NMBZ HOLDINGS LIMITED

# ANNUAL REPORT

# 2021

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## FINANCIAL SUMMARY

| | Inflation adjusted | | Historical Cost | |
|---|---|---|---|---|
| | 31 December 2021 Audited | 31 December 2020 Audited Restated | 31 December 2021 | 31 December 2020 |
| | ZWL | ZWL | ZWL | ZWL |
| Operating profit before impairment charge and loss on net monetary position | 3 450 115 150 | 1 385 000 759 | 4 102 728 519 | 1 856 050 489 |
| Total comprehensive income | 2 248 387 353 | 1 656 058 822 | 3 790 755 331 | 2 704 776 561 |
| Basic earnings per share (cents) | 463 | 338 | 728 | 449 |
| Deposits from customers | 16 340 531 967 | 10 066 569 255 | 16 340 531 967 | 6 262 750 864 |
| Total gross loans and advances | 9 996 817 479 | 3 941 259 126 | 9 996 817 479 | 2 451 989 687 |
| Total shareholders' funds and shareholders' liabilities | 9 025 526 399 | 6 742 881 414 | 7 297 154 066 | 3 388 155 345 |

**Enquiries:**

**NMBZ HOLDINGS LIMITED**

Gerald Gore, Chief Executive Officer, NMBZ Holdings Limited — geraldg@nmbz.co.zw

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

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## GROUP PROFILE

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

The Bank was established in 1993 as a merchant bank incorporated under the Companies and Other Business Entities Act (Chapter 24:31) of Zimbabwe and is now registered as a commercial bank in terms of the Banking Act (Chapter 24:20) of Zimbabwe. It operates through a branch network in Harare, Bulawayo, Masvingo, Mutare, Gweru, Bindura and Chinhoyi. The Bank's branch and agency network is constantly growing to service customers and meet demands in suitable and convenient locations. Set out below are the Bank's branch locations:

**Avondale** - 20 King George Road, Avondale, Harare

**Bindura** - Mwatuka Complex, Bindura

**Borrowdale** - Shops 37 & 38, Sam Levy's Village, Borrowdale, Harare

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

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

**Chinhoyi** - 469 Magamba Way, Chinhoyi

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

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

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

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

**Msasa** - 77 Amby Drive, Harare

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

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

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

# CHAIRMAN'S STATEMENT
for year ended 31 December 2021

## INTRODUCTION

For the greater part of 2021, there was a growing sense of cautious optimism that finally the worst of the COVID-19 pandemic was behind us. However, towards the end of the year, our resilience was put to the test once more as the spread of new variants necessitated the reintroduction of various restrictions. That presented challenges to businesses emanating from a slowdown in the global economy and supply chain disruptions. Despite these factors, the Zimbabwean economy continued to show signs of resilience and recovery.

The various economic stabilization initiatives, including the foreign exchange auction system introduced in June 2020, resulted in a significant drop in inflation, with year-on-year inflation (Y.o.Y) dropping from a high of 837% recorded in July 2020, to 60.74% as of December 2021. Month-on-month inflation (M.o.M) averaged 4.05% during the year 2021.

During the period under review, the local currency depreciated by 32.9% from ZW$81.7866/US$ to ZW$108.666/US$. In 2021, total foreign currency receipts inflows into the economy increased by 53% to US$9.7 billion, a record high compared to US$6.3 billion in 2020. The performance was driven by increased commodity prices, increased capacity utilization across sectors, international remittances, and gold incentives put in place by the government.

Notwithstanding the economic headwinds, the economy achieved an economic growth rate of 7.8% on the back of the continuation of the tight monetary and fiscal consolidation, a good agricultural season and the stabilization effect brought by the auction system.

## GROUP RESULTS

### Financial Performance

Operating income increased from ZW$3.4 billion to ZW$6.98 billion for the year ended 31 December 2021, largely driven by growth in the transaction volumes and values during the period under review. Total comprehensive income for the period amounted to ZW$2.25 billion (Dec 2020 - ZW$1.66 billion). The Group achieved a basic earnings per share of 463 cents (Dec 2020 – 338 cents).

Operating expenses at ZW$3.5 billion, were 72% above the 2020 levels, reflecting the effects of inflation and exchange rate depreciation. The Bank continues to pay special focus on its digitization strategy which is expected to increase efficiencies resulting in cost reduction.

### Financial position

Total assets closed the year at ZW$29.4 billion, up 67% from ZW$ 17.6 billion as at 31 December 2020, funded by strong growth in customer deposits as the banking subsidiary continues to grow its customer base. Customer deposits and other liabilities increased by 85% reflecting strong personal and commercial inflows following the easing of COVID-19 restrictions.

The Group's investment property portfolio was valued at ZW$3.5 billion as at 31 December 2021 while property and equipment stood at ZW$4.1 billion.The revaluation gains largely reflect the changes in the macro economic environment.

Loans and advances and other assets stood at ZW$12.4 billion as at 31 December 2021, increasing by 93% from prior period levels. The banking subsidiary maintained a high-quality loan book, closing the year with an NPL ratio of 1.33%.

The Bank maintained a sound liquidity position with a liquidity ratio of 41% and this was above the statutory minimum of 30%.

### Capital

The capital adequacy ratio of the banking subsidiary remained strong at 57.48% compared to a regulatory minimum of 12%. The subsidiary maintained adequate capital levels to cover all risks and was compliant with the minimum capital of the equivalent of USD30 million.

### Dividend

The Board has resolved not to declare a dividend in order to fund the growth initiatives being pursued by the Group as well as buttress the regulatory capital position of the Group's banking subsidiary.

### Blocked Funds

The banking subsidiary owed USD13.4 million to various line of credit providers as at 31 December 2021 which have been registered as Blocked Funds with the Reserve Bank of Zimbabwe (RBZ) in line with regulatory directives. In 2021, the Government of Zimbabwe assumed the obligation to settle these Blocked Funds in terms of section 52 of the Finance Act no 7 of 2021. The Blocked funds are listed under Annex 1 of the Finance Act no 7 of 2021. In terms of section 52 of the Finance Act no 7 of 2021, outstanding blocked funds may be liquidated through the issuance of Government-backed zero coupon or non-interest-bearing foreign exchange savings bonds or such other debt instruments denominated in foreign currency. The timing of issuance of the Government-backed instruments is yet to be advised.

### London Stock Exchange Listing

At the 2021 Annual General Meeting, the Company sought and obtained shareholder approval to delist from the London Stock Exchange following a determination that the regulatory compliance and administrative costs that the Company was incurring annually were high and outweighed any benefits derived or to be derived from the dual listing. Having obtained shareholder approval, the Company applied and obtained approval to delist from the London Stock Exchange with effect from 8 July 2021. The delisting did not adversely affect any of our shareholders as the company's shares continue to be listed on the Zimbabwe Stock Exchange where the company has always maintained its primary listing. The number of shares held on the London Stock Exchange was 198 443 shares. The Company is in the process of winding up administrative processes related to the delisting.

## CHAIRMAN'S STATEMENT (Continued)
for year ended 31 December 2021

### DIRECTORATE

Mr. Benefit Washaya retired at the end of December 2021 after serving as the Bank's Chief Executive Officer for fourteen years. He was replaced by Mr. Gerald Gore, formerly the Deputy Chief Executive Officer, who was appointed Chief Executive Officer with effect from 1 January 2022. Mr. Benson Ndachena also resigned from his post as Chief Finance Officer with effect from 1 October 2021 to pursue other interests. He was replaced by Mrs. Margret Chipunza who assumed the role of Chief Financial Officer with effect from 1 September 2021. I thank Mr. Washaya and Mr. Ndachena for their sterling contribution to the Group and I wish them well in their future endeavors. I am confident in the ability of the incoming Executive team to take NMB into our next growth phase.

### OUTLOOK AND STRATEGY

The Bank will continue to accelerate the digitization strategy with the main aim being to provide seamless digital financial solutions to both corporate and individual clients. The Group will continue to fund and support the productive sectors of the economy as part of our drive to support the growth of the Zimbabwean economy. I will be coming back to the market with further developments on this front.

### APPRECIATION

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

**MR. B. A. CHIKWANHA**

**CHAIRMAN**

**10 APRIL 2022**



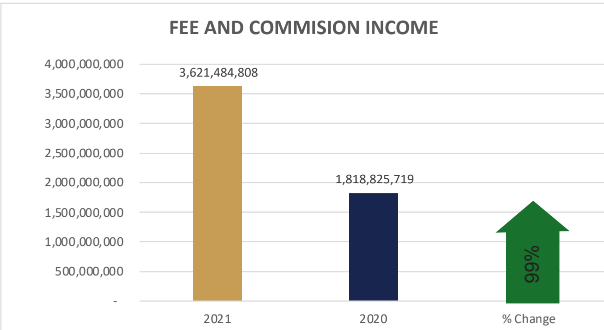
# CHIEF EXECUTIVE OFFICER'S REPORT
## for year ended 31 December 2021

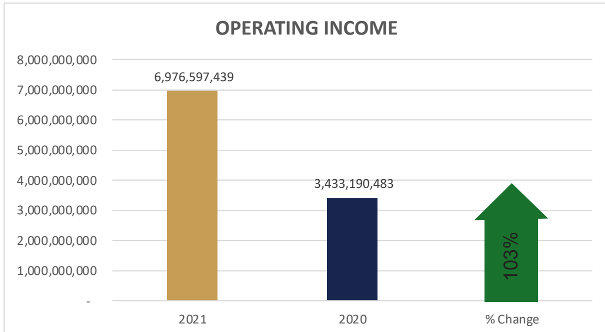
**INTRODUCTION**

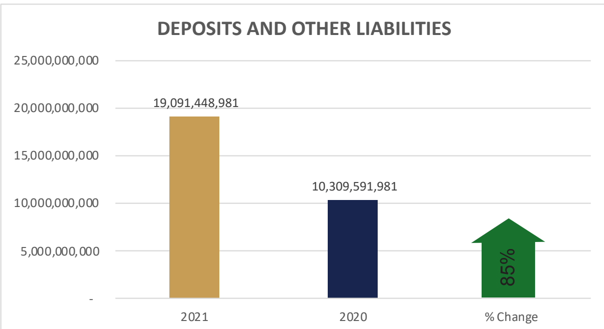
The Group and its clients showed great resilience and adaptability in the wake of the constant evolving challenges brought about by the COVID-19 pandemic. The operating environment maintained a relative stability in the first half although it became susceptible to deterioration in the base currency as the year progressed. Year-on-year inflation closed the year on 60.1%, while month-on-month inflation averaged 4.5%. The economy saw renewed inflationary pressures largely driven by exchange rate deterioration. This inevitably resulted in an increase in the cost of running the business. The group continued on its digitization drive bringing efficiency and convenience to our customers.

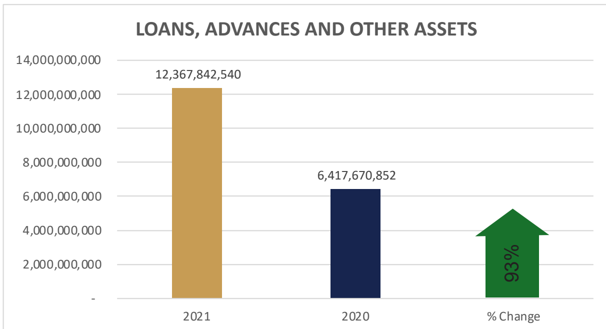
**PERFORMANCE REVIEW**

The Group operated profitably for the period under review achieving profit before tax of ZW$2.8 billion (2020 ZW$1.1 billion). The Group's performance was largely driven by the success of our digital transformation strategy and support for key productive sectors of the economy. The banking subsidiary's digitalisation strategy paid off leading to a 99% growth in non-funded income and 103% growth in operating income as depicted below.




The banking subsidiary's innovative products and services led to growth in its corporate and institutional depositors culminating in an increase of 85% in deposits and other liabilities which closed the year at ZW$19.1 billion. Loans and other assets grew from ZWL6.4 billion to ZWL12.4 billion as at 31 December 2021 as the bank continues to partner our clients in their growth path.

**BUSINESS REVIEW**

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

**Digital Banking**

The Digital Banking department has been seized with automation and improvement of end-to-end customer journeys, including digitalising the customer account opening processes. We made it possible for customers to open accounts digitally and transact without the need to visit the branch or interact with any of our staff. The account opening solution rolled out during the year cover both low KYC account as well as full KYC account opening and gives low KYC account holders a platform to upgrade their accounts digitally. This has made our processes efficient and cost effective while delivering real convenience to our customers. Our digital banking platforms saw over ZWL170 billion worth of transactions in 2021, almost five times 2020 levels, as transaction activity recovered and customers favoured digital payment solutions and reduced their reliance on cash and branch. The division contributed gross income amounting to ZW$2.3 billion in 2021 up, 252% from ZW$0.65 billion in 2020.

# CHIEF EXECUTIVE OFFICER'S REPORT (Continued)
## for year ended 31 December 2021

**Consumer Banking**

The Consumer Banking and Value-Added Services (CBVAS) unit has evolved from traditional retail banking and now comprises a suite of financial services that are largely delivered through digital channels. Our combination of physical (branches and agencies) and digital touch points (USSD (*241#) and NMBConnect platforms) have improved access to banking products for our existing and potential customers across the country particularly the previously non and underbanked. Demand for credit remained strong during the period driven by household needs and our digital platforms enabled the vast majority of individual clients, particularly civil servants, to apply for personal loans without the need to physically visit the bank, which was a first in the market. The absence of long term funding has curtailed long term mortgage lending. Funding for housing has largely been restricted to short term equity release facilities. We deepened our Bancassurance offerings as we onboarded five new insurance partners under our multi-agency license. We are well on course to be the insurance payment partner of choice in the market as we digitalise premium payments across all insurance types. The banking subsidiary setup a dedicated Money Transfer Agency (MTA) center to conveniently serve the general public receiving cash from the diaspora. The center has flexible trading hours and customer experience that is next to none as we have shorter queues. Apart from lending income, the division contributed gross fees and commissions of ZW$1.59 billion compared to ZW$450 million in the previous year.

**Business Banking**

The Business Banking division continued to develop strong business relationships in the market across a diversified range of sectors including key areas supporting economic activity. We remained relevant to our Corporate and SME clients by providing customised lending products which meet their exact needs. The Agriculture sector was bolstered by the floating of a ZW$2 billion Agrobond whose proceeds are being deployed in various agricultural value chains. The Bank signed a USD15 million credit line with a developmental finance partner which is currently being disbursed in selected long-term projects. This is up an above another line of US$20 million from a regional funder which was fully utilized.

**Risk Management**

As a result of its strong balance sheet and prudent approach to risk management, the Group remains well placed to withstand these aftershocks of the Covid-19 pandemic as well as providing support to customers when they need it most. The Group, has the 3 lines of defense model in place with respect to Enterprise Risk Management (ERM). Firstly, the frontline and support functions have clearly defined roles and responsibilities in risk management. Secondly, the Risk Management and Compliance Divisions then independently review the first line activities and finally, the Internal Audit department which is also independent of first and second line of defense.

The Group has maintained a strong capital base to cover for Pillar 1 Risks (Credit, Market and Operational Risks) as well as the additional risks identified through the Internal Capital Adequacy Assessment Process (ICAAP). The Bank's core capital was above the set minimum regulatory requirement of USD30 million equivalent for tier 1 banks with our capital adequacy ratio at 34.35% against a regulatory minimum of 12%.

**CORPORATE SOCIAL INVESTMENTS AND SUSTAINABILITY**

During the period under review, the Group channelled its Corporate Social Investments towards education and support of disadvantaged and vulnerable groups. The Group donated COVID-19 PPEs and foodstuffs to Emerald Hill Children's Home and Friends of Dzikwa Society which assist orphans and vulnerable children in providing for their education and well-being. The Group also participated in cancer awareness campaigns by donating a desktop computer to KidzCan Zimbabwe and sponsoring their fundraising initiatives, the KidzCan MudRun.

Pursuant to the banking subsidiary's digitization thrust, the Group sponsored the Global Renaissance Investments 13th Edition Online Digital Indaba and Awards. The Group is committed to providing sustainable solutions to its customers as well as to its own operations. The Bank continued to raise affordable long-term funding through lines of credit to support players in key economic sectors by financing their capital expenditure projects in manufacturing, agriculture and construction. On the green solutions side, the Group doubled its solar power output and the Head Office is now 100% off-grid.

**OUTLOOK AND STRATEGY**

The Group is setting itself up to take advantage of the opportunities that are presenting themselves in the market. We are poised for growth and diversification which will see us launch a number of new business units in the very near future. I am excited about the prospects and am confident that these initiatives will be of great benefit to our customers and stakeholders.

**APPRECIATION**

I thank the Board and shareholders for entrusting me to lead the team and take the Group to the next growth phase. I would also want to appreciate our former CEO Mr. Washaya for his immense contribution to the Group. I am sincerely grateful to our valued clients, depositors, shareholders, stakeholders and regulatory authorities for their support.

**G Gore**
**Chief Executive Officer**
**10 APRIL 2022**

# REPORT OF THE DIRECTORS
## for year ended 31 December 2021

We have pleasure in presenting to shareholders our report and the audited financial statements of the Group for the year ended 31 December 2021

**1. SHARE CAPITAL**

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

1.1 Authorised: 600 000 000 ordinary shares of ZWL0.00028 each.

1.2 Issued and fully paid: 404 171 689 ordinary shares of ZWL0.00028 each.

No share options were exercised during the year.

**2. GROUP ACTIVITIES AND RESULTS**

The Group's total comprehensive income was ZWL 2 248 387 353 for the year ended 31 December 2021 (2020 – ZWL 1 656 058 822).

**3. CAPITAL ADEQUACY**

As at 31 December 2021, the Bank's regulatory capital adequacy ratio was 34.35% (Historical – 27.22%) (2020 – 48.06% in inflation adjusted terms).

**4. DIRECTORATE**

**4.1 Board of Directors**

As at 31 December 2021, the following were the Directors of the Company.

| | |
|---|---|
| Mr. B. A. Chikwanha | Independent Non-Executive Director (Chairman) |
| Mr. B. P. Washaya* | Chief Executive Officer (Retired on 31 December 2021) |
| Mrs. M. Chipunza** | Chief Finance Officer (Appointed 1 September 2021) |
| Mr. J. de la Fargue | Non-Executive Director (representing African Century) |
| Ms. C. Glover | Non-Executive Director (representing Arise) |
| Mr. J. Tichelaar | Non-Executive Director (representing AfricInvest) |
| Ms. J. Maguranyanga | Independent Non-Executive Director |
| Mr. C. Chikaura | Independent Non-Executive Director (Deputy Chairman) |
| Ms. S. Chitehwe | Independent Non-Executive Director |
| Mr. G. Taputaira | Independent Non-Executive Director |

In accordance with Article 83 of the Company's Articles of Association, one third of the Directors will retire by rotation at the forthcoming Annual General Meeting (AGM). Mr C. Chikaura, Mr J. de la Fargue and Ms S. Chitehwe retire by rotation. Mr. J. de la Fargue being eligible offers himself up for re-election. Mr. C. Chikaura and Mrs. S. Chitehwe retire with effect from the end of the AGM.

* Mr. B. P. Washaya retired with effect from 31 December 2021. Following his retirement Mr Gerald Gore was appointed as Chief Executive Officer with effect from 1 January 2022.
** Mrs M. Chipunza joined the Group as Chief Finance Officer with effect from 1 September 2021 following the resignation of Mr Benson Ndachena.

## REPORT OF THE DIRECTORS (Continued)
## for year ended 31 December 2021

**4.2 Directors' Interests**

As at 31 December 2021, the Directors of the Group (NMBZ Holdings Limited and the Bank) held the following direct and indirect beneficial interests in the shares of the Company:-

| | 31 December 2021 | 31 December 2020 |
|---|---|---|
| | **Shares** | **Shares** |
| Mr. B. A. Chikwanha | - | 20 800 |
| Ms. J. Maguranyanga | 600 | 600 |
| Mr. B. P. Washaya* | 24 047 | 10 289 |
| Mr. B. Ndachena** | - | 83 521 |
| Mr. J. de la Fargue*** | - | - |
| Ms. C. Glover*** | - | - |
| Mr. J. Tichelaar *** | - | - |
| Mr. C. Chikaura | - | - |
| Ms. S. Chitehwe | - | - |
| Mr. G. Taputaira | 4 540 | 4 540 |
| Mrs. M. Chipunza | - | |
| | **29 187** | **119 750** |

*Mr. B. P. Washaya was the Chief Executive Officer of NMBZ Holdings Limited and NMB Bank Limited. He retired with effect from 31 December 2021.
**Mr B. Ndachena resigned as Chief Finance Officer of NMBZ Holdings Limited and NMB Bank Limited with effect from 30 September 2021.
***Mr. J. de la Fargue represents African Century Financial Investments Limited which holds 76 426 874 shares, Ms. C. Glover represents Arise which holds 71 632 001 shares and Mr J. Tichelaar represents AfricInvest which holds 36 702 487 shares in NMBZ Holdings Limited.

**5. CORPORATE GOVERNANCE APPROACH**

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

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

**5.1 Stakeholder Communication**

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

**5.2 Share Dealings**

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

**5.3 Declarations of Interest**

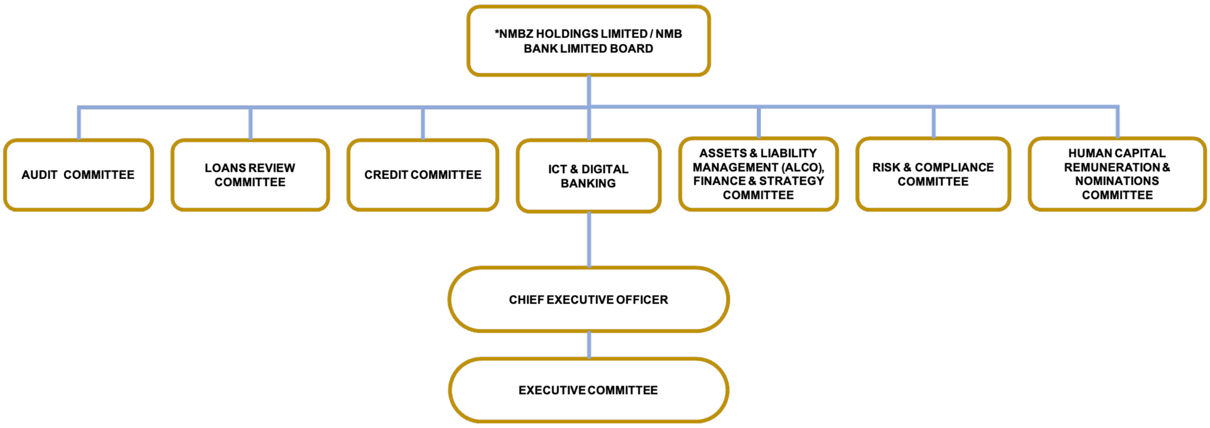
All Directors are required to declare any actual, potential or perceived conflict of interest that may compromise their judgment, decision or actions. Declaration of interests is a standing agenda item at all board meetings. It is also a requirement of the Banking Act that Directors complete and file with the Company a Declaration of Interest form each year. During the year under review all Directors submitted their Conflict of Interest Declaration forms in line with the Banking Act. Directors shareholding interests in NMBZ Holdings Limited are disclosed in the Report of Directors on Section 4.2.

# REPORT OF THE DIRECTORS (Continued)
## for year ended 31 December 2021

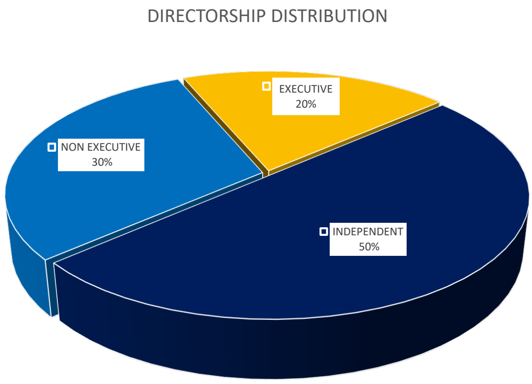
**5.4 Directors' Remuneration**

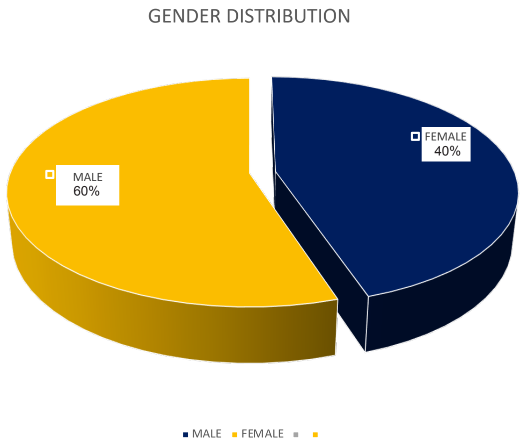
The remuneration packages for Executive Directors are determined by the Human Resources, Remuneration & Nominations Committee. The salary packages primarily consist of a basic salary, performance based bonus and share options which are meant to be a retention mechanism.

