Group conducts its business. To manage this risk, the Group strictly monitors customers' complaints, continuously train staff at all levels, conducts market surveysand periodic reviews of business practices through its Internal Audit department. The directors are satisfied with the risk management processes in the Group as these have contributed to the minimisation of losses arising from risky exposures.

4.7 Strategic risk

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

4.8 Environmental, Social & Governance (ESG) Risk

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

To manage this risk, during the reporting period, the Bank appointed an ESG risk manager within the Risk Department. This function
is responsible for ESG policy implementation, coordination, reviews and reporting. The Group commits to responsible financing through abiding to its Exclusion List and continues to enhance its ESG policies, processes and procedures as well as to train staff on sustainability issues. The Group conducts risk reviews to identify and measure sustainability risks and in the process implement relevant and adequate controls around these risks.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS
for the year ended 31 December 2020

4.9 Risk Ratings

4.9.1 Reserve Bank of Zimbabwe Ratings

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

4.9.1.1 CAMELS* Ratings

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

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

**RBS stands for Risk-Based Supervision.

4.9.1.2 Summary RAS ratings

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

*** RAS stands for Risk Assessment System.

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

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

KEY

High	Moderate	Low

Level of Inherent Risk

Level of Inherent Risk

Low – reflects a lower than average probability of an adverse impact on a banking institution's capital and earnings. Losses in a functional area with low inherent risk would have little negative impact on the banking institution's overall financial condition.

Moderate – could reasonably be expected to result in a loss which could be absorbed by a banking institution in the normal course of business.

High – reflects a higher than average probability of potential loss. High inherent risk could reasonably be expected to result in a significant and harmful loss to the banking institution.

Adequacy of Risk Management Systems

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

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

Strong – management effectively identifies and controls all types of risk posed by the relevant functional areas or per inherent risk. The board and senior management are active participants in managing risk and ensure appropriate policies and limits are put in place.
Adequacy of Risk Management Systems (continued)

Strong – (continued)

The policies comprehensively define the bank's risk tolerance, responsibilities and accountabilities are effectively communicated.

Overall Composite Risk

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

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

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

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

NOTES TO THE CONDENSED FINANCIAL STATEMENTS
for the year ended 31 December 2020

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.

4.9.2 External Credit Ratings

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

Security class	2020	2019
Long term	-	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.

4.10 Regulatory Compliance

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

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

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

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

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

	Inflation Adjusted		Historical Cost	
	2020 ZWL	2019 ZWL Restated	2020 ZWL	2019 ZWL
Share capital	726 287	726 287	16 506	16 506
Share premium	1 287 623 341	1 287 623 341	31 474 502	31 474 502
Retained earnings	1 816 157 257	975 166 841	2 142 925 978	329 398 472
Functional currency translation reserve	287 529 426	287 529 426	11 619 648	11 619 648
	3 392 036 311	2 551 045 895	2 186 036 634	372 509 128
Less: capital allocated for market and operational risk	(192 509 961)	(61 484 344)	(192 509 961)	(13 706 269)
Tier 1 capital	3 199 526 350	2 489 561 551	1 993 526 673	358 802 859
Tier 2 capital (subject to limit as per Banking Regulations)	765 139 640	568 942 764	1 162 890 432	194 315 734
Fair valuation gains on land and buildings	668 131 497	487 104 622	1 067 266 443	176 079 950
Subordinated debt	-	1 355 410	-	294 339
Stage 1 & 2 ECL provisions – (limited to 1,25% of risk weighted assets)	97 008 143	80 482 732	95 623 989	17 941 445
Tier 1 & 2 capital	3 964 665 990	3 058 504 315	3 156 417 105	553 118 593
Tier 3 capital (sum of market and operational risk capital)	192 509 961	61 484 344	192 509 961	13 706 269
Total capital base	4 157 175 951	3 119 988 659	3 348 927 066	566 824 862
Total risk weighted assets	7 909 196 976	6 438 618 594	7 649 919 150	1 435 315 609
Tier 1 ratio	40.45%	38.67%	26.06%	25.00%
Tier 2 ratio	9.67%	8.84%	15.20%	13.54%
Tier 3 ratio	2.43%	0.95%	2.52%	0.95%
Total capital adequacy ratio	52.56%	48.46%	43.78%	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.