**6. BOARD STRUCTURE**




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




**Board of Directors**

The NMBZ Holdings Board is comprised of five independent non-executive directors, three non-executive directors and two executive directors. Female directors make up 40% of the Board. The Board is chaired by an independent non-executive director. It is the Board's view that the board size and the skills mix is appropriate for the size and nature of business the Company is involved in. The Board meets quarterly to monitor the performance of the Group and its management as well as to discuss the strategic direction of the Group. A summary of the profiles of each of the Directors is listed below. The Board retains the responsibility to ensure good governance practices are applied throughout the Group. It retains some matters for its determination and has delegated specific responsibilities to Board Committees which operate within well-defined terms of reference as summarized below.

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

There were changes at executive management level during the course of the year under review. Mr. Benson Ndachena resigned as Chief Finance Officer with effect from 30 September 2021. To facilitate a smooth handover takeover process, Mrs. Margret Chipunza joined the Group as Chief Finance Officer with effect from 1 September 2021. Mr. Benefit Washaya retired as Chief Executive Officer with effect from 31 December 2021. Following his retirement and in line with the succession plan, Mr. Gerald Gore was appointed as Chief Executive Officer with effect from 1 January 2022.  Prior to his appointment, Mr. Gerald Gore had been Deputy Chief Executive Officer of the Group.

# REPORT OF THE DIRECTORS (Continued)
## for year ended 31 December 2021

**Board Chairman**

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

**Chief Executive Officer**

The Chief Executive Officer is responsible for providing strategic and operational leadership in all areas of the Company. His responsibilities include but are not limited to driving the transformation agenda of the Group to reach its strategic aspirations, providing credible and agile leadership to the Executive and Senior Management team, setting long term and short-term business goals and holding individual executive and senior management team members to account. The Chief Executive Officer is also responsible for ensuring high employee engagement levels and a culture which enables customer focus and optimum performance, ensuring delivery of effective people processes including talent management, succession planning, performance management and reward, ensuring that the Board is fully informed on all relevant matters, ensuring the Group maintains good relationships with regulatory and government agencies and its customers and ensuring that the Group maintains sound and adequate risk management structures and adequate internal controls and is compliant with all relevant regulatory and internal compliance requirements.

**Board Charter**

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

**Board Committees**

| Committee | Members | Summary Roles & Responsibilities |
|---|---|---|
| **Audit Committee** | S. Chitewe (Chairperson)<br>J. Maguranyanga<br>C. Chikaura<br>G. Taputaira | The Committee oversees the Group's financial reporting process, monitoring the integrity and appropriateness of the Group's financial statements; evaluating the adequacy of the Group's financial and operational processes, compliance, internal controls and risk management processes. The Committee is responsible for the selection, compensation, and performance review of the Group's external and internal auditors. The Committee also provides independent oversight of the effectiveness of the Group's assurance functions and services, with particular focus on combined assurance arrangements. The Committee meets at least four times a year. The Committee meets regularly with the internal and external auditors. Both the internal and external auditors have unrestricted access to the audit committee to ensure their independence and objectivity. The external auditors, Chief Finance Officer and Internal Auditor are invitees and resource persons at every meeting. The Committee is satisfied that it has fulfilled its responsibilities in accordance with its terms of reference for the reporting period. |
| Credit Committee | C. Chikaura (Chairperson)<br>B.A. Chikwanha<br>J. de la Fargue<br>G. Gore | The Credit Committee's main responsibilities are to consider loan applications beyond the discretionary limits of the Executive Credit Committee and to direct the formulation of, review and monitor the credit principles and policies of the Group. The Chief Banking Officer and Head of Credit Management are invitees and resource persons at every meeting. The Committee is satisfied that it has fulfilled its responsibilities in accordance with its terms of reference for the reporting period. |

## REPORT OF THE DIRECTORS (Continued)
### for year ended 31 December 2021

| | | |
|---|---|---|
| ALCO & Finance | S. Chitehwe (Chairperson)<br>C. Chikaura<br>J. de la Fargue<br>C. Glover<br>J. Tichelaar<br>G. Gore<br>M. Chipunza | The ALCO & Finance Committee is responsible for deriving the most appropriate strategy for the Group in terms of the mix of assets and liabilities given its expectations of the future and the potential consequences of interest-rate movements, liquidity constraints, foreign exchange exposure and capital adequacy. In addition, the Committee monitors the business and financial strategies of the Company and keeps track of financial performance vis a vis the budget. The Chief Risk Officer and Head of Treasury are invitees and resource persons at every meeting. The Committee is satisfied that it has fulfilled its responsibilities in accordance with its terms of reference for the reporting period. |
| Loans Review | J. Maguranyanga (Chairperson)<br>G. Taputaira<br>S. Chitehwe<br>C. Glover<br>J. Tichelaar | The Loans Review Committee assesses compliance of the loan book with the lending policy and the Banking Regulations. The Committee conducts loan reviews independent of any person or committee responsible for sanctioning credit. The Chief Banking Officer and Chief Risk Officer are invitees and resource persons at every meeting. The Committee is satisfied that it has fulfilled its responsibilities in accordance with its terms of reference for the reporting period. |
| Human Capital, Remuneration & Nominations Committee | J. Maguranyanga (Chairperson)<br>C. Chikaura<br>B. A. Chikwanha<br>J. de la Fargue<br>J. Tichelaar | The committee is responsible for setting the Group's remuneration philosophy and reviews the overall remuneration structures of the Group, including all material remuneration proposals and packages for Executive Directors and senior personnel. The committee is also responsible for the nomination, election and appointment of board members. The group's remuneration policy is to provide remuneration packages that attract and retain high performing individuals. The group's remuneration package is primarily made up of basic salaries, share options and performance related bonuses. The Chief Executive Officer and Head of Human Capital are invitees and resource persons at every meeting. The Committee is satisfied that it has fulfilled its responsibilities in accordance with its terms of reference for the reporting period. |
| Risk & Compliance Committee | C. Chikaura (Chairperson)<br>G. Taputaira<br>J. de la Fargue<br>C. Glover<br>J. Maguranyanga | The Risk and Compliance Management Committee oversees the quality, integrity and reliability of the Group's enterprise risk management systems and reviews all group-wide risks. The Chief Executive Officer, Chief Risk Officer and Head of Compliance are invitees and resource persons at every meeting. The Committee is satisfied that it has fulfilled its responsibilities in accordance with its terms of reference for the reporting period. |
| ICT & Digital Banking Committee | G. Taputaira (Chairperson)<br>B.A. Chikwanha<br>S. Chitehwe<br>C. Glover<br>J. Tichelaar<br>G. Gore | The IT & Digital Banking Committee provides governance and oversight on the technology-related investments, operations and strategies and their alignment with the Group's overall strategy. It also oversees the Group's technology risk management and security framework and its effectiveness (in conjunction with the Risk & Compliance Committee). The Chief Technology Officer, Chief Risk Officer and Head Digital Banking are invitees and resource persons at every meeting. The Committee is satisfied that it has fulfilled its responsibilities in accordance with its terms of reference for the reporting period. |

# REPORT OF THE DIRECTORS (Continued)
## for year ended 31 December 2021

| | | |
|---|---|---|
| Executive Committee | Executive & Heads of Departments | The role of the Executive Committee is to assist the Chief Executive Officer in the performance of his duties and in dealing with the day to day activities of the Group's business including development and implementation of the strategy, business plans and annual budget as approved by the Board, development, implementation and monitoring of policies and procedures as approved by the Board, assessment and management of risk, prioritisation and allocation of resources and management and development of talent. |

**Directors Attendance Register**

| NAME OF DIRECTOR | MAIN BOARD | AUDIT | CREDIT | ALCO & FINANCE |
|---|---|---|---|---|
| **Numbers of meetings held** | **4** | **6** | **4** | **4** |
| | | | | |
| B. A. Chikwanha | 4 | - | 3 | - |
| C. Chikaura | 4 | 6 | 4 | 4 |
| J. Maguranyanga | 4 | 6 | - | - |
| C. Glover | 4 | - | - | 4 |
| S. Chitehwe | 4 | 6 | - | 4 |
| J de la Fargue | 4 | - | 4 | 4 |
| J Tichelaar | 4 | - | - | 4 |
| G Taputaira | 4 | 6 | - | - |
| B P Washaya* | 4 | - | 4 | 4 |
| B Ndachena** | 3 | - | - | 3 |
| M Chipunza*** | 1 | - | - | 1 |

| NAME OF DIRECTOR | LOANS REVIEW | HUMAN CAPITAL, REMUNERATION & NOMINATIONS | RISK & COMPLIANCE | ICT & DIGITAL |
|---|---|---|---|---|
| **Number of meetings held** | 4 | 4 | 4 | 4 |
| B. A. Chikwanha | - | 4 | - | 4 |
| C. Chikaura | - | 4 | 4 | - |
| J. Maguranyanga | 4 | 4 | 4 | - |
| C. Glover | 4 | - | 4 | 4 |
| S. Chitehwe | 4 | - | - | 4 |
| J de la Fargue | - | 4 | 4 | - |
| J Tichelaar | 4 | 4 | - | 4 |
| G Taputaira | 4 | - | 4 | 4 |
| B P Washaya* | - | 4 | 4 | 4 |
| B Ndachena** | - | - | - | - |
| M Chipunza*** | - | - | - | - |

*B P Washaya retired from the Group with effect from 31 December 2021.
**B Ndachena resigned from the Group with effect from 30 September 2021.
***M Chipunza joined the Group with effect from 1 September 2021

# REPORT OF THE DIRECTORS (Continued)
## for year ended 31 December 2021

### DIRECTOR PROFILES

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

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

**Gerald Gore – Chief Executive Officer**

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

**Margret Chipunza – Chief Finance Officer**

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

**Charles Chikaura – Independent Non-Executive Director**

Charles Chikaura is an independent non-executive director who was appointed to the NMBZ Holdings and NMB Bank Limited boards on 24 December 2015. Charles holds a Bachelor of Arts Honours degree and a Masters in Business Administration degree from the University of Zimbabwe as well as an Institute of Bankers diploma. Charles has 35 years of banking experience, of which 23 of these were with the Reserve Bank of Zimbabwe where he held several positions including Manager Exchange Control, General Manager Operations, Senior General Manager and Deputy Governor. Charles was thereafter appointed Chief Executive Officer of the Infrastructure Development Bank of Zimbabwe a position he held for 12 years. Charles is retired and is a full time farmer.

**Christine Glover – Non-Executive Director**

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

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

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

# REPORT OF THE DIRECTORS (Continued)
## for year ended 31 December 2021

**DIRECTOR PROFILES (Continued)**

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

James de la Fargue represents African Century on the Board. He was appointed to the Board on 4 May 2016. He is a holder of a BA Business Organisation (Heriot-Watt University), ACCA, Diplomas in Marketing & Marketing Research and a Certificate in General Agriculture. James worked for a number of international organizations including Deloitte & Touché Management Consultants, Unilever PLC and Chargeurs SA. He is a former president of the Zimbabwe Tobacco Association and worked at MBCA as a senior executive in charge of Corporate Finance. James was involved in business consultancy work and management of an integrated farm in Centenary from 1998 to 2008. Since 2009, James has been with African Century Limited where he initially consulted for the group and later took up a position as Business Development Director of African Century Financial Holdings and as Executive Chairman of Frango King. He currently is the Chief Executive Officer of Lake Harvest, the largest tilapia farming operation in Africa.

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

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

**Julius Tim Tichelaar – Non Executive Director**

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

**Sabinah N. Chitehwe – Independent Non-Executive Director**

Sabinah Chitehwe is both a Chartered Accountant and Registered Public Auditor with over 14 years' experience in Finance and Accounting. She was appointed to the Board on 19 September 2016. Sabinah trained for her articled clerkship under the Training Outside Public Practice (TOPP) programme with the Institute of Chartered Accountants of Zimbabwe (ICAZ) whilst employed as a trainee accountant by Astra Industries Limited from 2002 to 2004. She joined Deloitte & Touché as a Senior Audit Manager between the years 2005 and 2009; and then Senior Consulting Manager between the years 2009 and 2011. Sabinah left Deloitte & Touché to join Essar Infrastructure Zimbabwe as the Head of Finance and Corporate Relations. She later joined Cure Chem Overseas as the Chief Operating Officer and was the Chief Finance Officer of Zimbabwe Shared Services. Currently Sabinah is the Managing Director of MyCash.

**Continuous Professional Development**

Continuous professional development remains a key focus area for the Board. It is meant to support Directors to meet the continually evolving demands of our regulatory, economic and business environment and to ensure that the Directors are equipped with the relevant knowledge and skills to oversee the implementation of the Company's strategic objectives. During the year under review, it was not possible to have physical training sessions for the greater part of the year due to the COVID-19 pandemic and the attendant lockdowns and this negatively affected the Director's training calendar. The Board adjusted to virtual Director training and the Directors received training on Financial Crime, Anti-Money Laundering / Combating Financing of Terrorism during the year under review.

**Board Meetings**

The Board holds meetings on a quarterly basis and as and when necessary to do so. The Board Meetings Calendar is set and approved in advance. During the year under review the Board held 4 meetings, once in each quarter. Due to the Covid-19 pandemic, three of the four meetings were held virtually. The focus areas for the Board during the year included strategy, business continuity, financial performance, risk management and governance. The Board Chair aims to ensure that adequate time is allocated to each agenda item to allow for thorough debate and challenge during meetings. It is a tenet of the Board that all Directors be allowed to independently exercise their judgment and to actively participate during meetings. To assist the Board in the discharge of its duties, management prepare comprehensive reports for Board and Committee meetings which are circulated in advance of the meetings to allow Directors to have timely and up to date information which they use in their decision making. Further, Executive and Senior management attend meetings by invitation and attest to the adequacy and accuracy of information submitted to the Board.

# REPORT OF THE DIRECTORS (Continued)
## for year ended 31 December 2021

**Annual Board Evaluation**

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

**Company Secretary**

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

**Access to Information by Directors**

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

**Professional Advice**

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

**7. Auditors**

At the forthcoming Annual General Meeting, the shareholders will be asked to authorise the Directors to approve the auditors' remuneration for the year ended 31 December 2021. All public companies are required to appoint Auditors at each Annual General Meeting at which Financial Statements are presented, to hold office until the next such meeting in terms of section 191 (2) of the Companies and Other Business Entities Act [Chapter 24:31]. In accordance with the Banking Act [Chapter 24:20], the Company is required to rotate its auditors every 5 years. Messrs Enrst & Young having served their 5-year term. However due to capacity challenges in the market, the bank sought a 2-year extension of the Ernst & Young term which extension was granted by the Reserve Bank of Zimbabwe.

**8. Statement of Compliance**

The Group continues to review and align its governance practices in line with the Companies and Other Business Entities Act [Chapter 24:31] and the Zimbabwe Stock Exchange Listing Requirements Rules SI 34 of 2019 which were both enacted in 2019 and whose implementation is ongoing. In addition to the above, the Group also complied with the Banking Act [Chapter 24:20], the Banking Regulations SI 205 of 2000, the National Payment Systems Act [Chapter 24:23], Bank Use Promotion Act [Chapter 24:23], Money Laundering and Proceeds of Crime Act [Chapter 9:24] and the Exchange Control Act [Chapter 22:05] as its key regulations. The Board advises that it complied with all relevant regulatory provisions throughout the year ended 31 December 2021.

By order of the Board

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

**10 APRIL 2022**

Building a better
working world

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Chartered Accountants (Zimbabwe)
Registered Public Auditors
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Email: admin@zw.ey.com
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**Independent Auditor's report**

To the Shareholders of NMBZ Holdings Limited

**Report on the Audit of the Consolidated and Separate Inflation Adjusted Financial Statements**

**Introductions**

We have audited the accompanying inflation adjusted financial statements of NMBZ Holdings Limited and its subsidiaries (the Group), as set out on pages 23 to 99, which comprise the inflation adjusted statement of financial position as at 31 December 2021 and the related inflation adjusted statement of comprehensive income, the inflation adjusted statement of changes in equity and the inflation adjusted statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory notes.

In our opinion, except for the effects of the matters described in the Basis for qualified opinion section, the accompanying financial statements present fairly, in all material respects the financial positions of the Group as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs), and the manner required by the Companies and Business Entities Act (Chapter 24:31) and the Banking Act (Chapter 24:20).

**Basis for qualified opinion**

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

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

*Historical date of change in functional currency*
As explained in note 2.19 to the inflation adjusted financial statements, the Bank 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.

Our most recent year end audit report was modified due to the impact of an incorrect date of change in functional currency. We believed 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.

Management has not restated the prior year amounts in line with the requirements of IAS8, consequently, the following corresponding elements remain misstated on the inflation adjusted financial statements; Property, plant and equipment, Intangible assets, Deferred tax liability, Capital reserves, Revaluation reserve, retained earnings, Net foreign exchange gains and Revaluation of land and buildings. Our opinion on the current period's consolidated inflation adjusted financial statements is therefore modified because of the possible effect of this matter on the comparability of the current period's figures and the corresponding figures.

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 462 166 697(2020: ZWL 462 166 697). This is not in line with the requirements of IFRS.

*Exchange rates used in prior year*
Further contributing to the adverse opinion was the use of inappropriate exchange rates which did not meet IAS21 requirements for a spot rate from 22 February 2019 to 22 June 2020. The interbank exchange rate was used to translate foreign denominated transactions and balances to ZWL functional currency; however, the rate was not available for immediate delivery therefore not a spot rate in terms of IFRS. The misstatements could however not be quantified as an appropriate exchange rate had not been identified.

Management has not made retrospective adjustments in terms of IAS 8 to correct this matter. Corresponding numbers relating to Fee and commission income, Operating expenditure, net exchange gains/losses and retained earnings on the consolidated inflation adjusted financial statements. Our opinion on the current period's consolidated inflation adjusted financial statements is modified because of the possible effects of the above matter on the comparability of the current period's figures and the corresponding figures.

**Matter 2: Accounting for blocked funds**

Included in Loans, advances and other assets of ZWL 12 367 842 540(2020: ZWL 6 417 670 852 ) on Note 20 to the inflation adjusted consolidated financial statements for the year ended 31 December 2021 are local balances denominated in the Bank's functional currency. Of this, local balances amounting to ZWL1 507 838 292 (2020: ZWL1 128 781 333) which are held with the central bank have been treated as foreign currency and translated at the foreign auction exchange rate of 31 December 2021 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.

The prior year audit report was also modified for this issue. 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. Management has not made adjustments in terms of IAS 8 to correct this matter therefore the matter continues to impact the following amounts on the consolidated inflation adjusted statement of comprehensive income:

- Net foreign exchange gains ZWL 156 701 217 (2020: ZWL 207 087 364)

**Matter 3: Valuation of investment properties and premises**

The Bank's investment properties and premises are carried at ZWL 3 518 133 464 (2020: ZWL 2 657 783 640) and ZWL 2 845 703 978 (2020: ZWL 2 317 820 761) respectively as at 31 December 2021 as described on Notes 23 and 25. The investment properties were valued using USD denominated inputs and converted to ZWL at the closing auction rate. We believe that applying a conversion rate to a USD valuation to calculate ZWL property values may not be an accurate reflection of market dynamics, as risks associated with currency trading do not always reflect the risks associated with property trading.

Consequently, property values may be materially misstated, and we are unable to determine what adjustments may be necessary to correctly account for these amounts.

The prior year audit report was also modified due to inappropriate valuation of investment property and freehold land and buildings using foreign currency inputs and translating to ZWL using the auction rate. Management has not made retrospective adjustments to correct this matter and thus the matter continues to impact the following elements of the statement of comprehensive income as a result of misstatements in prior year balances:

- Revaluation gain ZWL 377 156 500 (2020: 290 977 498)
- Other Income ZWL 932 865 157 (2020: 414 067 704)
- Tax expense ZWL (894 399 755) (2020: ZWL 231 218 282)

**Matter 4: 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 been used, the same elements as stated on matter 1, 2 and 3 would have been materially different except for Loans, advances and other assets, Investment property and Property, plant and equipment.

Consequently, Monetary loss of ZWL 436 377 804 (2020: ZWL45 434 726) would be impacted as a result of misstatements above.

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

The effects of the above departures from IFRS are material but not pervasive to the inflation adjusted 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 financial statements section of our report. of the Bank in We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Zimbabwe, and we have fulfilled our ethical responsibilities in accordance with these requirements and IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

**Key Audit Matters**

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

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

<table>
<tr><th>Key Audit Matter</th><th>How our audit addressed the matter</th></tr>
<tr><th colspan="2">Issue 1: Impairment of loans and advances</th></tr>
<tr><td>45% of the Group's total assets comprises of loans and advances which are disclosed on note 20 to the financial statements. The loans are significant to the Group in value and comprise of a large volume of balances of varying magnitude. A significant amount of audit effort is therefore required to independently verify the existence of the loans.<br><br>The Group is exposed to credit risk on its portfolio. Significant judgement is exercised by Management in assessing the impairment of advances as disclosed on note 20.3 to the financial statements. Due to the size of the Group's loan book and the significant degree of estimate in determining the impairment of loans and advances, the issue was considered to be a key audit matter.<br><br>Management applied judgment on:<br>• Amount and timing of cash flows<br>• Evaluation of the borrower's financial situation and the net realisable value of collateral.<br><br>There is subjectivity involved in determination of the amounts of advances deemed uncollectable and requiring impairment by Management. The determination of uncollectible amounts is based on a client-by-client basis.<br><br>We refer to Note 2.3.5 which details the methods, judgments and assumptions applied by management in estimating the impairment of loans and advances.<br>The matter required significant interactions between the auditor and Management.</td><td>In evaluating the adequacy of impairment of loans and advances we performed the following procedures:<br>• Tested internal controls over the credit granting and monitoring and assessed whether these were in accordance with laid down Group policies and procedures.<br>• We analysed customer payment trends during the year and period after year end but before the issuance of the financial statements.<br>• We reviewed the financial performance, financial position, cash flows and future projections for selected material advances.<br>• We reviewed security for selected loans and advances and assessed whether it adequately covered the outstanding loan balance.<br>• We tested the valuation of security pledged on the loan balances by comparing its values to recent market valuations.<br>• We selected material advances and analysed the accuracy of the classification of loans into various credit risk grades and credit quality portfolios as prescribed by the regulator and International Financial Reporting Standards respectively.<br>• We reviewed the assumptions applied by management in determining the credit loss history.<br>• We reviewed correspondence received from legal representatives to test the completeness of the impaired loans and advances.</td></tr>
</table>

<table>
<tr><th>Key Audit Matter</th><th>How our audit addressed the matter</th></tr>
<tr><th colspan="2">Issue 2 : Suspense accounts with long outstanding reconciling items</th></tr>
<tr><td>The Bank has experienced significant increase in volumes of transactions processed in its accounting systems arising from the extensive use of its digital platforms like mobile banking, POS and Zimswitch. Accordingly, due to the increase in transactions, there have been some delays in reconciling all accounts including the bank's suspense accounts.</td><td>In validating the suspense accounts, we performed the following procedures:<br>• We updated our understanding of how the bank's suspense accounts operate. We obtained an understanding of the system of internal control with regards to the review and approval thereof and evaluate the precision and sensitivity of thresholds applied by management in the review process.<br>• We tested the suspense account reconciliations at year end to confirm that these have been appropriately performed and we followed up on reconciling items.</td></tr>
</table>

| Key Audit Matter | How our audit addressed the matter |
|---|---|
| **Issue 3: Presumed risk in Revenue Recognition** | |
| The banks income which comprises of Interest Income and Fees & Commission Income was an area of most significance for the audit in the current year due to Interest income is a significant component of the bank's financial statements, both streams of income are highly automated therefore completeness & accuracy is an area of audit focus and that the bank's operations are largely dependent on interest income generation. | In validating the recognition of revenue, we performed the following procedures:<br>• We updated our understanding of the revenue recognition process, performed a walkthrough to confirm our understanding and evaluated the design effectiveness of controls related to the significant risk identified.<br>• We compared results with those of prior periods and those expected for the current period and discussed significant variations with management for reasonability.<br>• Our Technology Risk team confirmed the automated aspects of the interest, fees and commission income calculations are configured correctly and have been operating effectively throughout the audit period and performed recalculations on automated revenue lines.<br>• We performed year end cut off procedures for the revenue transactions.<br>• We reviewed the treatment of income on impaired financial instruments. Technology Risk Team also recalculated the income for suspended interest.<br>• We performed revenue validity tests of invoices, and contracts for non-automated revenue lines.<br>• We involved EY internal experts to review the process followed by the independent valuators to confirm appropriateness of methodology and assumptions for property valuation purposes in the determination of fair value adjustments.<br>• We selected manual journal entries processed to all revenue accounts to confirm validity and business rationale as well as the appropriateness of manual adjustments processed.<br>• We inquired about the policies and procedures related to accrued income.<br>• We also reviewed the compliance of the banking operations to the transaction fees in line with directives issued by the regulator. |

### Other information

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Ernst & Young

Ernst & Young
Chartered Accountants (Zimbabwe)
Registered Public Auditors

Harare

14 April 2022

# STATEMENTS OF COMPREHENSIVE INCOME
## for year ended 31 December 2021

GROUP

| | Note | Inflation Adjusted 31 Dec 2021 ZWL | Inflation Adjusted 31 Dec 2020 ZWL Restated | Historical Cost* 31 Dec 2021 ZWL | Historical Cost* 31 Dec 2020 ZWL |
|---|---|---|---|---|---|
| Interest income | 4 | 3 141 164 126 | 1 223 052 222 | 2 568 881 470 | 501 216 271 |
| Interest expense | 5 | ( 875 617 869) | ( 229 842 526) | ( 739 070 816) | ( 90 638 279) |
| **Net interest income** | | **2 265 546 257** | **993 209 696** | **1 829 810 654** | **410 577 992** |
| Fee and commission income | 6.1 | 3 621 484 808 | 1 818 825 719 | 2 927 160 013 | 815 541 357 |
| Net foreign exchange gains | | 156 701 217 | 207 087 364 | 76 798 658 | 217 274 144 |
| **Revenue** | | 6 043 732 282 | 3 019 122 779 | 4 833 769 325 | 1 443 393 493 |
| Other income | 6.2 | 932 865 157 | 414 067 704 | 2 107 418 588 | 1 226 846 996 |
| **Operating income** | | **6 976 597 439** | **3 433 190 483** | **6 941 187 913** | **2 670 240 489** |
| Operating expenditure | 7 | ( 3 526 482 289) | (2 048 189 724) | (2 838 459 393) | (814 190 000) |
| **Operating income before impairment charge and loss on monetary position** | | **3 450 115 150** | **1 385 000 759** | **4 102 728 520** | **1 856 050 489** |
| Impairment losses on financial assets measured at amortised cost | 20.3 | (248 106 738) | (205 702 991) | (248 106 738) | (127 974 740) |
| Loss on net monetary position | | (436 377 804) | (45 434 726) | - | - |
| **Profit before taxation** | | **2 765 630 608** | **1 133 863 042** | **3 854 621 782** | **1 728 075 749** |
| Taxation | 8.1 | ( 894 399 755) | 231 218 282 | ( 912 597 374) | 85 514 320 |
| **Profit for the period** | | **1 871 230 853** | **1 365 081 324** | **2 942 024 407** | **1 813 590 069** |
| **Other comprehensive income** | | | | | |
| Revaluation of land and buildings, net of tax | 6.3 | 377 156 500 | 290 977 498 | 848 730 924 | 891 186 492 |
| **Total comprehensive income for the year** | | **2 248 387 353** | **1 656 058 822** | **3 790 755 332** | **2 704 776 561** |
| Earnings per share (ZWL cents) | | | | | |
| - Basic | 9.3 | 463 | 338 | 728 | 449 |
| - Diluted | 9.3 | 409 | 319 | 643 | 424 |

*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.

COMPANY

| | Note | Inflation Adjusted 31 Dec 2021 ZWL | Inflation Adjusted 31 Dec 2020 ZWL Restated | Historical Cost* 31 Dec 2021 ZWL | Historical Cost* 31 Dec 2020 ZWL |
|---|---|---|---|---|---|
| Other income | | - | - | - | - |
| Operating expenditure | 7 | ( 33 048 171) | 4 295 423 | ( 27 768 409) | 62 563 |
| **Operating income before impairment charge and loss on monetary position** | | **( 33 048 171)** | **4 295 423** | **( 27 768 409)** | **62 563** |
| Impairment losses on financial assets measured at amortised cost | | - | - | - | - |
| Loss on net monetary position | | 7 396 622 | 406 587 690 | - | - |
| **(Loss)/Profit before tax** | | **( 25 694 957)** | **67 960 301** | **( 27 768 409)** | **62 563** |
| Taxation | 8.1 | 35 208 | ( 75 649) | - | - |
| **(Loss)/Profit for the period** | | **( 25 686 755)** | **402 367 916** | **( 27 768 409)** | **62 563** |

*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.

## STATEMENTS OF FINANCIAL POSITION
### as at 31 December 2021

| | | GROUP | | | |
|---|---|---|---|---|---|
| | | Inflation Adjusted | | Historical Cost* | |
| | Note | 31 Dec 2021 ZWL | 31 Dec 2020 ZWL Restated | 31 Dec 2021 ZWL | 31 Dec 2020 ZWL |
| **SHAREHOLDERS' FUNDS** | | | | | |
| Share capital | 10.2.1 | 5 745 840 | 5 745 840 | 84 116 | 84 116 |
| Share premium | 11 | 1 216 013 250 | 1 216 013 250 | 19 121 607 | 19 121 607 |
| Treasury shares reserve | 11 | ( 8 531) | - | ( 7 168) | - |
| Functional currency translation reserve | 11 | 462 166 697 | 462 166 697 | 11 619 648 | 11 619 648 |
| Revaluation reserve | 11 | 1 451 092 241 | 1 073 935 740 | 1 915 997 366 | 1 067 266 442 |
| Share option reserve | 11 | 33 048 171 | - | 27 768 409 | - |
| Retained earnings | 12 | 5 620 018 688 | 3 748 787 835 | 5 085 120 045 | 2 143 095 638 |
| **Total equity** | | **8 788 076 356** | **6 506 649 362** | **7 059 704 023** | **3 241 187 451** |
| Redeemable ordinary shares | 13 | 14 335 253 | 23 042 082 | 14 335 253 | 14 335 253 |
| Subordinated term loan | 14 | 223 114 790 | 213 189 970 | 223 114 790 | 132 632 641 |
| **Total shareholders' funds and shareholders' liabilities** | | **9 025 526 399** | **6 742 881 414** | **7 297 154 066** | **3 388 155 345** |
| **LIABILITIES** | | | | | |
| Deposits and other liabilities | 16.1 | 19 091 448 981 | 10 309 591 981 | 19 091 448 981 | 6 413 943 465 |
| Current tax liabilities | 8.3 | 236 048 645 | 91 949 809 | 236 048 645 | 57 205 065 |
| Deferred tax liabilities | 18 | 1 000 737 483 | 467 809 599 | 741 543 501 | 174 727 794 |
| **Total liabilities** | | **20 328 235 109** | **10 869 351 389** | **20 069 041 127** | **6 645 876 324** |
| **Total shareholders' funds and liabilities** | | **29 353 761 508** | **17 612 232 803** | **27 366 195 193** | **10 034 031 669** |
| **ASSETS** | | | | | |
| Cash and cash equivalents | 19 | 4 872 262 099 | 3 157 902 536 | 4 872 262 099 | 1 964 637 240 |
| Investment securities | 17.1 | 4 010 434 252 | 1 738 887 717 | 4 010 434 252 | 1 081 820 457 |
| Loans, advances and other assets | 20 | 12 367 842 540 | 6 417 670 852 | 11 849 962 849 | 3 730 886 733 |
| Trade and other investments | 21 | 36 499 730 | 17 484 463 | 36 499 730 | 10 877 672 |
| Investment properties | 23 | 3 518 133 464 | 2 657 783 640 | 3 518 133 464 | 1 653 496 476 |
| Intangible assets | 24 | 367 911 726 | 57 077 174 | 13 407 688 | 4 133 707 |
| Property and equipment | 25 | 4 180 677 696 | 3 565 426 421 | 3 065 495 111 | 1 588 179 384 |
| **Total assets** | | **29 353 761 508** | **17 612 232 803** | **27 366 195 193** | **10 034 031 669** |

*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.

**MR. B. A. CHIKWANHA**

**MR. G. Gore**

**Directors**

**10 April 2022**

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

**10 April 2022**

## STATEMENTS OF FINANCIAL POSITION (Continued)
### as at 31 December 2021

| | | COMPANY | | | |
|---|---|---|---|---|---|
| | | Inflation Adjusted | | Historical Cost* | |
| | Note | 31 December 2021 ZWL | 31 December 2020 ZWL Restated | 31 December 2021 ZWL | 31 December 2020 ZWL |
| **SHAREHOLDER'S FUNDS** | | | | | |
| Share capital | 10.2.1 | 5 745 840 | 5 745 840 | 84 116 | 84 116 |
| Share premium | | 1 216 013 250 | 1 216 013 250 | 19 121 607 | 19 121 607 |
| Treasury shares reserve | | ( 8 531) | - | ( 7 168) | - |
| Share option reserve | | 33 048 171 | - | 27 768 409 | - |
| Retained earnings | 12 | 803 936 728 | 829 623 482 | ( 27 598 748) | 169 661 |
| **Total equity** | | **2 058 735 458** | **2 051 382 572** | **19 368 216** | **19 375 384** |
| Redeemable ordinary shares | 13 | 14 335 253 | 23 042 082 | 14 335 253 | 14 335 253 |
| **Total shareholder's funds and liabilities** | | **2 073 070 711** | **2 074 424 654** | **33 703 469** | **33 710 637** |
| **LIABILITIES** | | | | | |
| Deposits and other liabilities | 16.1 | 293 703 | 665 669 | 293 703 | 414 135 |
| Deferred tax liabilities | 18 | - | - | - | - |
| **Total liabilities** | | **293 703** | **665 669** | **293 703** | **414 135** |
| **Total shareholder's funds and liabilities** | | **2 073 364 414** | **2 075 090 323** | **33 997 172** | **34 124 772** |
| **ASSETS** | | | | | |
| Cash and cash equivalents | 19 | 13 635 | 21 917 | 13 635 | 13 635 |
| Current tax assets | 8.3 | 75 517 | 121 386 | 75 518 | 75 518 |
| Loans, advances and other assets | 20 | 2 404 872 | 4 068 428 | 2 403 508 | 2 531 106 |
| Group companies | 22 | 2 070 856 886 | 2 070 856 886 | 31 491 009 | 31 491 009 |
| Deferred tax assets | 18 | 13 504 | 21 706 | 13 502 | 13 504 |
| **Total assets** | | **2 073 364 414** | **2 075 090 323** | **33 997 172** | **34 124 772** |

*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"*.

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**MR. B. A. CHIKWANHA**

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**MR. G. Gore**

**Directors**

**10 April 2022**

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

**10 April 2022**

# STATEMENT OF CHANGES IN EQUITY
## for year ended 31 December 2021

GROUP — Inflation Adjusted

| | Share Capital ZWL | Share Premium ZWL | Treasury Shares ZWL | Functional Currency Translation Reserve ZWL | Share Option Reserve ZWL | Revaluation Reserve ZWL | Retained Earnings ZWL | Total ZWL |
|---|---|---|---|---|---|---|---|---|
| **Balance as at 1 January 2020** | 5 745 840 | 1 216 013 250 | - | 462 166 697 | 4 295 423 | 782 958 243 | 2 383 706 511 | 4 854 885 964 |
| Profit for the year | - | - | - | - | - | - | 1 365 081 324 | 1 365 081 324 |
| Revaluation of land and buildings, net of tax | - | - | - | - | - | 290 977 498 | - | 290 977 498 |
| Unwinding of share option reserve | - | - | - | - | ( 4 295 423) | - | - | ( 4 295 423) |
| **Balance at 31 December 2020** | **5 745 840** | **1 216 013 250** | **-** | **462 166 697** | **-** | **1 073 935 740** | **3 748 787 835** | **6 506 649 362** |
| Profit for the year | - | - | - | - | - | - | 1 871 230 853 | 1 572 574 508 |
| Revaluation of land and buildings,net of tax | - | - | - | - | - | 377 156 500 | - | 377 156 500 |
| Acquisition of treasury share | - | - | ( 8 531) | - | - | - | - | ( 8 531) |
| Employee share schemes value of employee services | - | - | - | - | 33 048 171 | - | - | 33 048 171 |
| **Balance at 31 December 2021** | **5 745 840** | **1 216 013 250** | **( 8 531)** | **462 166 697** | **33 048 171** | **1 451 092 241** | **5 620 018 688** | **8 788 076 356** |

GROUP — Historical Cost*

| | Share Capital ZWL | Share Premium ZWL | Treasury Shares ZWL | Functional Currency Translation Reserve ZWL | Share Option Reserve ZWL | Revaluation Reserve ZWL | Retained Earnings ZWL | Total ZWL |
|---|---|---|---|---|---|---|---|---|
| Balances at 1 January 2020 | 84 116 | 19 121 607 | - | 11 619 648 | 62 563 | 176 079 950 | 329 505 569 | 536 473 453 |
| 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 |
| Unwinding of share option reserve | - | - | - | - | ( 62 563) | - | - | ( 62 563) |
| **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** |
| Profit for the year | - | - | - | - | - | - | 2 942 024 406 | 2 942 024 407 |
| Revaluation of land and buildings, net of tax | - | - | - | - | - | 848 730 924 | - | 848 730 924 |
| Acquisition of treasury shares | - | - | ( 7 168) | - | - | - | - | ( 7 168) |
| Employee share schemes value of employee services | - | - | - | - | 27 768 409 | - | - | 27 768 409 |
| **Balances at 31 December 2021** | **84 116** | **19 121 607** | **( 7 168)** | **11 619 648** | **27 768 409** | **1 915 997 366** | **5 085 120 045** | **7 059 704 024** |

*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 year ended 31 December 2021

COMPANY — Inflation Adjusted

| | Share Capital ZWL | Share Premium ZWL | Treasury Shares ZWL | Functional Currency Translation Reserve ZWL | Share Option Reserve ZWL | Revaluation Reserve ZWL | Retained Earnings ZWL | Total ZWL |
|---|---|---|---|---|---|---|---|---|
| **Balance as at 1 January 2020** | 5 745 840 | 1 216 013 250 | - | - | 4 295 423 | - | 761 738 831 | 1 987 793 344 |
| Total comprehensive income for the year | - | - | - | - | - | - | 67 884 652 | 67 884 652 |
| Unwinding of share option reserve | - | - | - | - | ( 4 295 423) | - | - | ( 4 295 423) |
| **Balance at 31 December 2020** | **5 745 840** | **1 216 013 250** | **-** | **-** | **-** | **-** | **829 623 482** | **2 051 382 572** |
| Total comprehensive income for the year | - | - | - | - | - | - | ( 25 686 755) | ( 25 686 755) |
| Acquisition of treasury shares | - | - | ( 8 531) | - | - | - | - | ( 8 531) |
| Dividends paid | - | - | - | - | - | - | - | - |
| Employee share schemes - value of employee services | - | - | - | - | 33 048 171 | - | - | 33 048 171 |
| **Balance at 31 December 2021** | **5 745 840** | **1 216 013 250** | **( 8 531)** | **-** | **33 048 171** | **-** | **803 936 728** | **2 058 735 458** |

COMPANY — Historical Cost*

| | Share Capital ZWL | Share Premium ZWL | Treasury Shares ZWL | Functional Currency Translation Reserve ZWL | Share Option Reserve ZWL | Revaluation Reserve ZWL | Retained Earnings ZWL | Total ZWL |
|---|---|---|---|---|---|---|---|---|
| Balances at 1 January 2020 | 84 116 | 19 121 607 | - | - | 62 563 | - | 107 098 | 19 375 384 |
| Total comprehensive income for the year | - | - | - | - | - | - | 62 563 | 62 563 |
| Unwinding of share option reserve | - | - | - | - | ( 62 563) | - | - | ( 62 563) |
| **Balances at 31 December 2020** | 84 116 | 19 121 607 | - | - | - | - | 169 661 | 19 375 384 |
| Total comprehensive income for the year | - | - | - | - | - | - | ( 27 768 409) | ( 27 768 409) |
| Acquisition of treasury shares | - | - | ( 7 168) | - | - | - | - | ( 7 168) |
| Employee share schemes - value of employee services | - | - | - | - | 27 768 409 | - | - | 27 768 409 |
| **Balances at 31 December 2021** | **84 116** | **19 121 607** | **( 7 168)** | **-** | **27 768 409** | **-** | **( 27 598 748)** | **19 368 216** |

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

## STATEMENT OF CASHFLOWS
### for year ended 31 December 2021

| GROUP | Note | Inflation Adjusted 31 Dec 2021 ZWL | Inflation Adjusted 31 Dec 2020 ZWL Restated | Historical Cost* 31 Dec 2021 ZWL | Historical Cost* 31 Dec 2020 ZWL |
|---|---|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | | | |
| Profit before taxation | | 2 765 630 608 | 1 133 863 042 | 3 854 621 782 | 1 728 075 749 |
| **Non-cash items:** | | | | | |
| - Net monetary (Loss)/Gain | | 436 377 804 | 45 434 726 | - | - |
| - Depreciation(excluding right of use assets) | 7 | 84 468 840 | 111 168 797 | 65 921 613 | 22 310 284 |
| - Depreciation –Right of use assets | 7 | 49 484 694 | 17 868 262 | 38 605 828 | 8 579 715 |
| - Amortisation of intangible assets | 7 | 3 697 644 | 39 246 884 | 2 865 483 | 915 580 |
| - Impairment losses on financial assets measured at amortised costs | 20.3 | 248 106 738 | 205 702 991 | 248 106 738 | 127 974 740 |
| - Investment properties fair value gains | 23 | ( 833 158 854) | ( 367 520 068) | ( 1 843 565 394) | ( 1 182 737 157) |
| - Trade and other investments fair value gains adjustment | 21 | ( 10 897 181) | ( 5 860 291) | ( 8 444 751) | ( 9 265 541) |
| - Profit on disposal of property and equipment | | ( 582 361) | ( 12 669 303) | ( 462 020) | ( 7 091 399) |
| - Loss/(profit) on disposal of investment properties | | ( 6 802 556) | 3 533 622 | ( 5 788 412) | ( 10 867 431) |
| - Dividend received | | 25 314 881 | - | 17 177 307 | - |
| - Unrealised foreign exchange gain | | ( 110 073 088) | ( 329 076 141) | ( 110 073 088) | ( 204 729 321) |
| - Non-cash employee benefits expense share-based payments | 7 | 33 048 171 | - | 27 768 409 | - |
| Operating cash flows before changes in operating assets and liabilities | | 2 684 615 340 | 841 692 521 | 2 286 733 495 | 473 165 219 |
| **Changes in operating assets and liabilities** | | | | | |
| Increase in deposits and other liabilities | | 8 781 857 000 | 4 679 232 358 | 12 677 505 516 | 2 911 107 622 |
| Increase in loans, advances and other assets | | ( 6 047 638 810) | ( 4 429 303 072) | ( 8 123 746 315) | ( 1 356 425 376) |
| Net cash generated from operations | | 5 418 833 530 | 1 091 621 807 | 6 840 492 696 | 2 027 847 465 |
| **TAXATION** | | | | | |
| Corporate tax paid | | ( 537 351 953) | ( 136 721 493) | ( 505 915 301) | ( 73 473 484) |
| **Net cash inflow from operations** | | **4 881 481 576** | **954 900 314** | **6 334 577 395** | **1 954 373 981** |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | | | |
| Acquisition of intangible assets | 24 | ( 15 664 870) | ( 12 583 601) | ( 12 139 463) | ( 3 652 103) |
| Disposal/Acquisition of investment securities | 17 | (3 779 108 984) | ( 1 566 631 859) | ( 2 928 613 795) | ( 974 654 302) |
| Proceeds on disposal of property and equipment | | 10 192 641 | 16 571 920 | 582 361 | 7 122 008 |
| Acquisition of trade and other investments | 21 | ( 25 314 881) | - | ( 17 177 307) | - |
| Acquisition of property and equipment | 25 | ( 156 094 715) | ( 410 137 563) | ( 123 319 135) | ( 110 752 486) |
| Proceeds on disposal of investment properties | | 42 179 066 | 24 724 497 | 34 553 053 | 15 381 940 |
| Acquisition of investment properties | 23 | ( 57 522 943) | ( 661 072 877) | ( 44 577 303) | ( 245 405 846) |
| Net cash used in investing activities | | ( 3 981 334 686) | ( 2 609 129 484) | ( 3 090 691 589) | ( 1 311 960 789) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | | | |
| Repayment of lease liabilities | 16.4 | ( 60 120 942) | ( 49 713 476) | ( 46 590 617) | ( 14 658 020) |
| Purchase of treasury shares | | ( 8 531) | - | ( 7 168) | - |
| Net cash outflow from financing activities | | ( 60 129 472) | ( 49 713 476) | ( 46 597 785) | ( 14 658 020) |
| Net increase/(decrease) in cash and cash equivalents | | 840 017 418 | ( 1 703 942 645) | 3 197 288 021 | 627 755 172 |
| Net foreign exchange and monetary adjustments on cash and cash equivalents | | 874 342 145 | 2 653 439 317 | ( 289 663 162 ) | 844 577 801 |
| Cash and cash equivalents at beginning of the year | | 3 157 902 536 | 2 208 405 864 | 1 964 637 240 | 492 304 267 |
| Cash and cash equivalents at the end of the year | 19 | 4 872 262 099 | 3 157 902 536 | 4 872 262 099 | 1 964 637 240 |
| **Additional information on operational cashflows on interest** | | | | | |
| Interest received | | 2 976 563 465 | 1 171 971 825 | 2 434 269 087 | 501 216 271 |
| Interest paid (including interest on lease liability) | | ( 762 185 009) | ( 186 475 075) | ( 643 327 091) | ( 90 638 279) |

*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 CASHFLOWS
## for year ended 31 December 2021

**COMPANY**

| | NOTE | Inflation Adjusted 31 December 2021 ZWL | Inflation Adjusted 31 December 2020 ZWL Restated | Historical Cost* 31 December 2021 ZWL | Historical Cost* 31 December 2020 ZWL |
|---|---|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | | | |
| Profit before taxation | | ( 25 694 957) | 403 292 267 | ( 27 768 409) | 62 563 |
| **Non-cash items** | | | | | |
| - Net monetary Gain | | ( 7 353 214) | - | - | - |
| - Non-cash employee benefits expense – share-based payments | | 33 048 171 | ( 4 295 423) | 27 768 409 | ( 62 563) |
| Operating cash flows before changes in operating assets and liabilities | | - | 63 664 878 | - | - |
| **Changes in operating assets and liabilities** | | | | | |
| Decrease in deposits and other liabilities | | ( 371 965) | ( 82 142 250) | ( 120 432) | - |
| Decrease in loans, advances and other assets | | 1 663 556 | 18 477 372 | 127 600 | - |
| Net cash generated from operations | | 1 291 591 | - | 7 168 | - |
| **Taxation** | | | | | |
| Corporate tax paid | | - | - | - | - |
| **Net cash inflow from operating activities** | | 1 291 591 | - | 7 168 | - |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | | | |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | | | |
| Acquisition of treasury shares | | ( 8 531) | - | ( 7 168) | - |
| Net cash outflow from investing activities | | ( 8 531) | - | ( 7 168) | - |
| Net (decrease)/increase in cash and cash equivalents | | 1 283 060 | - | - | - |
| Net foreign exchange and monetary adjustments on cash and cash equivalents | | ( 1 291 342) | ( 76 398) | - | - |
| Cash and cash equivalents at beginning of the year | | 21 917 | 98 315 | 13 635 | 13 635 |
| Cash and cash equivalents at the end of the year | 19 | 13 635 | 21 917 | 13 635 | 13 635 |

# NOTES TO THE FINANCIAL STATEMENTS
## for year ended 31 December 2021

## 1 GENERAL INFORMATION

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

The Bank was established in 1993 as a merchant bank incorporated under the Companies and Other Business Entities Act (Chapter 24:31) of Zimbabwe and is now registered as a commercial bank in terms of the Banking Act (Chapter 24:20) of Zimbabwe. It operates through a branch and agency network in Harare, Bulawayo, Masvingo, Kwekwe, Mutare, Gweru, Bindura, Chitungwiza and Chinhoyi.

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

## 2 SUMMARY SIGNIFICANT ACCOUNTING POLICIES

### 2.1 BASIS OF PREPARATION

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

| Dates | Indices | Conversion factor |
|---|---|---|
| 31-Dec-18 | 88.81 | 44.7862 |
| 31-Dec-19 | 551.63 | 7.2104 |
| 31-Dec-20 | 2474.52 | 1.6074 |
| 31-Dec-21 | 3977.46 | 1.0000 |

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

• All comparative figures as of and for the periods ended 31 December 2018, 31 December 2019, 31 December 2020 and 31 December 2021 have been restated by applying the change in the index to 31 December 2021;
• Income statement transactions have been restated by applying the change in the index from the approximate date of the transactions to 31 December 2021;
• 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 2021;
• Property and equipment and accumulated depreciation have been restated by applying the change in the index from the date of their purchase or re-assessment to 31 December 2021;
• Equity has been restated by applying the change in index from the date of issue to 31 December 2021;

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

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

**Functional and presentation currency**

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

**Comparative financial information**

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

## NOTES TO THE FINANCIAL STATEMENTS (Continued)
### for year ended 31 December 2021

**2.2 BASIS OF CONSOLIDATION**

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

**2.2.1 BUSINESS COMBINATIONS**

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

**Subsidiaries**

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

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

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

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

**Loss of control**

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

**Transactions eliminated on consolidation**

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

**2.3 FOREIGN CURRENCY TRANSACTIONS**

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

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the spot exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between the amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in the foreign currency translated at the spot exchange rate at the end of the year.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the spot exchange rate at the date on which the fair value is determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated using the spot exchange rate at the date of the transaction.

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

**2.4 TAXATION**

**Income tax**

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

**Current tax**

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

## 2.4 TAXATION (Continued)

**Deferred tax**

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

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

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

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

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

## 2.5 FINANCIAL INSTRUMENTS

**Measurement Methods**

**Amortised cost and effective interest rates**

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

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

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

**Interest Income**

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

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

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

## 2.5 FINANCIAL INSTRUMENTS (continued)

**Initial recognition and measurement**

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

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

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

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

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

**Financial Assets**

***(i) Classification and subsequent measurement***

From 1 January 2018, the Group has applied IFRS 9 and classifies its financial assets in the following measurement categories:
- Fair value through profit or loss (FVPL);
- Fair value through other comprehensive income (FVOCI); or
- Amortised cost.