NMB BANK LIMITED

Registered Commercial Bank. A Member of The Deposit Protection Scheme

NOTES TO THE CONDENSED FINANCIAL STATEMENTS
for the year ended 31 December 2020

The following table presents income and 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 Banking ZWL	International Banking ZWL	Digital Banking ZWL	Other ZWL	Total ZWL
For the year ended 31 December 2020							
Income							
Third party income	279 996 668	354 598 051	40 121 452	13 499 451	406 363 423	1 184 316 829	2 278 895 874
Interest and similar expense	(10 181 079)	(54 034 392)	(78 777 285)	-	-	-	(142 992 756)
Net operating income	**269 815 589**	**300 563 659**	**(38 655 833)**	**13 499 451**	**406 363 423**	**1 184 316 829**	**2 135 903 118**
Other material non-cash items							
Impairment losses on financial assets measured at amortised cost	(51 030 789)	(71 726 425)	(5 217 526)	-	-	-	(127 974 740)
Depreciation of property and equipment	(15 053 208)	(223 637)	(190 094)	(25 073)	(6 879 288)	(46 790 543)	(69 161 843)
Depreciation of right of use assets	-	-	-	-	-	(11 116 446)	(11 116 446)
Amortisation of intangible assets	-	-	-	-	-	(24 416 805)	(24 416 805)
Segment profit/(loss)	35 931 847	49 539 559	89 459 383	(5 505 199)	59 325 022	468 344 079	697 094 694
Income tax credit	-	-	-	-	-	143 895 722	143 895 722
Revaluation of land and buildings, net of tax	-	-	-	-	-	181 026 875	181 026 875
Profit/(loss) for the year	**35 931 847**	**49 539 559**	**89 459 383**	**(5 505 199)**	**59 325 022**	**793 266 676**	**1 022 017 291**
As at 31 December 2020							
Assets and liabilities							
Capital expenditure (property and equipment and intangible assets)	7 375 151	-	139 120	22 242	1 191 180	254 555 538	263 283 231
Total assets	**1 745 604 620**	**2 757 964 372**	**1 585 971 421**	**537 393 534**	**58 344 865**	**4 269 398 754**	**10 954 677 566**
Total liabilities	**2 787 323 898**	**1 972 993 786**	**1 266 708 566**	**186 581 982**	**-**	**680 901 525**	**6 894 509 757**

Inflation Adjusted

	Retail Banking ZWL	Corporate Banking ZWL	Treasury Banking ZWL	International Banking ZWL	Digital Banking ZWL	Other ZWL	Total ZWL
For the year ended 31 December 2019							
Income							
Third party income	362 242 474	398 189 898	158 636 488	35 817 248	378 406 384	1 945 123 199	3 278 415 691
Interest and similar expense	(18 576 590)	(88 964 312)	(124 358 752)	-	-	-	(231 899 654)
Net operating income	**343 665 884**	**309 225 586**	**34 277 736**	**35 817 248**	**378 406 384**	**1 945 123 199**	**3 046 516 037**
Other material non-cash items:							
Impairment losses on financial assets measured at amortised cost	11 240 532	36 467 556	1 854 188	-	-	-	49 562 276
Depreciation of property and equipment	33 342 940	1 506 221	463 517	258 662	30 470 889	3 162 023	69 204 252
Depreciation of right of use assets	-	-	-	-	-	13 854 548	13 854 548
Amortisation of intangible assets	-	-	-	-	-	28 513 216	28 513 216
Segment profit/(loss)	368 734 573	225 132 646	247 979 418	(9 113 644)	335 647 679	(781 233 338)	387 147 334
Income tax charge	-	-	-	-	-	(314 036 945)	(314 036 945)
Revaluation of land and buildings, net of tax	-	-	-	-	-	487 104 622	487 104 622
Translation gain on change in functional currency	-	-	-	-	-	287 529 426	287 529 426
Total comprehensive income for the year	**368 734 573**	**225 132 646**	**247 979 418**	**(9 113 644)**	**335 647 679**	**(320 636 235)**	**847 744 437**
As at 31 December 2019							
Assets and liabilities							
Capital expenditure (property and equipment and intangible assets)	29 571 958	-	557 825	89 183	4 776 243	126 319 814	161 315 024
Total assets	**1 616 070 988**	**2 553 307 980**	**1 468 283 466**	**497 515 926**	**54 015 350**	**3 171 801 069**	**9 360 994 779**
Total liabilities	**2 580 488 865**	**1 826 586 605**	**1 172 711 701**	**172 736 554**	**-**	**570 320 537**	**6 322 844 262**

NOTES TO THE CONDENSED FINANCIAL STATEMENTS
for the year ended 31 December 2020

6.1 GEOGRAPHICAL INFORMATION

The Bank operates in one geographical market, Zimbabwe.