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

**Debt Instruments**

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

Classification and subsequent measurement of debt instruments depend on:

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

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

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ('SPPI'), and that are not designated at FVPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance. Interest income from these financial assets is included in interest and similar income using the effective interest rate method.
- Fair value through other comprehensive income (FVOCI): Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principle and interest and that are not designated at FVPL, are measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortised cost which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in "Net Investment Income'. Interest income from these financial assets is included in 'Interest Income' using the effective interest rate method.
- Fair value through profit or loss: Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and

**2.5 FINANCIAL INSTRUMENTS (continued)**

**Debt Instruments (continued)**

presented in the profit or loss statement within 'Net Trading Income" in the period in which it arises, unless it arises from debt instruments that were designated at fair value or which are not held for trading, in which case they are presented separately in 'Net Investment Income'. Interest income from these financial assets is included in "Interest income" using the effective interest rate method.

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

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

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

**Equity Instruments**

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

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

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

**(ii) Impairment**

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

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

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

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

- Full lifetime ECL, i.e. lifetime ECL that result from all possible default events over the life of the financial instrument, (referred to as Stage 2 and Stage 3).

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

## 2.5 FINANCIAL INSTRUMENTS (continued)

**Expected Credit Losses**

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

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

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

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

**Credit-Impaired Financial Assets**

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

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

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

**Purchased or originated credit-impaired (POCI) financial assets**

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS (Continued)
## for year ended 31 December 2021

**2.5 FINANCIAL INSTRUMENTS (continued)**

**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.

**2.5 FINANCIAL INSTRUMENTS (continued)**

**Significant Increase In Credit Risk (continued)**

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

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

**(iii) Modification Of Loans**

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

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

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

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

**(iv) Derecognition Other Than On A Modification**

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

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS (Continued)
## for year ended 31 December 2021

**2.5 FINANCIAL INSTRUMENTS (continued)**

**Financial Liabilities**

***Classification and Subsequent Measurement***

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

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

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

***Derecognition***

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

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

***Financial Guarantee Contracts and Loan Commitments***

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

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

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

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

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

## 2.5 FINANCIAL INSTRUMENTS (continued)

**Critical Accounting Estimates and Judgements**

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

Note 2.20 provides an overview of the areas that involve a higher degree of judgement or complexity, and major sources of estimation uncertainty that have a significant risk of resulting in a material adjustment within the next financial year. Detailed information about each of these estimates and judgements is included in the related notes together with information about the basis of calculation for each affected line item in the financial statements.

**Measurement of the Expected Credit Loss Allowance**

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

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

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

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

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

**Probability of Default (PD)**

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

**Exposure at Default (EAD)**

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

**Loss Given Default (LGD)**

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

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

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

**Forward Looking Information**

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

***Inflation Rate***

This is the inflation of the country of Zimbabwe. The Bank approximates the impact of inflation on the future quality of the credit portfolio by measuring the variation between the inflation rate at reporting date and the highest forecasted inflation rate for the period 2021-2023. Current inflation data is collected from the Reserve Bank of Zimbabwe (RBZ) and Zimbabwe National Statistics Agency (ZIMSTAT) websites while inflation forecast data is collected from the World Bank websites.

***Unemployment Rates***

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

***Market Non-Performing Loans Rate***

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

***Producer Price Index (PPI)***

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

***Renegotiated Loans And Advances***

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

**Collateral valuation**

The Group seeks to use collateral, where possible, to mitigate its credit risk on financial assets. The collateral comes in

**Collateral valuation (Continued)**

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

**Collateral repossessed**

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

**Offsetting financial instruments**

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

**Non-performing loans**

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

## 2.6 CASH AND CASH EQUIVALENTS

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

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

## 2.7 PROPERTY AND EQUIPMENT

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

Land and buildings are measured at revalued amount less accumulated depreciation on buildings and impairment losses recognised after the date of the revaluation. Revaluation of property is performed at the end of each reporting period, by a registered professional valuer.

Any revaluation surplus is recognised in other comprehensive income and accumulated in the revaluation reserve included in the equity section of the statement of financial position, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss. A revaluation deficit is recognised in profit or loss, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve, the decrease in other comprehensive income reduces the amount accumulated in equity as the asset revaluation reserve. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

An annual transfer from the asset revaluation reserve to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the assets and depreciation based on the assets original cost. Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

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

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

**Owned assets**

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

**Depreciation**

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

| | |
|---|---|
| Computers | 20% |
| Motor Vehicles | 25% |
| Furniture and Equipment | 20% |
| Buildings | 2% |

Land and capital work-in-progress are not depreciated.

## 2.8 INTANGIBLE ASSETS

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

**Amortisation of Intangible Assets**

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

| | |
|---|---|
| Computer software | 20% |

## 2.9 LEASES

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

***As Lessor***

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

***As Lessee***

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

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

**Measurement of Right-Of-Use Assets**

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

## NOTES TO THE FINANCIAL STATEMENTS (Continued)
### for year ended 31 December 2021

**2.9 LEASES (Continued)**

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

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

**2.10 IMPAIRMENT OF NON FINANCIAL ASSETS**

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

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

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

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

**2.11 INVESTMENT PROPERTIES**

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

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

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

**2.12 FINANCIAL GUARANTEES**

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

# NOTES TO THE FINANCIAL STATEMENTS (Continued)
## for year ended 31 December 2021

### 2.12 FINANCIAL GUARANTEES (Continued)

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

### 2.13 WRITE-OFFS

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

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

### 2.14 FEES AND COMMISSION INCOME

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

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

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

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

### 2.15 INTEREST INCOME

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

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

### 2.16 INTEREST EXPENSE

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

### 2.17 EMPLOYEE BENEFITS

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

**Defined Contribution Plan**

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

**National Social Security Authority Scheme**

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

# NOTES TO THE FINANCIAL STATEMENTS (Continued)
## for year ended 31 December 2021

### 2.17 EMPLOYEE BENEFITS (Continued)

**Short Term Employee Benefits/And Share Based Payments**

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

**Share based payments**

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

### 2.18 PROVISIONS

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

### 2.19 SHAREHOLDERS' FUNDS AND SHAREHOLDERS' LIABILITIES

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

**Treasury shares**

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

### 2.20 USE OF ESTIMATES, JUDGEMENTS AND ASSUMPTIONS

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

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

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ending 31 December 2021 is included in the following notes.

**Land and buildings**

The properties were valued by an independent professional valuer. The determined fair value of land and buildings is most sensitive to significant unobservable inputs. The property market is currently not stable due to liquidity constraints.

**Investment properties**

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

# NOTES TO THE FINANCIAL STATEMENTS (Continued)
## for year ended 31 December 2021

**Impairment losses on loans and advances**

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

**COVID-19**

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

**Going concern**

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

**Determination of the functional currency**

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

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

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

On 22 February 2020, the Reserve Bank of Zimbabwe (RBZ) issued an Exchange Control Directive, RU 28 of 2020 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 2020 were at USD1: RTGS$2.5. On the same date, Statutory Instrument 33 of 2020 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 2020 were deemed to have been valued in RTGS Dollars at a rate of 1:1 with the USD.

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

On 26 March 2020, the Reserve Bank of Zimbabwe in a press statement announced various interventions in response to the financial vulnerabilities caused by the COVID-19 pandemic. One of the measures announced therein was the authorization of the use of free-funds in paying for goods and services, in terms of Statutory Instrument (SI) 85 of 2021. On 24 July 2021, the Government of Zimbabwe issued Statutory Instrument (SI) 185 of 2021, 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.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)
## for year ended 31 December 2021

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 2021. 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 2020.

**Lease arrangements**

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

**2.21 STANDARDS ISSUED AND EFFECTIVE**

**a) International Financial Reporting Standards and amendments effective for the first time for December 2021 year-end**

| Standard | Effective Date | Executive Summary |
|---|---|---|
| Amendments to IFRS 9 'Financial Instruments', IAS 39 'Financial Instruments: Recognition and Measurement', IFRS 7 'Financial Instruments: Disclosures', IFRS 4 'Insurance Contracts' and IFRS 16 'Leases' – interest rate benchmark (IBOR) reform. | Annual periods beginning on or after 1 January 2021 | The Phase 2 amendments address issues that arise from the implementation of the reform of an interest rate benchmark, including the replacement of one benchmark with an alternative one.<br><br>There is no significant impact on the Group. |
| IFRS 16, 'Leases' COVID-19-Related Rent Concessions Amendment | Annual periods beginning on or after 1 June 2020 (early adoption is permitted) | The IASB has provided lessees (but not lessors) with relief in the form of an optional exemption from assessing whether a rent concession related to COVID-19 is a lease modification, provided that the concession meets certain conditions. Lessees can elect to account for qualifying rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as a variable lease payment.<br><br>There is no significant impact on the Group. |

## NOTES TO THE FINANCIAL STATEMENTS (Continued)
### for year ended 31 December 2021

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

| Standard | Effective Date | Executive summary |
|---|---|---|
| IFRS 17, 'Insurance contracts' | Annual periods beginning on or after 1 January 2023<br><br>Early application is permitted for entities that apply IFRS 9, 'Financial Instruments', and IFRS 15, 'Revenue from Contracts with Customers', at or before the date of initial application of IFRS 17. | The IASB issued IFRS 17, 'Insurance contracts', and thereby started a new epoch of accounting for insurers. Whereas the current standard, IFRS 4, allows insurers to use their local GAAP, IFRS 17 defines clear and consistent rules that will significantly increase the comparability of financial statements. For insurers, the transition to IFRS 17 will have an impact on financial statements and on key performance indicators.<br><br>Under IFRS 17, the general model requires entities to measure an insurance contract at initial recognition at the total of the fulfilment cash flows (comprising the estimated future cash flows, an adjustment to reflect the time value of money and an explicit risk adjustment for non-financial risk) and the contractual service margin. The fulfilment cash flows are remeasured on a current basis each reporting period. The unearned profit (contractual service margin) is recognised over the coverage period.<br><br>Aside from this general model, the standard provides, as a simplification, the premium allocation approach. This simplified approach is applicable for certain types of contract, including those with a coverage period of one year or less.<br><br>For insurance contracts with direct participation features, the variable fee approach applies. The variable fee approach is a variation on the general model. When applying the variable fee approach, the entity's share of the fair value changes of the underlying items is included in the contractual service margin. As a consequence, the fair value changes are not recognised in profit or loss in the period in which they occur but over the remaining life of the contract.<br><br>Given the Bancassurance arm of the Group systems are being set up to ensure implementation is successful on the effective date. |
| IFRS 17, Insurance contracts Amendments | Annual periods beginning on or after 1 January 2023 | In response to some of the concerns and challenges raised, the Board developed targeted amendments and a number of proposed clarifications intended to ease implementation of IFRS 17, simplify some requirements of the standard and ease transition. The amendments relate to eight areas of IFRS 17, and they are not intended to change the fundamental principles of the standard or unduly disrupt implementation already underway. |

## NOTES TO THE FINANCIAL STATEMENTS (Continued)
## for year ended 31 December 2021

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

| | | |
|---|---|---|
| Amendment to IFRS 3, 'Business combinations' Asset or liability in a business combination clarity | Annual periods beginning on or after 1 January 2022 | The Board has updated IFRS 3, 'Business combinations', to refer to the 2018 Conceptual Framework for Financial Reporting, in order to determine what constitutes an asset or a liability in a business combination.<br><br>In addition, the Board added a new exception in IFRS 3 for liabilities and contingent liabilities. The exception specifies that, for some types of liabilities and contingent liabilities, an entity applying IFRS 3 should instead refer to IAS 37, 'Provisions, Contingent Liabilities and Contingent Assets', or IFRIC 21, 'Levies', rather than the 2018 Conceptual Framework.<br><br>The Board has also clarified that the acquirer should not recognise contingent assets, as defined in IAS 37, at the acquisition date. |
| Amendments to IAS 16 'Property, Plant and Equipment': Proceeds before Intended Use | Annual periods beginning on or after 1 January 2022 | The amendment to IAS 16 prohibits an entity from deducting from the cost of an item of PPE any proceeds received from selling items produced while the entity is preparing the asset for its intended use (for example, the proceeds from selling samples produced when testing a machine to see if it is functioning properly). The proceeds from selling such items, together with the costs of producing them, are recognised in profit or loss. |
| Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' on Onerous Contracts—Cost of Fulfilling a Contract | Annual periods beginning on or after 1 January 2022 | The amendment clarifies which costs an entity includes in assessing whether a contract will be loss-making. This assessment is made by considering unavoidable costs, which are the lower of the net cost of exiting the contract and the costs to fulfil the contract. The amendment clarifies the meaning of 'costs to fulfil a contract'. Under the amendment, costs to fulfil a contract include incremental costs and the allocation of other costs that relate directly to fulfilling the contract. |
| Annual improvements cycle 2018 -2020 | Annual periods beginning on or after 1 January 2022 | These amendments include minor changes to:<br>- IFRS 1, 'First time adoption of IFRS' has been amended for a subsidiary that becomes a first-time adopter after its parent. The subsidiary may elect to measure cumulative translation differences for foreign operations using the amounts reported by the parent at the date of the parent's transition to IFRS.<br>- IFRS 9, 'Financial Instruments' has been amended to include only those costs or fees paid between the borrower and the lender in the calculation of "the 10% test" for derecognition of a financial liability. Fees paid to third parties are excluded from this calculation.<br>- IFRS 16, 'Leases', amendment to the Illustrative Example 13 that accompanies IFRS 16 to remove the illustration of payments from the lessor relating to leasehold improvements. The amendment intends to remove any potential confusion about the treatment of lease incentives.<br>- IAS 41, 'Agriculture' has been amended to align the requirements for measuring fair value with those of IFRS 13. The amendment removes the requirement for entities to exclude cash flows for taxation when measuring fair value. |
| Amendment to IAS 1 'Presentation of Financial Statements' on Classification of Liabilities as Current or Non-current | Annual periods beginning on or after 1 January 2022. | The amendment clarifies that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). |

# NOTES TO THE FINANCIAL STATEMENTS (Continued)
## for year ended 31 December 2021

### 3. SEGMENT INFORMATION

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

| | | |
|---|---|---|
| Retail banking | - | Individual customers deposits and consumer loans, overdrafts, credit card facilities and funds transfer facilities. |
| Corporate banking | - | Loans and other credit facilities and deposit and current accounts for corporate and institutional customers. |
| Treasury | - | Money market investment, securities trading, accepting and discounting of instruments and foreign currency trading. |
| International banking | - | Handles the Group's foreign currency denominated banking business and manages relationships with correspondent banks. |
| Digital Banking | - | Handles the Bank's Digital Banking products including Card and POS services. |

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

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

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

No revenue from transactions with a single external customer or counterparty amounted to 10% or more of the Group's total revenue in 2021 or 2020.

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

| | Inflation Adjusted | | | | | | |
|---|---|---|---|---|---|---|---|
| | Consumer Banking ZWL | Corporate Banking ZWL | Treasury Banking ZWL | International Banking ZWL | Digital Banking ZWL | Other ZWL | Total ZWL |
| **For the year ended 31 December 2021** | | | | | | | |
| **Income** | | | | | | | |
| Third party income | 1 587 391 703 | 2 372 527 396 | 360 453 413 | 136 916 603 | 2 293 433 317 | 435 014 477 | 7 185 736 909 |
| Interest and similar expense | ( 901 000 616) | ( 274 184 494) | ( 925 708 194) | ( 83 510 007) | ( 482 332 105) | ( 1 455 779 454) | ( 4 122 514 869) |
| **Net operating income** | **686 391 087** | **2 098 342 902** | **( 565 254 782)** | **53 406 597** | **1 811 101 212** | **( 1 020 764 977)** | **3 063 222 040** |
| **Other material non-cash items** | | | | | | | |
| Impairment losses on financial assets measured at amortised cost | ( 137 184 587) | ( 104 753 676) | ( 6 168 475) | - | - | - | ( 248 106 738) |
| Depreciation of property and equipment | ( 10 955 020) | ( 40 925) | ( 30 001) | ( 19 047) | ( 2 503 285) | ( 35 936 416) | ( 49 484 694 |
| Depreciation of right of use assets | - | - | - | - | - | - | - |
| Amortisation of intangible assets | - | - | - | - | - | - | - |
| **Segment profit/(loss)** | **538 251 481** | **1 993 548 301** | **( 571 453 258)** | **53 387 550** | **1 808 597 926** | **( 1 056 701 393)** | **2 765 630 608** |
| Income tax charge | - | - | - | - | - | ( 894 399 755) | ( 894 399 755) |
| Revaluation of land and buildings, net of tax | - | - | - | - | - | 377 156 500 | 377 156 500 |
| **Total comprehensive income for the year** | **538 251 481** | **1 993 548 301** | **( 571 453 258)** | **53 387 550** | **1 808 597 926** | **( 1 573 944 647)** | **2 248 387 353** |
| **As at 31 December 2021** | | | | | | | |
| **Assets and liabilities** | | | | | | | |
| Capital expenditure (property and equipment and intangible assets) | 102 220 873 | 6 837 129 | - | 914 364 | 14 833 425 | 82 484 022 | 207 289 814 |
| **Total assets** | **4 676 399 192** | **7 388 467 133** | **4 248 748 764** | **1 439 654 008** | **156 303 367** | **11 444 189 043** | **29 353 761 508** |
| **Total liabilities** | **8 379 147 480** | **5 931 139 155** | **3 807 931 291** | **560 895 684** | **-** | **1 649 121 499** | **20 328 235 109** |

# NOTES TO THE FINANCIAL STATEMENTS (Continued)
## for year ended 31 December 2021

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

| | Inflation Adjusted | | | | | | |
|---|---|---|---|---|---|---|---|
| | Consumer Banking 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 | 450 058 754 | 569 970 915 | 64 490 091 | 21 698 637 | 653 177 115 | 1 903 637 497 | 3 663 033 009 |
| Interest and similar expense | ( 16 364 779) | ( 86 853 359) | ( 126 624 388) | - | - | ( 1 925 340 506) | ( 2 155 183 033) |
| **Net operating income** | **433 693 974** | **483 117 556** | **( 62 134 297)** | **21 698 637** | **653 177 115** | **( 21 703 009)** | **1 507 849 976** |
| **Other material non-cash items:** | | | | | | | |
| Impairment losses on financial assets measured at amortised cost | ( 82 025 452) | ( 115 291 034) | ( 8 386 504) | - | - | - | ( 205 702 991) |
| Depreciation of property and equipment | ( 24 196 102) | ( 359 468) | ( 305 552) | ( 40 302) | ( 11 057 574) | ( 75 209 800) | ( 111 168 797) |
| Depreciation of right of use assets | - | - | - | - | - | ( 17 868 262) | ( 17 868 262) |
| Amortisation of intangible assets | - | - | - | - | - | ( 39 246 884) | ( 39 246 884) |
| **Segment profit/(loss)** | **327 472 420** | **367 467 054** | **( 70 826 353)** | **21 658 335** | **642 119 541** | **( 154 027 956)** | **1 133 863 042** |
| Income tax charge | - | - | - | - | - | 231 218 282 | 231 218 282 |
| Revaluation of land and buildings, net of tax | - | - | - | - | - | 290 977 498 | 290 977 498 |
| **Total comprehensive income -- for the year** | **327 472 420** | **367 467 054** | **( 70 826 353)** | **21 658 335** | **642 119 541** | **368 167 824** | **1 656 058 822** |
| **As at 31 December 2020** | | | | | | | |
| **Assets and liabilities** | | | | | | | |
| Capital expenditure (property and equipment and intangible assets) | 11 854 610 | - | 223 618 | 35 751 | 1 914 669 | 409 165 398 | 423 194 046 |
| **Total assets** | **2 805 835 675** | **4 433 074 212** | **2 549 245 770** | **863 791 223** | **93 781 892** | **6 866 504 028** | **17 612 232 800** |
| **Total liabilities** | **4 480 265 887** | **3 171 334 613** | **2 036 071 653** | **299 906 620** | **-** | **881 772 617** | **10 869 351 390** |

### 4. INTEREST INCOME

| | Inflation adjusted | | Historical cost | |
|---|---|---|---|---|
| | 31 December 2021 ZWL | 31 December 2020 ZWL Restated | 31 December 2021 ZWL | 31 December 2020 ZWL |
| Loans and advances to banks | 29 561 183 | 26 590 644 | 23 026 792 | 10 198 110 |
| Loans and advances to customers | 2 596 769 619 | 1 138 351 849 | 2 124 634 459 | 466 881 802 |
| Investment securities | 514 833 324 | 58 109 729 | 421 220 219 | 24 136 359 |
| | 3 141 164 126 | 1 223 052 222 | 2 568 881 470 | 501 216 271 |

### 5. INTEREST EXPENSE

| | Inflation adjusted | | Historical cost | |
|---|---|---|---|---|
| | 31 December 2021 ZWL | 31 December 2020 ZWL Restated | 31 December 2021 ZWL | 31 December 2020 ZWL |
| Due to banks | 730 673 778 | 127 803 193 | 615 311 431 | 56 744 354 |
| Due to customers | 111 290 749 | 88 209 158 | 39 111 639 | 32 844 245 |
| Other borrowed funds | 33 653 342 | 13 830 175 | 84 647 746 | 1 049 680 |
| | 875 617 869 | 229 842 526 | 739 070 816 | 90 638 279 |

# NOTES TO THE FINANCIAL STATEMENTS (Continued)
## for year ended 31 December 2021

### 6. NON-INTEREST INCOME

### 6.1. FEE AND COMMISSION INCOME

| | Inflation adjusted | | Historical cost | |
|---|---|---|---|---|
| | 31 December 2021 ZWL | 31 December 2020 ZWL Restated | 31 December 2021 ZWL | 31 December 2020 ZWL |
| Retail banking customer fees | 775 129 976 | 503 072 043 | 634 060 843 | 220 625 391 |
| Corporate banking credit related fees | 171 723 633 | 160 234 274 | 136 989 552 | 64 826 957 |
| Financial guarantee fees | 144 708 708 | 11 682 939 | 114 700 496 | 3 858 135 |
| International banking commissions | 215 971 415 | 39 161 295 | 171 404 938 | 17 771 535 |
| Digital banking fees | 2 313 951 076 | 1 104 675 168 | 1 870 004 184 | 508 459 339 |
| | 3 621 484 808 | 1 818 825 719 | 2 927 160 013 | 815 541 357 |
| **Timing of revenue recognition:** | | | | |
| - At a point in time | 3 449 761 175 | 1 658 591 445 | 2 790 170 461 | 750 714 400 |
| - Over time | 171 723 633 | 160 234 274 | 136 989 552 | 64 826 957 |
| | 3 621 484 808 | 1 818 825 719 | 2 927 160 013 | 815 541 357 |

### 6.2. OTHER INCOME

| | Inflation adjusted | | Historical Cost | |
|---|---|---|---|---|
| | 31 December 2021 ZWL | 31 December 2020 ZWL Restated | 31 December 2021 ZWL | 31 December 2020 ZWL |
| Trade and other investments fair value gains | 10 897 181 | 5 860 291 | 8 444 751 | 9 265 541 |
| Profit on disposal of property and equipment | 582 361 | 12 669 303 | 462 020 | 7 091 399 |
| Fair value gains on investment properties | 833 158 854 | 367 520 068 | 2 029 063 294 | 1 182 737 157 |
| Profit/(Loss) on disposal of investment properties | 6 802 556 | ( 3 533 621) | 5 788 412 | 10 867 431 |
| Rental income | 17 181 160 | 12 233 541 | 13 971 595 | 5 641 865 |
| Recoveries | 12 646 659 | 9 450 891 | 10 811 556 | 3 406 069 |
| Other operating income | 51 596 386 | 9 867 231 | 38 876 960 | 7 837 535 |
| | 932 865 157 | 414 067 704 | 2 107 418 588 | 1 226 846 996 |

### 6.3. OTHER COMPREHENSIVE INCOME

| | Inflation Adjusted | | Historical Cost | |
|---|---|---|---|---|
| | 31 December 2021 ZWL | 31 December 2020 ZWL | 31 December 2021 ZWL | 31 December 2020 ZWL |
| Revaluations of land and buildings | 501 004 915 | 362 907 135 | 1 408 660 239 | 1 183 829 028 |
| Tax effect | ( 123 848 415) | ( 71 929 637) | ( 559 929 315) | ( 292 642 536) |
| | 377 156 500 | 290 977 498 | 848 730 924 | 891 186 492 |

## 7. OPERATING EXPENDITURE

**GROUP**

| | Inflation Adjusted 31 December 2021 ZWL | Inflation Adjusted 31 December 2020 ZWL Restated | Historical Cost 31 December 2021 ZWL | Historical Cost 31 December 2020 ZWL |
|---|---|---|---|---|
| The operating profit is after recognising the following: | | | | |
| Administration costs** | 1 664 325 920 | 994 479 788 | 1 323 531 566 | 395 919 343 |
| Audit fees: | | | | |
| - Current year | 24 146 515 | 22 466 905 | 20 773 858 | 8 388 890 |
| - Prior year | - | 4 523 956 | - | 1 553 413 |
| Amortisation of intangible assets | 3 697 644 | 39 246 884 | 2 865 483 | 915 580 |
| Depreciation (excluding right of use assets) | 84 468 840 | 111 168 797 | 65 921 613 | 22 310 284 |
| Depreciation – right of use assets | 49 484 694 | 17 868 262 | 38 605 828 | 8 579 715 |
| Directors' remuneration | 29 193 264 | 55 773 451 | 22 664 842 | 13 902 765 |
| - Fees for services as directors | 28 031 939 | 21 393 814 | 21 687 517 | 3 520 400 |
| - Services rendered | - | 33 998 682 | - | 10 344 405 |
| - Expenses | 1 161 325 | 380 955 | 977 325 | 37 960 |
| Staff costs - salaries, allowances and related costs | 1 671 165 412 | 802 661 681 | 1 364 096 204 | 362 620 010 |
| | 3 526 482 289 | 2 048 189 724 | 2 838 459 393 | 814 190 000 |

**Included in administration costs are lease finance costs amounting to ZWL4 299 555 (2020: ZWL5 581 443) in respect of property leases which the Group uses for the purpose of carrying on its trade.

**COMPANY**

| | Inflation Adjusted 31 December 2021 ZWL | Inflation Adjusted 31 December 2020 ZWL Restated | Historical Cost 31 December 2021 ZWL | Historical Cost 31 December 2020 ZWL |
|---|---|---|---|---|
| Employee benefit costs - Share based payment | 33 048 171 | ( 4 295 423) | 27 768 409 | ( 62 563) |

## 8. TAXATION

### 8.1. Charge or Credit for the Year

**GROUP**

| | Inflation Adjusted 31 December 2021 ZWL | Inflation Adjusted 31 December 2020 ZWL | Historical Cost 31 December 2021 ZWL | Historical Cost 31 December 2020 ZWL |
|---|---|---|---|---|
| Current tax | 684 758 881 | 209 044 511 | 684 758 881 | 130 053 612 |
| Deferred tax (Note 18) | 209 640 874 | ( 440 262 793) | 227 838 493 | ( 215 567 932) |
| | 894 399 755 | ( 231 218 282) | 912 597 374 | ( 85 514 320) |

**COMPANY**

| | Inflation Adjusted 31 December 2021 ZWL | Inflation Adjusted 31 December 2020 ZWL | Historical Cost 31 December 2021 ZWL | Historical Cost 31 December 2020 ZWL |
|---|---|---|---|---|
| Deferred tax | 35 208 | ( 75 649) | - | - |
| | 35 208 | ( 75 649) | - | - |

# NOTES TO THE FINANCIAL STATEMENTS (Continued)
## for year ended 31 December 2021

### 8.2. Reconciliation Of Income Tax Charge / (Credit)

| | Inflation Adjusted | | Historical Cost | |
|---|---|---|---|---|
| | 31 December 2021 ZWL | 31 December 2020 ZWL | 31 December 2021 ZWL | 31 December 2020 ZWL |
| **GROUP** | | | | |
| Based on results for the period at a rate of 24.72% (2020: 24.72%) | 683 663 886 | 280 290 944 | 952 862 504 | 444 979 506 |
| **Tax effect of:** | | | | |
| - Income not subject to tax* | ( 501 044 550) | ( 427 956 128) | ( 388 283 584) | ( 266 245 882) |
| - Non-deductible expenses** | 711 780 419 | 441 245 391 | 348 018 454 | 62 246 824 |
| - Change in tax bases*** | - | ( 524 798 489) | - | ( 326 494 768) |
| | 894 399 755 | ( 231 218 282) | 912 597 374 | ( 85 514 320) |
| **COMPANY** | | | | |
| Based on results for the period at a rate of 24.72% | ( 8 169 508) | 1 061 829 | ( 6 864 351) | 15 466 |
| **Tax effect of:** | | | | |
| - Other movements in temporary differences | 35 208 | ( 75 649) | - | - |
| - Non-deductible expenses** | 8 169 508 | ( 1 061 829) | 6 864 351 | ( 15 466) |
| | 35 208 | ( 75 649) | - | - |

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

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

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

### 8.3. Current Tax liabilities / (assets)

| | Inflation Adjusted | | Historical Cost | |
|---|---|---|---|---|
| | 31 December 2021 ZWL | 31 December 2020 ZWL | 31 December 2021 ZWL | 31 December 2020 ZWL |
| **GROUP** | | | | |
| At 1 January | 91 949 809 | 4 506 069 | 57 205 065 | 624 937 |
| Monetary adjustment | ( 3 308 092) | 15 120 722 | - | - |
| Charge for the year | 684 758 881 | 209 044 511 | 684 758 881 | 130 053 612 |
| Payments during the year | ( 537 351 953) | ( 136 721 493) | ( 505 915 301) | ( 73 473 484) |
| | 236 048 645 | 91 949 809 | 236 048 645 | 57 205 065 |
| **COMPANY** | | | | |
| At 1 January | ( 121 386) | ( 544 533) | ( 75 518) | ( 75 518) |
| Monetary adjustment | 45 869 | 423 147 | - | - |
| | ( 75 517) | ( 121 386) | ( 75 518) | ( 75 518) |

## 9. EARNINGS PER SHARE

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

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

(a) any dividends or other items related to dilutive potential ordinary shares deducted in arriving at profit or loss attributable to ordinary equity holders of the parent entity;
(b) any interest recognised in the period related to dilutive potential ordinary shares; and
(c) any other changes in income or expense that would result from the conversion of the dilutive potential ordinary shares; by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

### 9.1 Earnings

| | Inflation Adjusted | | Historical Cost | |
|---|---|---|---|---|
| | 31 December 2021 ZWL | 31 December 2020 ZWL Restated | 31 December 2021 ZWL | 31 December 2020 ZWL |
| Profit for the year | 1 871 230 853 | 1 365 081 324 | 2 942 024 406 | 1 813 590 069 |

### 9.2. Number of shares

| | Inflation adjusted | | Historical Cost | |
|---|---|---|---|---|
| | 31 December 2021 | 31 December 2020 | 31 December 2021 | 31 December 2020 |
| **9.2.1. Basic earnings per share** | | | | |
| Weighted average number of ordinary shares for basic and headline earnings per share | 404 171 689 | 404 171 689 | 404 171 689 | 404 171 689 |
| Treasury share issue | ( 14 000) | - | ( 14 000) | - |
| | 404 157 689 | 404 171 689 | 404 157 689 | 404 171 689 |
| **9.2.2. Diluted earnings per share** | | | | |
| Number of shares at beginning of period | 428 114 328 | 404 171 689 | 428 114 328 | 404 171 689 |
| Effect of dilution: | | | | |
| Share options exercised | - | - | - | |
| Treasury share issue | ( 14 000) | - | ( 14 000) | - |
| Shares issued – scrip dividend | - | - | - | - |
| | 428 100 328 | 404 171 689 | 428 100 328 | 404 171 689 |
| Share options approved but not granted | 29 556 854 | 23 942 639 | 29 556 854 | 23 942 639 |
| | 457 657 182 | 428 114 328 | 457 657 182 | 428 114 328 |

# NOTES TO THE FINANCIAL STATEMENTS (Continued)
## for year ended 31 December 2021

**9.3 Earnings per share (ZWL cents)**

| | Inflation Adjusted | | Historical Cost | |
|---|---|---|---|---|
| | 31 December 2021 ZWL | 31 December 2020 ZWL Restated | 31 December 2021 ZWL | 31 December 2020 ZWL |
| Basic | 463.00 | 337.75 | 727.94 | 448.72 |
| Diluted | 408.87 | 318.86 | 642.84 | 423.62 |

**10. SHARE CAPITAL**

**10.1 Authorised**

| | 31 December 2021 Shares million | 31 December 2020 Shares million | 31 December 2021 ZWL | 31 December 2020 ZWL |
|---|---|---|---|---|
| Ordinary shares of ZWL0.00028 each | 600 | 600 | 168 000 | 168 000 |

**10.2 Issued and fully paid**

| | Inflation adjusted | | | |
|---|---|---|---|---|
| | 31 December 2021 Shares million | 31 December 2020 Shares million | 31 December 2021 ZWL | 31 December 2020 ZWL Restated |
| **10.2.1 Ordinary shares** | | | | |
| Ordinary shares | 404 | 404 | 5 745 840 | 5 745 840 |

| | Historical Cost | | | |
|---|---|---|---|---|
| | 31 December 2021 Shares million | 31 December 2020 Shares million | 31 December 2021 ZWL | 31 December 2020 ZWL |
| Ordinary shares | 404 | 404 | 84 116 | 84 116 |

| | Inflation Adjusted | | | |
|---|---|---|---|---|
| | 31 December 2021 Shares million | 31 December 2020 Shares million | 31 December 2021 ZWL | 31 December 2020 ZWL Restated |
| **10.2.2 Redeemable ordinary shares** | | | | |
| Redeemable ordinary shares | 104 | 104 | 29 040 | 46 678 |

| | Historical Cost | | | |
|---|---|---|---|---|
| | 31 December 2021 Shares million | 31 December 2020 Shares million | 31 December 2021 ZWL | 31 December 2020 ZWL |
| Redeemable ordinary shares | 104 | 104 | 29 040 | 29 040 |

Of the unissued ordinary shares of 196 million shares (2020 - 196 million), options which may be granted in terms of the 2012 ESOS amount to 23 942 639 (2020 – 23 942 639). No share options were exercised from the Scheme as at 31 December 2021.

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 thecontrol of the directors.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)
## for year ended 31 December 2021

### 11. CAPITAL RESERVES

| GROUP | Inflation adjusted | | Historical Cost | |
|---|---|---|---|---|
| | 31 December 2021 | 31 December 2020 | 31 December 2021 | 31 December 2020 |
| **Basic earnings per share** | | | | |
| Share premium | 1 216 013 250 | 1 216 013 250 | 19 121 607 | 19 121 607 |
| Treasury shares | ( 8 531) | - | ( 7 168) | - |
| Share option reserve | 33 048 171 | - | 27 768 409 | - |
| Revaluation reserve | 1 451 092 241 | 1 073 935 740 | 1 915 997 366 | 1 067 266 442 |
| | 2 700 145 131 | 2 289 948 990 | 1 962 880 214 | 1 086 388 049 |
| Functional currency translation reserve | 462 166 697 | 462 166 697 | 11 619 648 | 11 619 648 |
| Total capital reserve | 3 162 311 828 | 2 752 115 687 | 1 974 499 862 | 1 098 007 697 |

### 11.1 Nature and purpose of reserves

#### 11.1.1 Share premium

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

#### 11.1.2 Share option reserve

The share option reserve is used to recognise the value of equity settled share based payment transactions provided to employees, including key management personnel, as part of their remuneration. Refer to note 31.3 for further details of these plans.

#### 11.1.3 Functional currency translation reserve

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

#### 11.1.4 Revaluation reserve

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

#### 11.1.5 Treasury shares reserve

This reserve records ordinary shares held by the holding company and its subsidiaries. The shares are recorded at the cost at which they were acquired. As at 31 December 2021 the Group held 14 000 (2020: Nil) of its own shares. The additional 14 000 shares were acquired for ZW$8 530.68 (Historical: ZW$7 167.82) during the year.

During the year, the Group delisted from the London Stock Exchange and as part of the delisting, shareholders have been paid for their amounts due as at the close of business 8 July 2021 and the shares traded at £0.09 each on the standard segment of the Official List.

### 12. RETAINED EARNINGS

| GROUP | Inflation adjusted | | Historical Cost | |
|---|---|---|---|---|
| | 31 December 2021 | 31 December 2020 | 31 December 2021 | 31 December 2020 |
| Analysis of retained profit by company (excluding effects of consolidation) | | | | |
| NMBZ Holdings Limited | 803 808 023 | 829 547 838 | ( 27 598 748) | 169 660 |
| NMB Bank Limited | 4 816 210 665 | 2 919 239 997 | 5 112 718 793 | 2 142 925 978 |
| Total retained earnings | 5 620 018 688 | 3 748 787 835 | 5 085 120 045 | 2 143 095 638 |
| Dividend per share (ZWL cents) | 0.00 | 0.00 | 0.00 | 0.00 |

# NOTES TO THE FINANCIAL STATEMENTS (Continued)
## for year ended 31 December 2021

### 12. RETAINED EARNINGS (Continued)

COMPANY

| | Inflation adjusted | | Historical Cost | |
|---|---|---|---|---|
| | 31 December 2021 | 31 December 2020 | 31 December 2021 | 31 December 2020 |
| Analysis of retained profit by company | | | | |
| NMBZ Holdings Limited | 803 808 023 | 829 547 838 | ( 27 598 748) | 169 661 |
| Total retained earnings | 803 808 023 | 829 547 838 | ( 27 598 748) | 169 661 |
| Dividend per share (ZWL cents) | 0.00 | 0.00 | 0.00 | 0.00 |

### 13. REDEEMABLE ORDINARY SHARES

| | Inflation Adjusted | | Historical Cost | |
|---|---|---|---|---|
| | 31 December 2021 ZWL | 31 December 2020 ZWL Restated | 31 December 2021 ZWL | 31 December 2020 ZWL |
| Nominal value (Note 10.2.2) | 29 040 | 46 678 | 29 040 | 29 040 |
| Share premium | 14 306 213 | 22 995 404 | 14 306 213 | 14 306 213 |
| | 14 335 253 | 23 042 082 | 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 created a potential obligation for NMBZ Holdings Limited to purchase its own instruments. The shares issued gave rise to a potential financial liability and are classified as redeemable ordinary shares.

### 14. SUBORDINATED TERM LOAN

| | Inflation Adjusted | | Historical Cost | |
|---|---|---|---|---|
| | 31 December 2021 ZWL | 31 December 2020 ZWL Restated | 31 December 2021 ZWL | 31 December 2020 ZWL |
| At 1 January | 213 189 970 | 204 490 471 | 132 632 641 | 28 360 340 |
| Monetary adjustment | (106 834 140) | ( 158 904 860) | - | - |
| Exchange revaluation | 116 758 960 | 167 604 359 | 90 482 149 | 104 272 301 |
| | 223 114 790 | 213 189 970 | 223 114 790 | 132 632 641 |

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 2021) from the first disbursement date.

**14. SUBORDINATED TERM LOAN (Continued)**

| | Inflation Adjusted | | Historical Cost | |
|---|---|---|---|---|
| | 31 December 2021 ZWL | 31 December 2020 ZWL Restated | 31 December 2021 ZWL | 31 December 2020 ZWL |
| At 1 January | 213 189 970 | 204 490 471 | 132 632 641 | 28 360 340 |
| Monetary adjustment | (106 834 140) | ( 158 904 860) | - | - |
| Exchange revaluation | 116 758 960 | 167 604 359 | 90 482 149 | 104 272 301 |
| | 223 114 790 | 213 189 970 | 223 114 790 | 132 632 641 |

In 2013, the Bank 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 2021) 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 2020 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 2021. However, there were no defaults on interest payments.

On 22 February 2020, the Reserve Bank of Zimbabwe (RBZ) issued an Exchange Control directive, RU 28 of 2020 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. 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. During the period under review, the RBZ approved the legacy debt in respect of the subordinated term loan.

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

| | Inflation adjusted | | | |
|---|---|---|---|---|
| | 2021 ZWL | 2020 ZWL Restated | 2021 ZWL | 2020 ZWL Restated |
| **GROUP** | | | | |
| Shareholders' funds and shareholders liabilities | 9 025 526 399 | 6 742 881 414 | 7 297 154 066 | 3 388 155 345 |
| **COMPANY** | | | | |
| Shareholders' funds and shareholders liabilities | 2 073 070 709 | 2 074 424 654 | 33 703 469 | 33 710 637 |

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

# NOTES TO THE FINANCIAL STATEMENTS (Continued)
## for year ended 31 December 2021

### 16. DEPOSITS AND OTHER LIABILITIES

### 16.1 Deposits and other liabilities by type

| GROUP | Inflation Adjusted | | Historical Cost | |
|---|---|---|---|---|
| | 31 December 2021 ZWL | 31 December 2020 ZWL Restated | 31 December 2021 ZWL | 31 December 2020 ZWL |
| Deposits from banks and other financial institutions** | 1 501 000 000 | 2 577 410 155 | 1 501 000 000 | 1 603 493 431 |
| Current and deposit accounts from customers* | 14 839 531 967 | 7 489 159 100 | 14 839 531 967 | 4 659 257 433 |
| Total deposits | 16 340 531 967 | 10 066 569 255 | 16 340 531 967 | 6 262 750 864 |
| Trade and other payables* | 2 750 917 014 | 243 022 726 | 2 750 917 014 | 151 192 601 |
| | 19 091 448 981 | 10 309 591 981 | 19 091 448 981 | 6 413 943 465 |
| **COMPANY** | | | | |
| Trade and other payables* | 293 703 | 665 669 | 293 703 | 414 135 |
| | 293 703 | 665 669 | 293 703 | 414 135 |

* The carrying amounts of current and deposit accounts and trade and other payables approximate the related fair values due to their short term nature. These relate to the Group and Company's operational liabilities to suppliers, employees and regulators. Expense provisions and deferred income are also included.
Included in trade and other payables are lease liabilities ranging from 1 to 5 years in respect of leased properties in which the Group is a 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 ZWL1 310 287 160 (2020 ZWL707 186 403), ZWL677 596 574 (2020 ZWL365 711 501) and ZWL898 231 833 (2020 ZWL484 792 463) 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 Blocked Funds which were registered with the Reserve Bank of Zimbabwe (RBZ) for an orderly expunging of the debts. In 2021, the Government of Zimbabwe assumed the obligation to settle these Blocked Funds in terms of Part XIII of the Finance Act No. 7 of 2021 under section 52. The Blocked funds are listed under Annex 1 of the Finance Act No. 7 of 2021. In 2019, the Group transferred the ZWL equivalent of the legacy debts at a rate of US$/ZWL1:1 to the RBZ as per requirement of the Exchange Control directive RU 28 of 2019. In terms of section 52 of the Finance Act no 7 of 2021, outstanding blocked funds may be liquidated through the issuance of Government-backed zero coupon or non-interest bearing foreign exchange savings bonds or such other debt instruments denominated in foreign currency. The timing of issuance of the Government-backed instruments is yet to be advised.

The line of credit balances have been translated at 31 December 2021 at the closing rate of USD/ZWL108.6668. 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 period under review, the RBZ approved the legacy debt in respect of the FMO and Swedfund lines of credit.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)
**for year ended 31 December 2021**

**16.2 Maturity analysis**

| | Inflation Adjusted | | Historical Cost | |
|---|---|---|---|---|
| | 31 December 2021 ZWL | 31 December 2020 ZWL Restated | 31 December 2021 ZWL | 31 December 2020 ZWL |
| Less than 1 month | 14 205 365 648 | 8 838 785 649 | 14 205 365 648 | 5 498 905 442 |
| 1 to 3 months | 2 119 332 623 | 1 204 071 615 | 2 119 332 623 | 749 093 396 |
| 3 to 6 months | 3 352 794 | 14 918 982 | 3 352 794 | 9 281 600 |
| 6 months to 1 year | 8 136 999 | 3 448 023 | 8 136 999 | 2 145 131 |
| 1 to 5 years | 3 915 150 | 5 080 852 | 3 915 150 | 3 160 969 |
| Over 5 years | 428 753 | 264 134 | 428 753 | 164 326 |
| | 16 340 531 967 | 10 066 569 255 | 16 340 531 967 | 6 262 750 864 |

The maturity analysis covers the Group's total deposits only and does not include other trade payables.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)
## for year ended 31 December 2021

### 16.3 Sectoral analysis of deposits

| | Inflation Adjusted | | | |
|---|---|---|---|---|
| | 31 December 2021 ZWL | 31 December 2020 ZWL | 31 December 2021 ZWL | 31 December 2020 ZWL |
| Agriculture | 1 387 269 110 | 219 284 744 | 1 387 269 110 | 136 424 405 |
| Banks and other financial institutions | 3 796 417 880 | 2 577 410 155 | 3 796 417 880 | 1 603 493 431 |
| Distribution | 1 488 263 538 | 912 031 881 | 1 488 263 538 | 567 405 668 |
| Individuals | 1 414 092 308 | 999 933 536 | 1 414 092 308 | 622 092 240 |
| Manufacturing | 1 283 388 908 | 1 193 672 563 | 1 283 388 908 | 742 623 796 |
| Mining companies | 266 931 246 | 175 016 593 | 266 931 246 | 108 883 701 |
| Municipalities and parastatals | 3 209 246 646 | 442 349 395 | 3 209 246 646 | 275 200 417 |
| Services | 2 796 044 633 | 3 099 030 155 | 2 796 044 633 | 1 928 010 754 |
| Transport and telecommunications | 698 877 698 | 447 840 234 | 698 877 698 | 278 616 452 |
| | 16 340 531 967 | 10 066 569 255 | 16 340 531 967 | 6 262 750 864 |

### 16.4 Lease Liabilities

| | Inflation Adjusted | | Historical Cost | |
|---|---|---|---|---|
| | 31 December 2021 ZWL | 31 December 2020 ZWL Restated | 31 December 2021 ZWL | 31 December 2020 ZWL |
| At 1 January | 38 489 785 | 24 075 651 | 23 945 788 | 3 338 967 |
| Monetary adjustment | (35 737 223) | ( 16 520 304) | - | |
| Remeasurements | 137 709 592 | 59 422 257 | 106 717 804 | 29 233 252 |
| Finance costs accrual | 16 581 799 | 21 225 657 | 12 850 036 | 6 031 589 |
| Payment of lease liabilities | ( 60 120 942) | ( 49 713 476) | ( 46 590 617) | ( 14 658 020) |
| | 96 923 011 | 38 489 785 | 96 923 011 | 23 945 788 |

### 17. FINANCIAL INSTRUMENTS

### 17.1 Investment securities

| | Note | Inflation Adjusted | | Historical Cost | |
|---|---|---|---|---|---|
| | | 31 December 2021 ZWL | 31 December 2020 ZWL Restated | 31 December 2021 ZWL | 31 December 2020 ZWL |
| Amortised cost – Gross | | 1 738 887 717 | 1 081 820 457 | 1 081 820 457 | 1 086 000 591 |
| Additions | | 3 779 108 984 | - | 2 928 613 795 | - |
| Monetary adjustment | | ( 1 507 562 449) | 663 786 290 | - | - |
| Impairment allowance – Stage 1 | | - | ( 6 719 030) | - | ( 4 180 134) |
| | | 4 010 434 252 | 1 738 887 717 | 4 010 434 252 | 1 081 820 457 |

The Group holds Treasury Bills and Government Bonds amounting to ZWL4 010 434 252 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 ZWL4 010 434 252, a total of ZWL173 295 710 had been pledged as security against interbank borrowings.

**17. FINANCIAL INSTRUMENTS (Continued)**

**17.2 Fair values of financial instruments**

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

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

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

**Valuation models**

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

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

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

During the reporting periods ended 31 December 2021 and 31 December 2020, 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.