Registered Offices

NMB Head Office 19207 Liberation Legacy Way (formerly Borrowdale Road) Borrowdale Harare Zimbabwe	NMB Centre George Silundika Avenue/ Leopold Takawira Street Bulawayo Zimbabwe
Telephone +(263) 8688003347 Facsimile +(263) (242) 759648	+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

H087-306

Building a better working world

Ernst & Young
Chartered Accountants (Zimbabwe)
Registered Public Auditors
Angwa City
Cnr Julius Nyerere Way /
Kwame Nkrumah Avenue
P O Box 62 or 702
Harare
Zimbabwe

Tel: +263 4 750905-14 or 750979-83
Fax: +263 4 750707 or 773842
Email: admin@zw.ey.com
www.ey.com

Independent Auditor's Report

To the Shareholders of NMBZ Holdings Limited

Report on the Audit of the consolidated and separate inflation adjusted financial statements

Adverse Opinion

We have audited the consolidated and separate inflation adjusted financial statements of NMBZ Holdings Limited and its subsidiaries (the Group), as set out on pages 27 to 148, which comprise the consolidated and separate inflation adjusted consolidated and separate statement of financial position as at 31 December 2020, and the related inflation adjusted consolidated statement of profit or loss and other comprehensive income, the inflation adjusted consolidated statement of changes in equity and the inflation adjusted statement of cash flows for the year then ended, and notes to the inflation adjusted consolidated financial statements, including a summary of significant accounting policies and other explanatory notes.

In our opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of our report, the accompanying inflation adjusted financial statements do not present fairly the financial positions of the Group as at 31 December 2020, and their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and Companies and Other Business Entities Act (Chapter 24:31) and the Banking Act (Chapter 24:20).

Basis for Adverse Opinion

Non-compliance with International Financial Reporting Standards IAS 21- The Effects of Changes in Foreign Exchange Rates in Prior Period and Inappropriate Application of IAS 8- Accounting Policies, Changes in Accounting Estimates and Errors

Non-compliance with IAS 8

As explained in note 2.4.7 to the inflation adjusted consolidated financial statements, the Group changed its functional and reporting currency from United States Dollar (US$) to Zimbabwe Dollars (ZWL) on 22 February 2019 in compliance with Statutory Instrument 33 of 2019.

We however believe that the change occurred on 1 October 2018 in terms of IAS21 given the significant monetary and exchange control policy changes witnessed in Zimbabwe from 2016 through to 2019.

Our audit report for the year ended 31 December 2019 was therefore modified as management prospectively applied the change in functional currency from USD to ZWL from 23 February 2019, which we disagreed with. The correct approach would have been a retrospective restatement as a prior period error in terms of International Financial Reporting Standards – IAS 8 – Accounting Polices, Changes in Accounting Estimates and Errors.

The matter continues to impact the following balances on the inflation adjusted consolidated Statement of Financial Position as they still comprise of amounts from opening balances: ZWL1 768 277 432 included in Property and equipment of ZWL1 588 179 384, Intangible assets of ZWL35 509 627, Retained earnings of ZWL1 482 983 888 and Revaluation reserves of ZWL487 104 622. The impact on the inflation adjusted consolidated statements of profit or loss and other comprehensive income, changes in equity and cashflows has not been discussed here due to further matters below which result in further misstatement.

On date of change in functional currency, management translated elements on the financial statements using different exchange rates which resulted in a misbalance which was recorded directly in equity as a functional currency translation reserve of ZWL 287 529 426. This is not in line with the requirements of IFRS.

Exchange rates used in the current year

In the current year, the Group translated foreign denominated transactions and balances to ZWL using the interbank exchange rates for the period 1 January 2020 to 23 June 2020, prior to introduction of the Foreign Exchange Auction Trading System. As in the prior year, we concluded that the interbank exchange rates did not meet the definition of a spot exchange rate as per IAS 21, as they were not available for immediate delivery. Consequently, the following financial statement elements are materially misstated in the current year in addition to those noted on matter 1 above:

- Inflation adjusted consolidated Statement of Profit or Loss and Other Comprehensive Income:

o ZWL20 106 575 included in Fee and commission income of ZWL 1 131 552 573

o ZWL23 575 425 included in operating costs ZWL 1 274 247 625

o Net exchange gains/losses of ZWL128 836 005

The impact can however not be quantified due to the lack of records on appropriate rates and impracticability given the volume of transactions. Our prior year audit report was also modified due to this matter.