**17.2.1 Financial instruments measured at fair value - fair value hierarchy**

**Inflation Adjusted**

| | 31 Dec 2021 ZWL | Level 1 ZWL | Level 2 ZWL | Level 3 ZWL |
|---|---|---|---|---|
| Trade investments | 36 499 730 | - | - | 36 499 730 |
| | ========= | ========= | ========= | ========= |

| | 31 Dec 2020 ZWL Restated | Level 1 ZWL | Level 2 ZWL | Level 3 ZWL |
|---|---|---|---|---|
| Trade investments | 17 484 463 | - | - | 17 484 463 |
| | ========= | ========= | ========= | ========= |

**Historical Cost**

| | 31 Dec 2021 ZWL | Level 1 ZWL | Level 2 ZWL | Level 3 ZWL |
|---|---|---|---|---|
| Trade investments | 36 499 730 | - | - | 36 499 730 |
| | ========= | ========= | ========= | ========= |

| | 31 Dec 2020 ZWL | Level 1 ZWL | Level 2 ZWL | Level 3 ZWL |
|---|---|---|---|---|
| Trade investments | 10 877 672 | - | - | 10 877 672 |
| | ========= | ========= | ========= | ========= |

## 17. FINANCIAL INSTRUMENTS (Continued)

### 17.2.2 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 2021 ZWL | 31 December 2020 ZWL Restated | 31 December 2021 ZWL | 31 December 2020 ZWL |
| **Assets** | | | | |
| Cash and cash equivalents | 4 872 262 099 | 3 157 902 536 | 4 872 262 099 | 1 964 637 240 |
| Loans, advances and other assets | 12 367 842 540 | 6 417 670 852 | 11 849 962 849 | 3 730 886 733 |
| Investment securities | 4 010 434 252 | 1 738 887 717 | 4 010 434 252 | 1 081 820 457 |
| Total | 21 250 538 892 | 11 314 461 105 | 20 732 659 200 | 6 777 344 430 |
| **Liabilities** | | | | |
| Deposits and other liabilities | 19 091 448 981 | 10 309 591 981 | 19 091 448 981 | 6 413 943 465 |
| | 19 091 448 981 | 10 309 591 981 | 19 091 448 981 | 6 413 943 465 |

### 17.3 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.

**Cash and cash equivalents**

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

**Loans, advances and other assets**

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

**Investment securities**

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

**Trade and other investments**

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

**Deposits and other liabilities**

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

## 18. DEFERRED TAX

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

**GROUP**

| | Inflation Adjusted | | Historical Cost | |
|---|---|---|---|---|
| | 31 December 2021 ZWL | 31 December 2020 ZWL Restated | 31 December 2021 ZWL | 31 December 2020 ZWL Restated |
| Allowance for impairment losses on financial assets | ( 101 898 076) | ( 63 567 736) | ( 101 898 076) | ( 39 547 624) |
| Lease liabilities | ( 36 119 941) | ( 9 514 675) | ( 36 119 941) | ( 5 913 399) |
| Right of use assets | 31 091 587 | 40 729 156 | 26 138 506 | 5 794 183 |
| Quoted and other investments | 1 824 987 | 874 227 | 676 263 | 543 886 |
| Investment properties | 267 025 207 | 352 634 400 | 262 004 682 | 219 385 704 |
| Property and equipment | 976 174 749 | 77 767 306 | 728 086 085 | ( 48 385 822) |
| Unrealised foreign exchange gains | - | 113 695 583 | - | 70 733 839 |
| Suspended interest | ( 202 030) | ( 162 171) | ( 185 018) | ( 100 892) |
| Deferred income | ( 3 702 581) | ( 3 126 926) | ( 3 702 581) | ( 1 945 366) |
| Assessed losses | - | ( 40 314) | - | ( 25 081) |
| Provisions | ( 133 456 419) | ( 41 479 249) | ( 133 456 419) | ( 25 811 634) |
| Closing deferred tax liabilities/(assets) | 1 000 737 483 | 467 809 599 | 741 543 501 | 174 727 794 |
| Restated opening balance at 1 January 2021 | 467 809 599 | 812 522 927 | 174 727 794 | 97 653 191 ) |
| Current year charge/(credit) | 532 927 884 | ( 344 713 328) | 566 815 707 | 77 074 603 |
| Relating to profit or loss (Note 8.1) | 209 640 874 | ( 440 262 793) | 227 838 493 | ( 215 567 932) |
| Relating to other comprehensive income (Note 6.3) | 123 848 415 | 71 929 637 | 559 929 315 | 292 642 536 |

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

**COMPANY**

| | Inflation Adjusted | | Historical Cost | |
|---|---|---|---|---|
| | 31 December 2021 ZWL | 31 December 2020 ZWL Restated | 31 December 2021 ZWL | 31 December 2020 ZWL Restated |
| Allowance for impairment losses on Group Companies | - | - | - | - |
| Assessed losses | ( 9 152) | ( 14 711) | ( 9 152) | ( 9 152) |
| Provisions | ( 4 352) | ( 6 995) | ( 4 352) | ( 4 352) |
| Closing deferred tax liabilities/(assets) | ( 13 504) | ( 21 706) | ( 13 504) | ( 13 504) |
| Restated opening balance at 1 January 2021 | ( 21 706) | ( 97 355) | ( 13 504) | ( 13 504) |
| Current year charge/(credit) | 8 202 | 75 649 | - | - |
| Relating to profit or loss (Note 8.1) | 35 208 | 75 649 | - | - |
| Relating to other comprehensive income (Note 6.3) | - | - | - | - |

## 19 CASH AND CASH EQUIVALENTS

| GROUP | Inflation Adjusted 31 December 2021 ZWL | Inflation Adjusted 31 December 2020 ZWL Restated | Historical Cost 31 December 2021 ZWL | Historical Cost 31 December 2020 ZWL |
|---|---|---|---|---|
| Balances with the Central Bank** | 931 500 994 | 668 953 254 | 931 500 994 | 416 178 289 |
| Current, nostro accounts* and cash | 3 320 761 105 | 2 241 474 125 | 3 320 761 105 | 1 394 496 343 |
| Interbank placements | 620 000 000 | 249 142 632 | 620 000 000 | 155 000 000 |
| Expected Credit loss allowance | - | ( 1 667 475) | - | ( 1 037 392) |
| | 4 872 262 099 | 3 157 902 536 | 4 872 262 099 | 1 964 637 240 |

*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.

| COMPANY | Inflation Adjusted 31 December 2021 ZWL | Inflation Adjusted 31 December 2020 ZWL Restated | Historical Cost 31 December 2021 ZWL | Historical Cost 31 December 2020 ZWL |
|---|---|---|---|---|
| Cash | 13 635 | 21 917 | 13 635 | 13 635 |
| | 13 635 | 21 917 | 13 635 | 13 635 |

*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.

## 20. TOTAL LOANS, ADVANCES AND OTHER ASSETS

| GROUP | Inflation Adjusted 31 December 2021 ZWL | Inflation Adjusted 31 December 2020 ZWL Restated | Historical Cost 31 December 2021 ZWL | Historical Cost 31 December 2020 ZWL |
|---|---|---|---|---|
| Fixed term loans – Corporate | 5 746 121 781 | 2 511 763 500 | 5 746 121 781 | 1 562 652 442 |
| Fixed term loans – Retail | 2 019 254 634 | 452 175 134 | 2 019 254 634 | 281 313 339 |
| Mortgages | 275 931 218 | 150 240 679 | 275 931 218 | 93 469 773 |
| Overdrafts | 1 543 300 801 | 580 842 483 | 1 543 300 801 | 361 361 619 |
| | 9 584 608 434 | 3 695 021 796 | 9 584 608 434 | 2 298 797 173 |
| Other assets | 2 783 234 106 | 2 722 649 056 | 2 265 354 415 | 1 432 089 560 |
| | 12 367 842 540 | 6 417 670 852 | 11 849 962 849 | 3 730 886 733 |
| **COMPANY** | | | | |
| Other assets | 2 404 872 | 4 068 428 | 2 403 508 | 2 531 106 |
| | 2 404 872 | 4 068 428 | 2 403 508 | 2 531 106 |

# NOTES TO THE FINANCIAL STATEMENTS (Continued)
## for year ended 31 December 2021

**20.1 Maturity analysis**

| | Inflation Adjusted | | Historical Cost | |
|---|---|---|---|---|
| | **31 December 2021 ZWL** | **31 December 2020 ZWL Restated** | **31 December 2021 ZWL** | **31 December 2020 ZWL** |
| **GROUP** | | | | |
| Less than 1 month | 2 401 390 517 | 1 661 790 915 | 2 401 390 517 | 1 033 855 947 |
| 1 to 3 months | 1 431 473 214 | 465 844 158 | 1 431 473 214 | 289 817 298 |
| 3 to 6 months | 203 053 128 | 198 444 019 | 203 053 128 | 123 458 690 |
| 6 months to 1 year | 2 388 287 992 | 458 238 997 | 2 388 287 992 | 285 085 872 |
| 1 to 5 years | 2 548 786 997 | 966 483 277 | 2 548 786 997 | 601 281 710 |
| Over 5 years | 1 023 825 632 | 190 457 760 | 1 023 825 632 | 118 490 170 |
| Total advances | 9 996 817 479 | 3 941 259 126 | 9 996 817 479 | 2 451 989 687 |
| Allowances for impairment losses on loans and advance | (412 209 045) | (245 581 296) | ( 412 209 045) | (152 784 373) |
| ECL at 1 January | (245 581 296) | (123 409 128) | (152 784 373) | (17 115 343) |
| Monetary adjustment | 92 796 923 | 95 898 408 | - | - |
| ECL charged through profit or loss | (264 094 871) | (223 425 215) | (264 094 871) | (139 000 331) |
| Bad debts written off | 4 670 199 | 5 354 639 | 4 670 199 | 3 331 301 |
| Suspended interest on credit impaired financial assets | - | ( 656 034) | - | ( 408 141) |
| | 9 584 608 434 | 3 695 021 796 | 9 584 608 434 | 2 298 797 173 |
| Other assets | 2 783 234 106 | 2 722 649 056 | 2 265 354 415 | 1 432 089 560 |
| | 12 367 842 540 | 6 417 670 852 | 11 849 962 849 | 3 730 886 733 |
| **COMPANY** | | | | |
| Other assets | 2 404 872 | 4 068 428 | 2 403 508 | 2 531 106 |
| | 2 404 872 | 4 068 428 | 2 403 508 | 2 531 106 |

The Bank is continuing recovery efforts in respect of loans written off in the year under review amounting to ZWL 4 670 199 (2020: ZWL3 331 301).

**20.2 Sectoral analysis of utilisations**

| | Inflation Adjusted | | | | Historical Cost | | | |
|---|---|---|---|---|---|---|---|---|
| **GROUP** | **31 December 2021 ZWL** | **%** | **31 December 2020 ZWL Restated** | **%** | **31 December 2021 ZWL** | **%** | **31 December 2020 ZWL** | **%** |
| Agriculture | 2 318 591 003 | 23% | 926 121 812 | 23% | 2 318 591 003 | 23% | 576 171 487 | 23% |
| Distribution | 1 926 140 534 | 19% | 393 781 675 | 10% | 1 926 140 534 | 19% | 244 984 807 | 10% |
| Individuals | 2 910 290 289 | 29% | 621 849 137 | 16% | 2 910 290 289 | 29% | 386 873 236 | 16% |
| Manufacturing | 1 210 481 793 | 12% | 553 746 809 | 14% | 1 210 481 793 | 12% | 524 335 301 | 21% |
| Mining | 197 072 200 | 2% | 1 880 310 | 0% | 197 072 200 | 2% | 1 169 804 | 0% |
| Services | 1 434 241 660 | 14% | 1 443 879 383 | 37% | 1 434 241 660 | 14% | 718 455 052 | 29% |
| | 9 996 817 479 | 100% | 3 941 259 126 | 100% | 9 996 817 479 | 100% | 2 451 989 687 | 100% |

The material concentration of loans and advances is with individuals and households at 29% (2020 - 16%) and agriculture sector at 23 % (2020 - 23%).

## NOTES TO THE FINANCIAL STATEMENTS (Continued)
### for year ended 31 December 2021

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

| | Inflation Adjusted | | | |
|---|---|---|---|---|
| | **Stage 1** | **Stage 2** | **Stage 3** | **Total** |
| Gross carrying amount at 1 January 2021 | 6 334 971 630 | 40 733 154 | 10 716 810 | 6 386 421 594 |
| Monetary adjustment | ( 3 841 169 845) | ( 25 638 998) | ( 6 745 568) | ( 3 873 554 412) |
| **Transfers** | | | | |
| | (214 391 501) | 130 119 876 | 84 271 624 | - |
| - to 12 months to ECL | 52 459 726 | ( 48 201 159) | ( 4 258 567) | - |
| - to lifetime ECL not credit impaired | (183 390 925) | 183 588 428 | ( 197 503) | - |
| - to lifetime ECL credit impaired | ( 83 460 302) | ( 5 267 393) | 88 727 694 | - |
| Net movement in financial assets | 10 177 119 964 | 44 863 257 | 45 201 181 | 10 267 184 402 |
| **Balance as at 31 December 2021** | **12 456 530 248** | **190 077 290** | **133 444 047** | **12 780 051 584** |
| **Loss allowance analysis** | | | | |
| At 1 January 2021 | 219 649 613 | 14 795 512 | 11 136 171 | 245 581 296 |
| - ECL – Loans, advances & guarantees | 208 079 873 | 14 795 512 | 11 136 171 | 234 011 556 |
| - Guarantees and facilities approved not drawn down | 3 183 236 | - | - | 3 183 236 |
| - ECL – Investment securities | 6 719 030 | - | - | 6 719 030 |
| - ECL – Interbank placements | 1 667 475 | - | - | 1 667 475 |
| Monetary adjustment | ( 86 231 308) | 287 610 | ( 5 009 506 ) | ( 255 253 951 ) |
| **Transfers** | (40 706 191) | 9 978 774 | 30 727 417 | - |
| - to 12 month ECL | 699 244 | ( 684 725) | ( 14 520) | - |
| - to lifetime ECL not credit impaired | (15 320 301) | 15 336 280 | ( 15 979) | - |
| - to lifetime ECL credit impaired | (26 085 134) | ( 4 672 781) | 30 757 916 | - |
| Net increase/(decrease) in ECL | 237 444 962 | ( 6 867 899) | 17 529 674 | 248 106 738 |
| Loans and advances | 234 086 914 | ( 6 867 899) | 17 529 674 | 244 748 689 |
| Guarantees and facilities approved not drawn down | (10 734 968) | - | - | (10 734 968) |
| Investment securities | 8 235 821 | - | - | 8 235 821 |
| Interbank placements | 5 857 195 | - | - | 5 857 195 |
| Bad debts written off | - | - | - | - |
| Revaluation exchange on loans and advances ECL | 9 724 338 | - | - | 9 724 338 |
| **Balance as at 31 December 2021** | **339 881 415** | **18 193 997** | **54 133 633** | **412 209 045** |
| Loans and advances | 324 953 626 | 18 193 997 | 54 133 633 | 397 281 257 |
| Guarantees and facilities approved not …drawn down | (7 551 732) | - | - | ( 7 551 732) |
| Investment securities | 14 954 851 | - | - | 14 954 851 |
| Interbank placements | 7 524 669 | - | - | 7 524 669 |
| | **339 881 415** | **18 193 997** | **54 133 633** | **412 209 045** |

# NOTES TO THE FINANCIAL STATEMENTS (Continued)
## for year ended 31 December 2021

### 20.3 Impairment analysis of financial assets measured at amortised cost (Continued)

| | Inflation Adjusted | | | |
|---|---|---|---|---|
| | | Restated | | |
| | Stage 1 | Stage 2 | Stage 3 | Total |
| Gross carrying amount at 1 January 2020 | 6 426 862 063 | 84 577 398 | 52 505 069 | 6 563 944 529 |
| Monetary adjustment | ( 4 761 733 749) | ( 65 723 158) | ( 40 800 486) | ( 4 868 257 393) |
| **Transfers** | ( 30 130 583) | 25 137 653 | 4 992 931 | - |
| - to 12 months to ECL | 18 517 332 | ( 18 091 161) | ( 426 171) | - |
| - to lifetime ECL not credit impaired | (44 639 519) | 44 902 766 | ( 263 247) | - |
| - to lifetime ECL credit impaired | (4 008 396) | ( 1 673 952) | 5 682 349 | - |
| Net movement in financial assets | 4 699 973 899 | 21 481 431 | 528 385 | 4 721 983 715 |
| **Balance as at 31 December 2020** | **6 334 971 630** | **65 473 324** | **17 225 898** | **6 417 670 852** |
| **Loss allowance analysis** | | | | |
| At 1 January 2020 | 144 633 700 | 5 910 353 | 28 711 589 | 179 255 642 |
| - ECL – Loans, advances & guarantees | 88 787 186 | 5 910 353 | 28 711 589 | 123 409 128 |
| - Guarantees and facilities approved not drawn down | 49 783 364 | - | - | 49 783 364 |
| - ECL – Investment securities | 2 902 216 | - | - | 2 902 216 |
| - ECL – Interbank placements | 3 160 934 | - | - | 3 160 934 |
| Monetary adjustment | ( 123 990 214) | ( 4 592 800) | ( 22 311 118) | ( 150 894 132) |
| **Transfers** | ( 8 912 858) | 7 400 613 | 1 512 244 | - |
| - to 12 month ECL | 1 838 973 | ( 1 805 831) | ( 33 142) | - |
| - to lifetime ECL not credit impaired | (9 983 409) | 10 041 453 | ( 58 044) | - |
| - to lifetime ECL credit impaired | (768 422) | ( 835 009) | 1 603 431 | - |
| Net increase/(decrease) in ECL | 196 402 189 | 6 077 346 | 3 223 456 | 205 702 991 |
| Loans and advances | 197 281 914 | 6 077 346 | 8 578 095 | 211 937 354 |
| Guarantees and facilities approved not drawn down | (7 914 614) | - | - | ( 7 914 614) |
| Investment securities | 6 072 058 | - | - | 6 072 058 |
| Interbank placements | 962 832 | - | - | 962 832 |
| Bad debts written off | - | - | ( 5 354 639) | ( 5 354 639) |
| Revaluation exchange on loans and advances ECL | 11 516 795 | - | - | 11 516 793 |
| **Balance as at 31 December 2020** | **219 649 613** | **14 795 512** | **11 136 171** | **245 581 296** |
| Loans and advances | 208 079 873 | 14 795 512 | 11 136 171 | 234 011 556 |
| Guarantees and facilities approved not drawn down | 3 183 236 | - | - | 3 183 236 |
| Investment securities | 6 719 030 | - | - | 6 719 030 |
| Interbank placements | 1 667 475 | - | - | 1 667 475 |
| **Balance as at 31 December 2020** | **219 649 613** | **14 795 512** | **11 136 171** | **245 581 296** |

## 20. LOANS, ADVANCES AND OTHER ASSETS (Continued)

### 20.4 Other assets

| | Inflation Adjusted | | Historical Cost | |
|---|---|---|---|---|
| **GROUP** | **31 December 2021 ZWL** | **31 December 2020 ZWL Restated** | **31 December 2021 ZWL** | **31 December 2020 ZWL** |
| Service deposits* | 556 300 743 | 366 988 582 | 556 300 743 | 228 315 924 |
| Prepayments and stocks** | 240 044 152 | 532 528 488 | 204 784 649 | 69 494 935 |
| Other receivables*** | 1 986 889 211 | 1 823 131 985 | 1 504 269 023 | 1 134 278 701 |
| | 2 783 234 106 | 2 722 649 056 | 2 265 354 415 | 1 432 089 560 |
| **COMPANY** | | | | |
| Other assets | 2 404 872 | 4 068 428 | 2 403 508 | 2 531 106 |
| | 2 404 872 | 4 068 428 | 2 403 508 | 2 531 106 |

*Service deposits relate to amounts pledged as collateral for VISA and the RTGS accounts.
** Prepayments and stocks are in respect of services, utilities and consumables for the Group.
*** Included in other receivables is ZWL1 507 838 292 (2020: ZWL1 128 781 333) placed with the RBZ for the facilitation of legacy debts settlement in terms of regulatory directives.

### 20.5 Loans to officers and executive directors

| | Inflation Adjusted | | Historical Cost | |
|---|---|---|---|---|
| | **31 December 2021 ZWL** | **31 December 2020 ZWL Restated** | **31 December 2021 ZWL** | **31 December 2020 ZWL** |
| Included in advances and other accounts (Note 20) are loans to officers: | | | | |
| At 1 January | 104 106 938 | 221 310 259 | 64 768 423 | 27 693 040 |
| Monetary adjustment | (43 107 148) | ( 247 246 232) | - | - |
| Net additions during the year | 16 745 627 | 138 188 395 | 12 976 994 | 42 142 962 |
| | 77 745 417 | 112 252 422 | 77 745 417 | 69 836 002 |
| ECL on staff loans – Stage 1 | - | ( 8 145 484) | - | ( 5 067 579) |
| | 77 745 417 | 104 106 938 | 77 745 417 | 64 768 423 |

# NOTES TO THE FINANCIAL STATEMENTS (Continued)
## for year ended 31 December 2021

**20. LOANS, ADVANCES AND OTHER ASSETS (Continued)**

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

| Product | Tenure | Interest rate |
|---|---|---|
| Overdraft | Payable on demand | Penalty interest rate of ten percentage points above loan rate up to a maximum penalty rate of 72% per annum. |
| Loan | Loan payable over a maximum period of 120 months (includes mortgage loans). | From 35% per annum up to a maximum of 62% per annum. Loans to employees and executive Directors are at a discounted interest rate. |
| Bankers Acceptances | Loan payable over a minimum period of 30 days up to 90 days. | Average of 55% per annum. |

**21. TRADE AND OTHER INVESTMENTS**

| | Inflation Adjusted | | Historical | |
|---|---|---|---|---|
| | 31 December 2021 ZWL | 31 December 2020 ZWL Restated | 31 December 2021 ZWL | 31 December 2020 ZWL |
| Balance at 1 January | 17 484 463 | 11 624 172 | 10 877 672 | 1 612 131 |
| Additions | 25 314 881 | - | 17 177 307 | - |
| Monetary adjustment | ( 17 196 795) | - | - | - |
| (Loss)/gain recognised in profit or loss | 10 897 181 | 5 860 291 | 8 444 751 | 9 265 541 |
| | 36 499 730 | 17 484 463 | 36 499 730 | 10 877 672 |

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

**22. INVESTMENTS IN GROUP COMPANIES**

**Subsidiaries**

| | Inflation Adjusted | | Historical | |
|---|---|---|---|---|
| | 31 December 2021 ZWL | 31 December 2020 ZWL Restated | 31 December 2021 ZWL | 31 December 2020 ZWL |
| Investment in subsidiaries: | | | | |
| NMB Bank Limited | 2 070 856 886 | 2 070 856 886 | 31 491 009 | 31 491 009 |
| | 2 070 856 886 | 2 070 856 886 | 31 491 009 | 31 491 009 |

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

## 23. INVESTMENT PROPERTIES

Immovable properties (Freehold land and buildings and investment properties) were revalued as at 31 December 2021 on the basis of valuations carried out by independent professional valuers, PMA Real Estates (Private) Limited.

**The following shows reconciliation between the opening and closing balances for investment properties (level 3 fair values) :**

| | Inflation Adjusted | | Historical Cost | |
|---|---|---|---|---|
| **GROUP** | **31 December 2021 ZWL** | **31 December 2020 ZWL Restated** | **31 December 2021 ZWL** | **31 December 2020 ZWL** |
| At 1 January | 2 657 783 640 | 1 657 448 814 | 1 653 496 476 | 229 867 982 |
| Additions | 57 522 943 | 661 072 877 | 44 577 303 | 245 405 846 |
| Disposals | ( 30 331 973) | ( 28 258 119) | ( 23 505 709) | ( 4 514 509) |
| Fair value gains | 833 158 854 | 367 520 068 | 1 843 565 394 | 1 182 737 157 |
| At 31 December | 3 518 133 464 | 2 657 783 640 | 3 518 133 464 | 1 653 496 476 |

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 ZWL14 617 316 (2020: ZWL7 610 897) 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 2021 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 ZWL3 518 133 464 (2020: ZWL2 657 783 640) has been categorised under level 3 in the fair value hierarchy based on the inputs used for the valuation technique described below.