Valuation of investment properties, freehold land and buildings

The Group's investment properties and freehold land and buildings are carried at ZWL1,653,496,3476 (2019: ZWL1,031,154,579) and ZWL 2 218 171 535 (2019: ZWL1 768 277 432) respectively as at 31 December 2020 as described on Note 23 and Note 25. The implicit investment method was applied for Industrial and commercial properties and key inputs into the calculations include rentals per square meter and capitalisation rates. Residential properties and vacant stands were valued in terms of the market comparable approach. In both cases, the valuation was performed based on USD denominated inputs and converted to ZWL as the presentation currency using the closing weighted average auction rate. Management further applied a discount factor to the resultant value based on actual rental yields as described on Note 23.

We have concerns over the appropriateness of using a foreign currency for the valuation and then applying a conversion rate to a USD valuation to calculate ZWL property values as this may not be an accurate reflection of the current market dynamics where there is a disparity between exchange rates. With respect to the implicit investment approach, the USD estimated rentals may not be an appropriate proxy for the ZWL amounts in which rentals are settled.

While historical USD amounts based on similar transactions have been used as a starting point in determining comparable values on the market comparable approach, it is noted that market participants take into account different risk factors in determining an appropriate value in ZWL terms which are not necessarily limited to the exchange rate.

Consequently, property values may be materially misstated, and we are unable to determine what adjustments may be necessary to correctly account for these amounts. Our prior year audit report was also modified due to this matter.

Accounting for blocked funds

Included in Loans, advances and other assets of ZWL3 992 648 603 (2019: ZWL 3 824 449 644) on Note 20.5 to the inflation adjusted consolidated financial statements for the year ended 31 December 2020 are local balances denominated in the Bank's functional currency. Of this, local balances amounting to ZWL13 840 412 which are held with the central bank have been treated as foreign currency and translated at the foreign auction exchange rate of 31 December 2020 in contravention of IAS 21 which defines 'foreign currency' as a currency other than the functional currency of the entity resulting in an overstatement of the balance. Our prior year audit report was also modified due to this matter.

Our opinion on the current period's inflation adjusted consolidated financial statements is also modified because of the possible effects of the above matter on the comparability of the current period's figures and the corresponding figures.

Application of IAS29 - Financial Reporting in Hyperinflationary Economies

Furthermore, notwithstanding that IAS 29 has been applied correctly, it is noted that its application was based on prior and current periods' financial information which was not in compliance with IAS 21 / IAS 8 as described above. Had the correct base numbers and start date been used, Property and equipment stated at ZWL2 218 171 535, intangible assets (ZWL 35 509 627), Deferred tax liabilities stated at ZWL291 040 065 and all reserves on the inflation adjusted consolidated Statement of Financial Position and all amounts on the inflation adjusted consolidated statement of comprehensive income except for interest income, interest expense, impairment losses and taxation would have been materially different.

Overall Consequential Impacts

As no restatements have been recorded in current year per IAS8 to correct the above matters, our audit report on the inflation adjusted consolidated financial statements for the year ended 31 December 2020 is modified for the following reasons;

- All corresponding numbers remain misstated on the inflation adjusted consolidated Statement of Financial Position (except for investment securities and share capital), Cash Flows Profit or Loss and Changes in Equity, this also impacts comparability of the current period's figures,

- As opening balances enter into the determination of cash flows and performance, our audit report is modified in respect of the impact of these matters on the inflation adjusted consolidated Statement of Cash Flows, inflation adjusted consolidated Statement of Profit or Loss and inflation adjusted consolidated Statement of Changes in Equity.

The effects of the above departures from IFRS are material and pervasive to the inflation adjusted consolidated financial statements.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Inflation adjusted consolidated financial statements section of our report. We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Zimbabwe, and we have fulfilled our ethical responsibilities in accordance with these requirements and IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse opinion.

Key Audit Matters

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

Other information

The directors are responsible for the other information. The other information comprises the Chairman's Statement and the Directors' Report and the Statement of Corporate Governance and Responsibility but does not include the inflation adjusted consolidated financial statements and our auditor's report thereon. Our opinion on the inflation adjusted consolidated financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the inflation adjusted consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the inflation adjusted consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. As described in the Basis for Adverse Opinion section above, the Group did not comply with the requirements of IAS 21 – Effects of Changes in Foreign Exchange Rates and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and we disagreed with the valuation of properties and the accounting treatment of blocked funds as well as the application of IAS 29 - Financial Reporting in Hyperinflationary Economies on incorrect base numbers. We have concluded that the other information is materially misstated for the same reasons.

Responsibilities of the Directors for the Inflation adjusted Consolidated Financial Statements

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

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

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

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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

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

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

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

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

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

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

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

Ernst & Young.

Ernst & Young
Chartered Accountants (Zimbabwe)
Registered Public Audit

Harare
Date: 29 March 2021