**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.<br><br>The **direct comparison method** was applied on all residential properties. | • Weighted average expected market rental growth (5%);<br>• Void period (average 3 months after the end of each lease);<br>• Occupancy rate (55%); and<br>• Average market yield of 10%. | The estimated fair value would increase /(decrease) if:<br>• expected market rental growth were higher/ (lower);<br>• void periods were shorter/(longer);<br>• the occupancy rates were higher /(lower); and<br>• the risk adjusted discount rates were lower/ (higher). |

## 23. INVESTMENT PROPERTIES (Continued)

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 ZWL | Occupancy rates ZWL | Risk adjusted discount rates ZWL |
| +5% | 132 889 182 | 285 090 979 | 350 342 217 |
| +3% | 79 733 509 | 171 054 587 | 210 205 329 |
| +1% | 26 577 837 | 57 018 196 | 70 068 443 |
| -1% | ( 26 577 837) | ( 57 018 196) | ( 70 068 443) |
| -3% | ( 79 733 509) | ( 171 054 587) | ( 210 205 329) |
| -5% | ( 132 889 182) | ( 285 090 979) | ( 350 342 217) |

| Void periods | Change in fair value ZWL |
|---|---|
| 1 month | 714 260 195 |
| 2 months | 407 710 754 |
| 4 months | ( 205 388 124) |

## 24. INTANGIBLE ASSETS

| | Inflation Adjusted | | Historical Cost | |
|---|---|---|---|---|
| | 31 December 2021 ZWL | 31 December 2020 ZWL Restated | 31 December 2021 ZWL | 31 December 2020 ZWL |
| **Cost** | | | | |
| Balance 1 January 2020 | 344 106 764 | 344 106 764 | 5 469 725 | 5 469 725 |
| Acquisitions | 12 583 601 | 12 583 601 | 3 652 103 | 3 652 103 |
| **Balance at 31 December 2020** | 356 690 365 | 356 690 365 | 9 121 828 | 9 121 828 |
| Inflation adjustment | 298 867 326 | 298 867 326 | - | - |
| Acquisitions | 15 664 870 | 15 664 870 | 12 139 463 | 12 139 463 |
| **Balance at 31 December 2021** | 671 222 561 | 671 222 561 | 21 261 291 | 21 261 291 |
| **Accumulated amortisation** | | | | |
| Balance 1 January 2020 | 260 366 307 | 260 366 307 | 4 072 541 | 4 072 541 |
| Amortisation for the year | 39 246 884 | 39 246 884 | 915 580 | 915 580 |
| **Balance at 31 December 2020** | 299 613 191 | 299 613 191 | 4 988 121 | 4 988 121 |
| Amortisation for the year | 3 697 644 | 3 697 644 | 2 865 483 | 2 865 483 |
| **Balance at 31 December 2021** | 303 310 835 | 303 310 835 | 7 853 604 | 7 853 604 |
| **Carrying amount** | | | | |
| **At 31 December 2021** | 367 911 726 | 367 911 726 | 13 407 688 | 13 407 688 |
| **At 31 December 2020** | 57 077 174 | 57 077 174 | 4 133 707 | 4 133 707 |

## 25. PROPERTY AND EQUIPMENT

| | Inflation Adjusted | | | | | | |
|---|---|---|---|---|---|---|---|
| | Capital work in progress | Computers | Motor Vehicles | Furniture & Equipment | Right of Use Assets** | Freehold Land & Buildings* | Total |
| *Cost/Revaluation amount* | ZWL Restated | ZWL Restated | ZWL Restated | ZWL Restated | ZWL Restated | ZWL Restated | ZWL Restated |
| **At 1 January 2020** | 510 417 938 | 549 086 574 | 92 700 780 | 329 743 180 | 114 408 185 | 1 943 146 034 | 3 539 502 691 |
| Additions | 294 037 581 | 111 920 472 | - | 4 179 509 | - | - | 410 137 563 |
| Remeasurement – Right of use assets | - | - | - | - | 59 422 257 | - | 59 422 257 |
| Capitalisations | ( 112 285 170) | 37 024 873 | 4 402 000 | 58 230 614 | - | 12 627 683 | - |
| Revaluations | - | - | - | - | - | 386 526 963 | 386 526 963 |
| Disposals | - | ( 1 453 125) | ( 24 233 962) | ( 22 071 750) | - | - | ( 47 758 837) |
| **At 31 December 2020** | **692 170 349** | **696 578 793** | **72 868 818** | **370 081 553** | **173 830 442** | **2 342 300 681** | **4 347 830 636** |
| Additions | 58 759 268 | 73 163 145 | - | 24 172 302 | - | - | 156 094 715 |
| Remeasurement – Right of use assets | - | - | - | - | 41 566 951 | - | 41 566 951 |
| Capitalisations | ( 26 963 103) | - | - | - | - | 26 963 103 | - |
| Revaluations | - | - | - | - | - | 501 004 915 | 501 004 915 |
| Disposals | - | ( 765 073) | ( 4 100 238) | - | - | - | ( 4 865 311) |
| **At 31 December 2021** | **723 966 515** | **768 976 865** | **68 768 580** | **394 253 855** | **215 397 394** | **2 870 268 699** | **5 041 631 908** |
| **Accumulated depreciation** | | | | | | | |
| **At 1 January 2020** | **-** | **315 484 364** | **78 041 981** | **259 529 671** | **22 269 408** | **21 897 951** | **697 223 377** |
| Charge for the year – Property and equipment | - | 78 618 107 | 6 268 869 | 23 699 854 | - | 2 581 968 | 111 168 797 |
| Charge for period – Right of use assets | - | - | - | - | 17 868 262 | - | 17 868 262 |
| Disposals | - | ( 1 453 125) | ( 24 233 962) | ( 18 169 133) | - | - | ( 43 856 221) |
| **At 31 December 2020** | **-** | **392 649 346** | **60 076 888** | **265 060 392** | **40 137 670** | **24 479 919** | **782 404 216** |
| Charge for the year – Property and equipment | - | 22 711 799 | 661 884 | 10 472 128 | - | 84 802 | 33 930 613 |
| Charge for period – Right of use assets | - | - | - | - | 49 484 694 | - | 49 484 694 |
| Remeasurement – Right of use assets | - | - | - | - | - | - | - |
| Disposals | - | ( 765 073) | ( 4 100 238) | - | - | - | ( 4 865 311) |
| **At 31 December 2021** | **-** | **414 596 072** | **56 638 534** | **275 532 520** | **89 622 365** | **24 564 721** | **860 954 212** |
| **Carrying amount** | | | | | | | |
| At 31 December 2021 | 723 966 515 | 354 380 794 | 12 130 046 | 118 721 335 | 125 775 029 | 2 845 703 978 | 4 180 677 696 |
| At 31 December 2020 | 692 170 349 | 303 929 447 | 12 791 929 | 105 021 161 | 133 692 772 | 2 317 820 761 | 3 565 426 421 |

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

# NOTES TO THE FINANCIAL STATEMENTS (Continued)
## for year ended 31 December 2021

### 25. PROPERTY AND EQUIPMENT (Continued)

| | Historical Cost | | | | | | |
|---|---|---|---|---|---|---|---|
| *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 2020** | 14 824 374 | 11 615 145 | 1 769 802 | 6 848 941 | 4 096 580 | 268 382 880 | 307 537 722 |
| 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) |
| Revaluations | - | - | - | - | - | 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** | **1 630 536 317** |
| Additions | 49 831 811 | 55 339 763 | - | 18 147 561 | - | - | 123 319 135 |
| Remeasurement – Right of use assets | - | - | - | - | 61 810 635 | - | 61 810 635 |
| Capitalisations | ( 24 265 270) | - | - | - | - | 24 265 270 | - |
| Disposals | - | ( 694 870) | ( 62 694) | - | - | - | ( 757 564) |
| Revaluations | - | - | - | - | - | 1 408 660 239 | 1 408 660 239 |
| **At 31 December 2021** | **34 181 970** | **137 792 651** | **3 329 435** | **62 974 799** | **95 140 467** | **2 890 149 441** | **3 223 568 762** |
| **Accumulated depreciation** | | | | | | | |
| **At 1 January 2020** | - | 5 035 595 | 1 230 711 | 4 107 841 | 1 310 867 | 567 480 | 12 252 494 |
| Charge for the year – Property and equipment | - | 5 048 413 | 341 867 | 2 257 704 | - | 14 662 300 | 22 310 284 |
| Charge for period – Right of use assets | - | - | - | - | 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** |
| Charge for the year – Property and equipment | - | 22 698 711 | 661 884 | 10 872 074 | - | 29 215 683 | 63 448 352 |
| Charge for period – Right of use assets | - | - | - | - | 37 881 248 | - | 37 881 248 |
| Remeasurement – Right of use assets | - | - | - | - | 15 144 683 | - | 15 144 683 |
| Disposals | - | ( 694 870) | ( 62 694) | - | - | - | ( 757 564) |
| **At 31 December 2021** | **-** | **32 047 769** | **1 799 276** | **16 864 630** | **62 916 513** | **44 445 463** | **158 073 651** |
| **Carrying amount** | | | | | | | |
| At 31 December 2021 | 34 181 970 | 105 744 882 | 1 530 159 | 46 110 169 | 33 076 169 | 2 845 703 978 | 3 066 347 326 |
| At 31 December 2020 | 8 615 429 | 73 103 830 | 2 192 043 | 38 834 682 | 23 439 250 | 1 441 994 151 | 1 588 179 384 |

## 25. PROPERTY AND EQUIPMENT (Continued)

### Fair value hierarchy

Immovable properties were revalued as at 31 December 2021 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 ZWL2 845 703 978 (2020: ZWL2 317 820 761) 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 | | Historical Cost | |
|---|---|---|---|---|
| | 31 December 2021 ZWL | 31 December 2020 ZWL Restated | 31 December 2021 ZWL | 31 December 2020 ZWL |
| At 1 January | 2 342 300 681 | 1 921 248 083 | 1 457 223 931 | 267 815 400 |
| Transfers from work in progress | 26 963 103 | 12 627 683 | 24 265 270 | 5 012 023 |
| Revaluation gain | 501 004 915 | 386 526 963 | 1 408 660 239 | 1 183 829 028 |
| Depreciation | ( 24 564 721) | ( 2 581 968) | ( 44 445 463) | ( 14 662 300) |
| At 31 December | 2 845 703 978 | 2 317 820 761 | 2 845 703 978 | 1 441 994 151 |

### 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<br>• Average market yield of 10%. | The estimated fair value would increase /(decrease) if:<br>• Expected market rental growth were higher/ (lower); and<br>• The risk adjusted discount rates were lower/ (higher). |

# NOTES TO THE FINANCIAL STATEMENTS (Continued)
## for year ended 31 December 2021

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% | 27 268 479 | 95 933 306 |
| +3% | 16 361 087 | 57 559 983 |
| +1% | 5 453 695 | 19 186 661 |
| -1% | 5 453 695 | 19 186 661 |
| -3% | 16 361 001 | 57 559 983 |
| -5% | 27 268 479 | 95 933 306 |

**26. INTEREST RATE REPRICING AND GAP ANALYSIS**

**26.1 Total Position**

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

| | Inflation Adjusted | | | | | |
|---|---|---|---|---|---|---|
| **As at 31 December 2021** | **Up to 1 month ZWL** | **1 month to 3 months ZWL** | **3 months to 1 year ZWL** | **1 year to 5 years ZWL** | **Non-interest bearing ZWL** | **Total ZWL** |
| **Assets** | | | | | | |
| Cash and cash equivalents | 4 872 262 099 | - | - | - | - | 4 872 262 099 |
| Current tax assets | - | - | - | - | - | - |
| Investment securities | 1 200 000 000 | 1 800 000 000 | 832 450 826 | 177 983 426 | - | 4 010 434 252 |
| Quoted and other investments | - | - | - | - | 36 499 730 | 36 499 730 |
| Loans, advances and other assets | 2 401 390 517 | 1 431 473 214 | 2 591 341 119 | 3 160 403 584 | 2 783 234 107 | 12 367 842 539 |
| Intangible assets | - | - | - | - | 367 911 726 | 367 911 726 |
| Property and equipment | - | - | - | - | 4 180 677 696 | 4 180 677 696 |
| Investment properties | - | - | - | - | 3 518 133 464 | 3 518 133 464 |
| | **8 473 652 616** | **3 231 473 214** | **3 423 791 945** | **3 338 387 011** | **10 886 456 722** | **29 353 761 508** |
| ***Liabilities and equity*** | | | | | | |
| Deposits and other liabilities | 14 205 365 648 | 2 119 332 623 | 11 489 793 | 4 343 903 | 2 750 917 014 | 19 091 448 981 |
| Current tax liabilities | - | - | - | - | 236 048 645 | 236 048 645 |
| Deferred tax liabilities | - | - | - | - | 1 000 737 483 | 1 000 737 483 |
| Redeemable ordinary shares | - | - | - | - | - | - |
| Equity | - | - | - | - | 8 802 411 609 | 8 802 411 609 |
| Subordinated loan | 223 114 790 | - | - | - | - | 223 114 790 |
| | **14 428 480 438** | **2 119 332 623** | **11 489 793** | **4 343 903** | **12 790 114 751** | **29 353 761 508** |
| Interest rate repricing gap | ( 5 954 827 822) | 1 112 140 591 | 3 412 302 152 | 3 334 043 106 | ( 1 903 658 029) | - |
| Cumulative gap | **( 5 954 827 822)** | **( 4 842 687 231)** | **( 1 430 385 079)** | **1 903 658 029** | - | - |

# NOTES TO THE FINANCIAL STATEMENTS (Continued)
## for year ended 31 December 2021

**26.1 Total position (Continued)**

**As at 31 December 2020** ← **Inflation Adjusted** →

| **Assets** | **Up to 1 month ZWL Restated** | **1 month to 3 months ZWL Restated** | **3 months to 1 year ZWL Restated** | **1 year to 5 years ZWL Restated** | **Non-interest bearing ZWL Restated** | **Total ZWL Restated** |
|---|---|---|---|---|---|---|
| Cash and cash equivalents | 3 157 902 536 | - | - | - | - | 3 157 902 536 |
| Current tax assets | - | - | - | - | - | - |
| Investment securities | 642 948 728 | 723 317 319 | 354 326 189 | 18 295 481 | - | 1 738 887 717 |
| Quoted and other investments | - | - | - | - | 17 484 463 | 17 484 463 |
| Loans, advances and other assets | 1 661 790 915 | 465 844 158 | 656 683 016 | 910 703 707 | 2 722 649 056 | 6 417 670 852 |
| Deferred tax | - | - | - | - | - | - |
| Intangible assets | - | - | - | - | 57 077 174 | 57 077 174 |
| Property and equipment | - | - | - | - | 3 565 426 421 | 3 565 426 421 |
| Investment properties | - | - | - | - | 2 657 783 640 | 2 657 783 640 |
| | **5 462 642 179** | **1 189 161 477** | **1 011 009 205** | **928 999 188** | **9 020 420 754** | **17 612 232 803** |
| ***Liabilities and equity*** | | | | | | |
| Deposits and other liabilities | 8 838 785 649 | 1 204 071 615 | 18 367 005 | 5 344 985 | 243 022 726 | 10 309 591 981 |
| Current tax liabilities | - | - | - | - | 91 949 809 | 91 949 809 |
| Deferred tax liabilities | - | - | - | - | 467 809 599 | 467 809 599 |
| Redeemable ordinary shares | - | - | - | - | 23 042 082 | 23 042 082 |
| Equity | - | - | - | - | 6 506 649 362 | 6 506 649 362 |
| Subordinated loan | 213 189 970 | - | - | - | - | 213 189 970 |
| | 9 051 975 619 | 1 204 071 615 | 18 367 005 | 5 344 985 | 7 332 473 578 | 17 612 232 803 |
| Interest rate repricing gap | ( 3 589 333 440) | ( 14 910 138) | 992 642 200 | 923 654 203 | 1 687 947 176 | - |
| Cumulative gap | **( 3 589 333 440)** | **(3 604 243 576)** | **( 2 611 601 376)** | **( 1 687 947 176)** | **-** | **-** |

# NOTES TO THE FINANCIAL STATEMENTS (Continued)
## for year ended 31 December 2021

### 26. INTEREST RATE REPRICING AND GAP ANALYSIS (Continued)

### 26.1 Total position (Continued)

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

Historical

| As at 31 December 2021 | Up to 1 month | 1 month to 3 months | 3 months to 1 year | 1 year to 5 years | Non-interest bearing | Total |
|---|---|---|---|---|---|---|
| **Assets** | **ZWL** | **ZWL** | **ZWL** | **ZWL** | **ZWL** | **ZWL** |
| Cash and cash equivalents | 4 872 262 099 | - | - | - | - | 4 872 262 099 |
| Current tax assets | - | - | - | - | - | - |
| Investment securities | 1 200 000 000 | 1 800 000 000 | 832 450 826 | 177 983 427 | - | 4 010 434 253 |
| Quoted and other investments | - | - | - | - | 36 499 730 | 36 499 730 |
| Loans, advances and other assets | 2 401 390 517 | 1 431 473 214 | 2 591 341 119 | 3 160 403 584 | 2 265 354 415 | 11 849 962 849 |
| Deferred tax | - | - | - | - | - | - |
| Intangible assets | - | - | - | - | 13 407 688 | 13 407 688 |
| Property and equipment | - | - | - | - | 3 065 495 111 | 3 065 495 111 |
| Investment properties | - | - | - | - | 3 518 133 464 | 3 518 133 464 |
| | **8 473 652 616** | **3 231 473 214** | **3 423 791 945** | **3 338 387 011** | **8 898 890 408** | **27 366 195 193** |
| ***Liabilities and equity*** | | | | | | |
| Deposits and other liabilities | 14 205 365 648 | 2 119 332 623 | 11 489 793 | 4 343 903 | 2 750 917 014 | 19 091 448 981 |
| Current tax liabilities | - | - | - | - | 236 048 645 | 236 048 645 |
| Deferred tax liabilities | - | - | - | - | 741 543 501 | 741 543 501 |
| Redeemable ordinary shares | - | - | - | - | 14 335 253 | 14 335 253 |
| Equity | - | - | - | - | 7 059 704 023 | 7 059 704 023 |
| Subordinated loan | 223 114 790 | - | - | - | - | 223 114 790 |
| | **14 428 480 438** | **2 119 332 623** | **11 489 793** | **4 343 903** | **10 802 548 435** | **27 366 195 193** |
| Interest rate repricing gap | ( 5 954 827 822) | 1 112 140 591 | 3 412 302 152 | 3 334 043 108 | ( 1 903 658 027) | - |
| Cumulative gap | ( 5 954 827 822) | ( 4 842 687 231) | ( 1 430 385 079) | 1 903 658 027 | - | - |

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

Historical

| As at 31 December 2020 | Up to 1 month | 1 month to 3 months | 3 months to 1 year | 1 year to 5 years | Non-interest bearing | Total |
|---|---|---|---|---|---|---|
| **Assets** | **ZWL** | **ZWL** | **ZWL** | **ZWL** | **ZWL** | **ZWL** |
| Cash and cash equivalents | 1 964 637 240 | - | - | - | - | 1 964 637 240 |
| Current tax assets | - | - | - | - | - | - |
| Investment securities | 400 000 000 | 450 000 000 | 220 438 224 | 11 382 233 | - | 1 081 820 457 |
| Quoted and other investments | - | - | - | - | 10 877 672 | 10 877 672 |
| Loans, advances and other assets | 880 663 426 | 289 817 298 | 408 544 561 | 719 771 881 | 1 432 089 567 | 3 730 886 733 |
| Deferred tax | - | - | - | - | - | - |
| Intangible assets | - | - | - | - | 4 133 707 | 4 133 707 |
| Property and equipment | - | - | - | - | 1 588 179 384 | 1 588 179 384 |
| Investment properties | - | - | - | - | 1 653 496 476 | 1 653 496 476 |
| | **3 245 300 666** | **739 817 298** | **628 982 785** | **731 154 114** | **4 688 776 806** | **10 034 031 669** |
| ***Liabilities and equity*** | | | | | | |
| Deposits and other liabilities | 5 498 905 442 | 749 093 396 | 11 426 731 | 3 325 295 | 151 192 601 | 6 413 943 465 |
| Current tax liabilities | - | - | - | - | 174 727 794 | 174 727 794 |
| Deferred tax liabilities | - | - | - | - | 57 205 065 | 57 205 065 |
| Redeemable ordinary shares | - | - | - | - | 14 335 253 | 14 335 253 |
| Equity | - | - | - | - | 3 241 187 451 | 3 241 187 451 |
| Subordinated loan | 132 632 641 | - | - | - | - | 132 632 641 |
| | 5 631 538 083 | 749 093 396 | 11 426 731 | 3 325 295 | 3 638 648 164 | 10 034 031 669 |
| Interest rate repricing gap | ( 2 386 237 417) | ( 9 276 098) | 617 556 054 | 727 828 819 | 1 050 128 642 | - |
| Cumulative gap | **( 2 386 237 417)** | **( 2 395 513 515)** | **( 1 777 957 461)** | **( 1 050 128 642)** | - | - |

## 26. INTEREST RATE REPRICING AND GAP ANALYSIS (Continued)

### 26.2 Zimbabwe dollars

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

| | Inflation Adjusted | | | | | |
|---|---|---|---|---|---|---|
| **As at 31 December 2021** | **Up to 1 month** | **1 month to 3 months** | **3 months to 1 year** | **1 year to 5 years** | **Non-interest bearing** | **Total** |
| **Assets** | **ZWL** | **ZWL** | **ZWL** | **ZWL** | **ZWL** | **ZWL** |
| Cash and cash equivalents | 1 176 547 780 | - | - | - | - | 1 176 547 780 |
| Investment securities | 1 200 000 000 | 1 800 000 000 | 832 450 826 | 177 983 427 | - | 4 010 434 253 |
| Quoted and other investments | - | - | - | - | - | - |
| Loans, advances and other assets | 1 235 119 163 | 736 256 759 | 1 332 817 404 | 1 625 506 140 | 1 165 151 037 | 6 094 850 503 |
| Intangible assets | - | - | - | - | 367 911 726 | 367 911 726 |
| Property and equipment | - | - | - | - | 4 180 677 696 | 4 180 677 696 |
| Investment properties | - | - | - | - | 3 518 133 464 | 3 518 133 464 |
| | **3 611 666 943** | **2 536 256 759** | **2 165 268 230** | **1 803 489 567** | **9 231 873 923** | **19 348 555 422** |
| ***Liabilities and equity*** | | | | | | |
| Deposits and other liabilities | 7 067 253 191 | 1 054 380 479 | 5 716 240 | 2 161 118 | 1 368 597 439 | 9 498 108 467 |
| Current tax liabilities | - | - | - | - | 236 048 645 | 236 048 645 |
| Deferred tax liabilities | - | - | - | - | 1 000 737 483 | 1 000 737 483 |
| Redeemable ordinary shares | - | - | - | - | 14 335 253 | 14 335 253 |
| Equity | - | - | - | - | 8 802 411 609 | 8 802 411 609 |
| Subordinated loan | 223 114 790 | - | - | - | - | 223 114 790 |
| | 7 290 367 981 | 1 054 380 479 | 5 716 240 | 2 161 118 | 11 422 130 429 | 19 774 756 247 |
| Interest rate repricing gap | ( 3 678 701 038) | 1 481 876 280 | 2 159 551 990 | 1 801 328 449 | ( 2 190 256 506) | ( 426 200 825) |
| Cumulative gap | **( 3 678 701 038)** | **( 2 196 824 758)** | **( 37 272 768)** | **1 764 055 681** | **( 426 200 825)** | - |

| | Inflation Adjusted | | | | | |
|---|---|---|---|---|---|---|
| **As at 31 December 2020** | **Up to 1 month** | **1 month to 3 months** | **3 months to 1 year** | **1 year to 5 years** | **Non-interest bearing** | **Total** |
| **Assets** | **ZWL Restated** | **ZWL Restated** | **ZWL Restated** | **ZWL Restated** | **ZWL Restated** | **ZWL Restated** |
| Cash and cash equivalents | 2 913 453 988 | - | - | - | - | 2 913 453 988 |
| Investment securities | 642 948 728 | 723 317 319 | 354 326 189 | 18 295 481 | - | 1 738 887 717 |
| Quoted and other investments | - | - | - | - | - | - |
| Loans, advances and other assets | 1 411 375 585 | 413 757 301 | 656 683 015 | 1 156 941 038 | 2 722 649 056 | 6 361 405 996 |
| Intangible assets | - | - | - | - | 57 077 174 | 57 077 174 |
| Property and equipment | - | - | - | - | 3 565 426 417 | 3 565 426 417 |
| Investment properties | - | - | - | - | 2 657 783 640 | 2 657 783 640 |
| | 4 967 778 301 | 1 137 074 620 | 1 011 009 204 | 1 175 236 519 | 9 002 936 287 | 17 294 034 931 |
| ***Liabilities and equity*** | | | | | | |
| Deposits and other liabilities | 8 509 984 427 | 1 204 071 615 | 18 367 005 | 5 344 985 | 243 022 726 | 9 980 790 760 |
| Current tax liabilities | - | - | - | - | 91 949 809 | 91 949 809 |
| Deferred tax liabilities | - | - | - | - | 467 809 599 | 467 809 599 |
| Redeemable ordinary shares | - | - | - | - | 23 042 082 | 23 042 082 |
| Equity | - | - | - | - | 6 506 649 359 | 6 506 649 359 |
| Subordinated loan | 213 189 970 | - | - | - | - | 213 189 970 |
| | 8 723 174 397 | 1 204 071 615 | 18 367 005 | 5 344 985 | 7 332 473 575 | 17 283 431 579 |
| Interest rate repricing gap | ( 3 755 396 096) | ( 66 996 995) | 992 642 199 | 1 169 891 533 | 1 670 462 712 | 10 603 353 |
| Cumulative gap | **( 3 755 396 096)** | **( 3 822 393 091)** | **( 2 829 750 893)** | **( 1 659 859 359)** | **10 603 353** | - |

# NOTES TO THE FINANCIAL STATEMENTS (Continued)
## for year ended 31 December 2021

### 26. INTEREST RATE REPRICING AND GAP ANALYSIS (Continued)

### 26.2 Zimbabwe Dollars (Continued)

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

| As at 31 December 2021 | Historical | | | | | |
|---|---|---|---|---|---|---|
| | Up to 1 month ZWL | 1 month to 3 months ZWL | 3 months to 1 year ZWL | 1 year to 5 years ZWL | Non-interest bearing ZWL | Total ZWL |
| **Assets** | | | | | | |
| Cash and cash equivalents | 1 176 547 780 | - | - | - | - | 1 176 547 780 |
| Investment securities | 1 200 000 000 | 1 800 000 000 | 832 450 826 | 177 983 427 | - | 4 010 434 253 |
| Loans, advances and other assets | 1 235 119 163 | 736 256 759 | 1 332 817 404 | 1 625 506 140 | 1 550 152 491 | 6 479 851 957 |
| Intangible assets | - | - | - | - | 13 407 688 | 13 407 688 |
| Property and equipment | - | - | - | - | 3 065 495 111 | 3 065 495 111 |
| Investment properties | - | - | - | - | 3 518 133 464 | 3 518 133 464 |
| | 3 611 666 944 | 2 536 256 759 | 2 165 268 230 | 1 803 489 567 | 8 147 188 753 | 18 263 870 252 |
| ***Liabilities and equity*** | | | | | | |
| Deposits and other liabilities | 8 143 071 516 | 1 109 297 325 | 16 921 311 | 4 924 274 | 223 894 041 | 9 498 108 467 |
| Current tax liabilities | - | - | - | - | 236 048 645 | 236 048 645 |
| Deferred tax liabilities | - | - | - | - | 741 543 501 | 741 543 501 |
| Redeemable ordinary shares | - | - | - | - | 14 335 253 | 14 335 253 |
| Equity | - | - | - | - | 7 059 704 023 | 7 059 704 023 |
| Subordinated loan | 223 114 790 | - | - | - | - | 223 114 790 |
| | 8 366 186 306 | 1 109 297 325 | 16 921 311 | 4 924 274 | 8 275 525 463 | 17 772 854 679 |
| Interest rate repricing gap | ( 4 754 519 363) | 1 426 959 434 | 2 148 346 919 | 1 798 565 293 | ( 128 336 711) | 491 015 573 |
| Cumulative gap | **( 4 754 519 363)** | **( 3 327 559 929)** | **( 1 179 213 009)** | **619 352 284** | **491 015 573** | - |

| As at 31 December 2020 | Historical | | | | | |
|---|---|---|---|---|---|---|
| | Up to 1 month ZWL | 1 month to 3 months ZWL | 3 months to 1 year ZWL | 1 year to 5 years ZWL | Non-interest bearing ZWL | Total ZWL |
| **Assets** | | | | | | |
| Cash and cash equivalents | 1 812 557 587 | - | - | - | - | 1 812 557 587 |
| Investment securities | 400 000 000 | 450 000 000 | 220 438 224 | 11 382 233 | - | 1 081 820 457 |
| Loans, advances and other assets | 878 064 159 | 257 412 315 | 408 544 561 | 719 771 881 | 1 432 089 559 | 3 695 882 475 |
| Intangible assets | - | - | - | - | 4 133 707 | 4 133 707 |
| Property and equipment | - | - | - | - | 1 588 179 384 | 1 588 179 384 |
| Investment properties | - | - | - | - | 1 653 496 476 | 1 653 496 476 |
| | 3 090 621 746 | 707 412 315 | 628 982 785 | 731 154 114 | 4 677 899 126 | 9 836 070 086 |
| ***Liabilities and equity*** | | | | | | |
| Deposits and other liabilities | 5 294 347 158 | 749 093 396 | 11 426 731 | 3 325 295 | 151 192 601 | 6 209 385 181 |
| Current tax liabilities | - | - | - | - | 174 727 794 | 174 727 794 |
| Deferred tax liabilities | - | - | - | - | 57 205 066 | 57 205 066 |
| Redeemable ordinary shares | - | - | - | - | 14 335 253 | 14 335 253 |
| Equity | - | - | - | - | 3 241 187 451 | 3 241 187 451 |
| Subordinated loan | 132 632 641 | - | - | - | - | 132 632 641 |
| | 5 426 979 799 | 749 093 396 | 11 426 731 | 3 325 295 | 3 638 648 165 | 9 829 473 386 |
| Interest rate repricing gap | ( 2 336 358 053) | ( 41 681 081) | 617 556 054 | 727 828 819 | 1 039 250 961 | 6 596 700 |
| Cumulative gap | **( 2 336 358 053)** | **( 2 378 039 134)** | **( 1 760 483 080)** | **( 1 032 654 261)** | **6 596 700** | - |

# NOTES TO THE FINANCIAL STATEMENTS (Continued)
## for year ended 31 December 2021

### 26. INTEREST RATE REPRICING AND GAP ANALYSIS (Continued)

### 26.3 Other foreign currencies

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

Inflation Adjusted

| As at 31 December 2021 | Up to 1 month ZWL | 1 month to 3 months ZWL | 3 months to 1 year ZWL | 1 year to 5 years ZWL | Non-interest bearing ZWL | Total ZWL |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| Cash and cash equivalents | 2 907 624 859 | - | - | - | - | 2 907 624 859 |
| Quoted and other investments | - | - | - | - | 36 499 730 | 36 499 730 |
| Loans, advances and other assets | 1 166 271 353 | 695 216 455 | 1 258 523 715 | 1 534 897 444 | 1 618 083 070 | 6 272 992 038 |
| Investment properties | - | - | - | - | - | - |
| | 4 073 896 212 | 695 216 455 | 1 258 523 715 | 1 534 897 444 | 1 654 582 802 | 9 217 116 628 |
| ***Liabilities and equity*** | | | | | | |
| Deposits and other liabilities | 7 138 112 457 | 1 064 952 144 | 5 773 553 | 2 182 786 | 1 382 319 575 | 9 593 340 514 |
| Subordinated loan | - | - | - | - | - | - |
| | 7 138 112 457 | 1 064 952 144 | 5 773 553 | 2 182 786 | 1 382 319 575 | 9 593 340 514 |
| Interest rate repricing gap | ( 3 064 216 245) | ( 369 735 687) | 1 252 750 162 | 1 532 714 658 | 272 263 227 | ( 376 223 886) |
| Cumulative gap | **( 3 064 216 245)** | **( 3 433 951 932)** | **( 2 181 201 771)** | **( 648 487 113)** | **( 376 223 886)** | - |

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

Inflation Adjusted

| As at 31 December 2020 | Up to 1 month ZWL Restated | 1 month to 3 months ZWL Restated | 3 months to 1 year ZWL Restated | 1 year to 5 years ZWL Restated | Non-interest bearing ZWL Restated | Total ZWL Restated |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| Cash and cash equivalents | 244 448 549 | - | - | - | - | 244 448 549 |
| Quoted and other investments | - | - | - | - | 17 484 463 | 17 484 463 |
| Loans, advances and other assets | 4 178 000 | 52 086 857 | - | - | - | 56 264 856 |
| | 248 626 548 | 52 086 857 | - | - | 17 484 463 | 318 197 868 |
| Deposits and other liabilities | 328 801 220 | - | - | - | - | 328 801 220 |
| Current tax liabilities | - | - | - | - | - | - |
| Subordinated loan | - | - | - | - | - | - |
| | 328 801 220 | - | - | - | - | 328 801 220 |
| Interest rate repricing gap | ( 80 174 671) | 52 086 857 | - | - | 17 484 463 | ( 10 603 351) |
| Cumulative gap | **( 80 174 671)** | **( 28 087 815)** | **( 28 087 815)** | **( 28 087 815)** | **( 10 603 351)** | - |

## 26. INTEREST RATE REPRICING AND GAP ANALYSIS

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

### 26.3 Other foreign currencies (Continued)

Historical

| As at 31 December 2021 | Up to 1 month | 1 month to 3 months | 3 months to 1 year | 1 year to 5 years | Non-interest bearing | Total |
|---|---|---|---|---|---|---|
| **Assets** | **ZWL** | **ZWL** | **ZWL** | **ZWL** | **ZWL** | **ZWL** |
| Cash and cash equivalents | 3 695 714 319 | - | - | - | - | 3 695 714 319 |
| Assets | 1 166 271 353 | 695 216 455 | 1 258 523 715 | 1 534 897 444 | 715 201 925 | 5 370 110 892 |
| Investment properties | - | - | - | - | - | - |
| | 4 861 985 672 | 695 216 455 | 1 258 523 715 | 1 534 897 444 | 715 201 925 | 9 065 825 211 |
| ***Liabilities and equity*** | | | | | | |
| Deposits and other liabilities | 8 911 018 490 | 1 370 239 227 | 63 062 | 1 018 608 | 2 599 724 413 | 12 882 063 800 |
| Current tax liabilities | - | - | - | - | - | - |
| Subordinated loan | - | - | - | - | - | - |
| | 8 911 018 490 | 1 370 239 227 | 63 062 | 1 018 608 | 2 599 724 413 | 12 882 063 800 |
| Interest rate repricing gap | ( 4 049 032 817) | ( 675 022 772) | 1 258 460 653 | 1 533 878 835 | ( 1 884 522 489) | ( 3 816 238 589) |
| Cumulative gap | **( 4 049 032 817)** | **( 4 724 055 589)** | **( 3 465 594 936)** | **( 1 931 716 101)** | **( 3 816 238 589)** | - |

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

Historical

| As at 31 December 2020 | Up to 1 month | 1 month to 3 months | 3 months to 1 year | 1 year to 5 years | Non-interest bearing | Total |
|---|---|---|---|---|---|---|
| **Assets** | **ZWL** | **ZWL** | **ZWL** | **ZWL** | **ZWL** | **ZWL** |
| Cash and cash equivalents | 682 207 365 | - | - | - | - | 682 207 365 |
| Quoted and other investments | - | - | - | - | 7 231 787 | 7 231 787 |
| Loans, advances and other assets | 11 659 967 | 145 364 075 | - | - | - | 157 024 042 |
| | 693 867 332 | 145 364 075 | - | - | 7 231 787 | 846 463 194 |
| Deposits and other liabilities | 917 618 930 | - | - | - | - | 917 618 930 |
| Current tax liabilities | - | - | - | - | - | - |
| Subordinated loan | - | - | - | - | - | - |
| | 917 618 930 | - | - | - | - | 917 618 930 |
| Interest rate repricing gap | ( 223 751 598) | 145 364 075 | - | - | 7 231 787 | ( 71 155 736) |
| Cumulative gap | **( 223 751 598)** | **( 78 387 523)** | **( 78 387 523)** | **( 78 387 523)** | **( 71 155 736)** | - |

# NOTES TO THE FINANCIAL STATEMENTS (Continued)
## for year ended 31 December 2021

### 27. FOREIGN EXCHANGE POSITIONS

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

**As at 31 December 2021** ← **Inflation Adjusted** →

| Assets | ZWL ZWL | USD ZWL | RAND ZWL | GBP ZWL | EUR ZWL | BWP ZWL | Total ZWL |
|---|---|---|---|---|---|---|---|
| Cash and cash equivalents | 1 801 593 502 | 2 379 502 933 | 595 530 140 | 8 527 599 | 56 197 033 | 30 910 893 | 4 872 262 099 |
| Investment securities | 4 010 434 252 | - | - | - | - | - | 4 010 434 252 |
| Trade and other investments | - | - | - | - | 36 499 730 | - | 36 499 730 |
| Advances and other assets | 9 198 511 018 | 3 168 987 796 | 321 477 | 2 939 | 17 695 | 1 616 | 12 367 842 540 |
| Intangible assets | 367 911 726 | - | - | - | - | - | 367 911 726 |
| Property and equipment | 4 180 677 696 | - | - | - | - | - | 4 180 677 696 |
| Investment properties | 3 518 133 464 | - | - | - | - | - | 3 518 133 464 |
| Deferred tax | - | - | - | - | - | - | - |
| | **23 077 261 658** | **5 548 490 729** | **595 851 617** | **8 530 538** | **92 714 458** | **30 912 509** | **29 353 761 508** |
| ***Liabilities and equity*** | | | | | | | |
| Deposits and other liabilities | 13 848 249 630 | 5 137 066 714 | 85 916 219 | 8 661 869 | 1 757 176 | 9 797 373 | 19 091 448 981 |
| Current tax liabilities | 236 048 645 | - | - | - | - | - | 236 048 645 |
| Deferred tax liabilities | 1 000 737 483 | - | - | - | - | - | 1 000 737 483 |
| Subordinated term loan | 223 114 790 | - | - | - | - | - | 223 114 790 |
| Redeemable ordinary shares | 14 335 253 | - | - | - | - | - | 14 335 253 |
| Equity | 8 788 076 356 | - | - | - | - | - | 8 788 076 356 |
| | **24 110 562 157** | **5 137 066 714** | **85 916 219** | **8 661 869** | **1 757 176** | **9 797 373** | **29 353 761 508** |
| Net foreign exchange position | **( 1 033 300 499)** | **411 424 015** | **509 935 398** | **( 131 331)** | **90 957 282** | **21 115 136** | **-** |



## 27. FOREIGN EXCHANGE POSITIONS (Continued)

**As at 31 December 2020**

| | Inflation Adjusted | | | | | | |
|---|---|---|---|---|---|---|---|
| **Assets** | **ZWL ZWL Restated** | **USD ZWL Restated** | **RAND ZWL Restated** | **GBP ZWL Restated** | **EUR ZWL Restated** | **BWP ZWL Restated** | **Total ZWL Restated** |
| Cash and cash equivalents | 2 913 453 989 | 201 359 342 | 39 893 310 | 1 156 676 | 1 212 871 | 826 348 | 3 157 902 536 |
| Investment securities | 1 738 887 717 | - | - | - | - | - | 1 738 887 717 |
| Trade and other investments | - | - | - | - | 17 484 463 | - | 17 484 463 |
| Advances and other assets | 6 361 405 997 | 56 194 736 | 59 889 | - | 6 008 | 4 221 | 6 417 670 852 |
| Intangible assets | 57 077 174 | - | - | - | - | - | 57 077 174 |
| Property and equipment | 3 565 426 421 | - | - | - | - | - | 3 565 426 421 |
| Investment properties | 2 657 783 640 | - | - | - | - | - | 2 657 783 640 |
| Deferred tax | - | - | - | - | - | - | - |
| | 17 294 034 938 | 257 554 078 | 39 953 199 | 1 156 676 | 18 703 343 | 830 569 | 17 612 232 803 |
| ***Liabilities and equity*** | | | | | | | |
| Deposits and other liabilities | 9 980 790 762 | 313 269 816 | 13 840 265 | 957 606 | 624 728 | 108 805 | 10 309 591 981 |
| Current tax liabilities | 91 949 809 | - | - | - | - | - | 91 949 809 |
| Deferred tax liabilities | 467 809 599 | - | - | - | - | - | 467 809 599 |
| Subordinated term loan | 213 189 970 | - | - | - | - | - | 213 189 970 |
| Redeemable ordinary shares | 23 042 082 | - | - | - | - | - | 23 042 082 |
| Equity | 6 506 649 362 | - | - | - | - | - | 6 506 649 362 |
| Total | 17 283 431 583 | 313 269 816 | 13 840 265 | 957 606 | 624 728 | 108 805 | 17 612 232 803 |
| Net foreign exchange position | **10 603 355** | **( 55 715 738)** | **26 112 933** | **199 070** | **18 078 616** | **721 765** | - |

# NOTES TO THE FINANCIAL STATEMENTS (Continued)
## for year ended 31 December 2021

**27. FOREIGN EXCHANGE POSITIONS (Continued)**

**As at 31 December 2021**

| | Historical | | | | | | |
|---|---|---|---|---|---|---|---|
| **Assets** | **ZWL ZWL** | **USD ZWL** | **RAND ZWL** | **GBP ZWL** | **EUR ZWL** | **BWP ZWL** | **Total ZWL** |
| Cash and cash equivalents | 1 801 593 502 | 2 379 502 933 | 595 530 140 | 8 527 599 | 56 197 033 | 30 910 893 | 4 872 262 099 |
| Investment securities | 4 010 434 252 | - | - | - | - | - | 4 010 434 252 |
| Trade and other investments | - | - | - | - | 36 499 730 | - | 36 499 730 |
| Advances and other assets | 8 680 631 327 | 3 168 987 796 | 321 477 | 2 939 | 17 695 | 1 616 | 11 849 962 849 |
| Intangible assets | 13 407 688 | - | - | - | - | - | 13 407 688 |
| Property and equipment | 3 065 495 111 | - | - | - | - | - | 3 065 495 111 |
| Investment properties | 3 518 133 464 | - | - | - | - | - | 3 518 133 464 |
| Deferred tax | - | - | - | - | - | - | - |
| | **21 089 695 342** | **5 548 490 729** | **595 851 617** | **8 530 538** | **92 714 458** | **30 912 509** | **27 366 195 193** |
| ***Liabilities and equity*** | | | | | | | |
| Deposits and other liabilities | 13 848 249 630 | 5 137 066 714 | 85 916 219 | 8 661 869 | 1 757 176 | 9 797 373 | 19 091 448 981 |
| Current tax liabilities | 236 048 645 | - | - | - | - | - | 236 048 645 |
| Deferred tax liabilities | 741 543 501 | - | - | - | - | - | 741 543 501 |
| Subordinated term loan | 223 114 790 | - | - | - | - | - | 223 114 790 |
| Redeemable ordinary shares | 14 335 253 | - | - | - | - | - | 14 335 253 |
| Equity | 7 059 704 023 | - | - | - | - | - | 7 059 704 023 |
| | 22 122 995 842 | 5 137 066 714 | 85 916 219 | 8 661 869 | 1 757 176 | 9 797 373 | 27 366 195 193 |
| Net foreign exchange position | **( 1 033 300 500)** | **411 424 015** | **509 935 397** | **( 131 332)** | **90 957 282** | **21 115 136** | **-** |

# NOTES TO THE FINANCIAL STATEMENTS (Continued)
## for year ended 31 December 2021

### 27. FOREIGN EXCHANGE POSITIONS (Continued)

**As at 31 December 2021**

| | Historical | | | | | | |
|---|---|---|---|---|---|---|---|
| **Assets** | **ZWL ZWL** | **USD ZWL** | **RAND ZWL** | **GBP ZWL** | **EUR ZWL** | **BWP ZWL** | **Total ZWL** |
| Cash and cash equivalents | 1 812 557 588 | 125 272 410 | 24 818 968 | 719 607 | 754 568 | 514 099 | 1 964 637 240 |
| Investment securities | 1 081 820 457 | - | - | - | - | - | 1 081 820 457 |
| Trade and other investments | - | - | - | - | 10 877 672 | - | 10 877 672 |
| Advances and other assets | 3 695 882 477 | 34 960 633 | 37 259 | - | 3 738 | 2 626 | 3 730 886 733 |
| Intangible assets | 4 133 707 | - | - | - | - | - | 4 133 707 |
| Property and equipment | 1 588 179 384 | - | - | - | - | - | 1 588 179 384 |
| Investment properties | 1 653 496 476 | - | - | - | - | - | 1 653 496 476 |
| Deferred tax | - | - | - | - | - | - | - |
| | 9 836 070 089 | 160 233 043 | 24 856 227 | 719 607 | 11 635 978 | 516 725 | 10 034 031 669 |
| ***Liabilities and equity*** | | | | | | | |
| Deposits and other liabilities | 6 209 385 182 | 194 895 675 | 8 610 494 | 595 759 | 388 664 | 67 691 | 6 413 943 465 |
| Current tax liabilities | 57 205 065 | - | - | - | - | - | 57 205 065 |
| Deferred tax liabilities | 174 727 794 | - | - | - | - | - | 174 727 794 |
| Subordinated term loan | 132 632 641 | - | - | - | - | - | 132 632 641 |
| Redeemable ordinary shares | 14 335 253 | - | - | - | - | - | 14 335 253 |
| Equity | 3 241 187 451 | - | - | - | - | - | 3 241 187 451 |
| | 9 829 473 386 | 194 895 675 | 8 610 494 | 595 759 | 388 664 | 67 691 | 10 034 031 669 |
| Net foreign exchange position | **6 596 703** | **( 34 662 632)** | **16 245 733** | **123 848** | **11 247 314** | **449 034** | - |

### 28. CONTINGENT LIABILITIES

| | Inflation adjusted | | Historical Cost | |
|---|---|---|---|---|
| | **31 December 2021 ZWL** | **31 December 2020 ZWL Restated** | **31 December 2021 ZWL** | **31 December 2020 ZWL** |
| Guarantees | 279 941 484 | 172 661 549 | 279 941 484 | 107 418 549 |
| Facilities approved but not drawn down | 64 924 022 | 76 567 295 | 64 924 022 | 47 635 086 |
| Expected credit losses on facilities approved but not drawdown | ( 1 975 959) | ( 2 396 371) | 1 975 959 | ( 1 490 863) |
| Expected credit losses on guarantees | ( 1 741 141) | ( 786 855) | 1 741 141 | ( 489 529) |
| Balance at 31 December | 341 148 406 | 246 045 617 | 348 582 608 | 153 073 243 |

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

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

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

## 29. CAPITAL COMMITMENTS

| | Inflation Adjusted | | Historical Cost | |
|---|---|---|---|---|
| | 31 December 2021 ZWL | 31 December 2020 ZWL Restated | 31 December 2021 ZWL | 31 December 2020 ZWL |
| Capital expenditure contracted for | - | - | - | - |
| Capital expenditure authorised but not yet contracted for | - | 290 414 317 | - | 290 414 317 |
| Balance at 31 December | - | 290 414 317 | - | 290 414 317 |

## 30. RELATED PARTIES

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

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

| | Inflation Adjusted | | Historical Cost | |
|---|---|---|---|---|
| | 31 December 2021 ZWL | 31 December 2020 ZWL Restated | 31 December 2021 ZWL | 31 December 2020 ZWL |
| Short term employee benefits | 1 585 184 274 | 27 913 083 | 1 296 486 524 | 22 693 564 |
| Post employment benefits | 49 234 491 | 657 437 | 39 666 766 | 534 501 |
| Termination benefits | 7 396 120 | - | 3 039 988 | - |
| | 1 641 814 885 | 28 570 520 | 1 339 193 278 | 23 228 065 |

### 30.2 Balances of loans to Directors, officers and others

Loans to Directors and officers or their companies are included in advances and other accounts (Note 20).

| | Inflation Adjusted | | Historical | |
|---|---|---|---|---|
| | 31 December 2021 ZWL | 31 December 2020 ZWL Restated | 31 December 2021 ZWL | 31 December 2020 ZWL |
| Executive directors | 77 745 417 | 1 527 809 | 77 745 417 | 950 501 |
| Officers | 397 300 996 | 110 724 613 | 397 300 996 | 68 885 501 |
| Directors' companies | - | - | - | - |
| Officers companies | - | - | - | - |
| | 475 046 413 | 112 252 422 | 475 046 413 | 69 836 002 |
| Expected credit loss allowance – Stage 1 | ( 5 159 549) | ( 8 145 484) | ( 5 159 549) | ( 5 067 579) |
| | 469 886 864 | 104 106 938 | 469 886 864 | 64 768 423 |

# NOTES TO THE FINANCIAL STATEMENTS (Continued)
## for year ended 31 December 2021

**30. RELATED PARTIES (Continued)**

**30.3 BORROWING POWERS**

**Holding Company**

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

**31. EMPLOYEE BENEFITS**

**31.1 Pension Fund**

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

The assets of the Pension Fund are held separately from those of the Group in funds under the control of Trustees. The pension fund assets included 71 540 shares in NMBZ Holdings Limited as at 31 December 2021.

**31.2 Expense Recognised In Profit Or Loss**

| | Inflation Adjusted | | Historical | |
|---|---|---|---|---|
| | 31 December 2021 ZWL | 31 December 2020 ZWL Restated | 31 December 2021 ZWL | 31 December 2020 ZWL |
| Defined Contribution Plan – NSSA | 10 020 880 | 700 783 | 8 073 396 | 569 742 |
| Defined Contribution Plan – NMB Bank Limited Pension Fund | 39 213 611 | 5 741 103 | 31 593 370 | 4 667 563 |
| | 49 234 491 | 6 441 886 | 39 666 766 | 5 237 305 |

The expense is recognised in profit or loss as part of staff costs under operating expenses (note 7).
The Group does not have defined benefit plans.

**31.3 Employee Share Option Scheme**

In 2012, the Company established a share option programme that entitles Executive Directors and Senior Managers to purchase shares in the Company (equity settled). The beneficiary has a right to acquire a certain number of the Company's shares at any time during the Exercise Period at the Exercise Price.In terms of the Employee Share Option Scheme, up to a maximum of 10% of the issued share capital may be granted by the Directors to senior employees by way of options. Each set of options is exercisable at any time within a period of five years from the date the options are granted and the issue price is based on the higher of nominal value of the shares and the middle market price derived from the Zimbabwe Stock Exchange prices for the trading day immediately preceding the date of offer. The options vest immediately from date of issue and the fair value of the options is estimated at the grant date using the Black – Scholes option pricing model, taking into account the terms and conditions upon which the instruments were granted.

**31.3.1 Measurement Of Fair Value - Share Options**

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

## NOTES TO THE FINANCIAL STATEMENTS (Continued)
for year ended 31 December 2021

**31.3.1 Measurement Of Fair Value - Share Options (Continued)**

| Cost | Inflation Adjusted 31 December 2021 ZWL | Inflation Adjusted 31 December 2020 ZWL Restated | Historical 31 December 2021 ZWL | Historical 31 December 2020 ZWL |
|---|---|---|---|---|
| Underlying Price | 10.01 | 8.43 | 10.01 | 8.43 |
| **Reporting Date** | **31/12/2021** | **31/12/2020** | **31/12/2021** | **31/12/2020** |
| Historical Volatility | 69.53% | 69.53% | 69.53% | 69.53% |
| Expiry Date | N/A | N/A | N/A | N/A |
| RIsk Free Rate | 0.21 | 0.21 | 0.21 | 0.21 |
| Dividend yield | 0 | 0 | 0 | 0 |
| Days to exercise date | 973 | 0 | 973 | 0 |
| Number of years left to exercise date | 2.67 | 0 | 2.67 | 0 |
| **Average value of share options** | **4.95** | **0** | **4.95** | **0** |

**31.3.2 Reconciliation of outstanding share options**

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

| | 2021 Execise price per option ZWL | 2021 Options | 2020 Execise price per option ZWL | 2020 Options |
|---|---|---|---|---|
| Opening Balance | - | - | - | - |
| Granted | 13.65 | 5 614 215 | - | - |
| Execised | - | - | - | - |
| Closing Balance | | 5 614 215 | - | - |

**31.3.3 Reconciliation of the share option Reserve**

| | Inflation Adjusted 31 December 2021 ZWL | Inflation Adjusted 31 December 2020 ZWL Restated | Historical 31 December 2021 ZWL | Historical 31 December 2020 ZWL |
|---|---|---|---|---|
| Opening Balance | - | - | - | - |
| Sharebased payment expense | 27 768 409 | - | 27 768 409 | - |
| Exercise of options | - | - | - | - |
| | 27 768 409 | - | 27 768 409 | - |

**31.4 National Social Security Authority Scheme**

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

Inflation adjusted contributions by the employer are recognised in profit or loss account and during the period amounted to ZWL10 020 880 (2020 – restated ZWL1 126 419).

**32. EXCHANGE RATES**

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

| | | 31 December 2021 Mid - rate ZWL | 31 December 2020 Mid - rate ZWL |
|---|---|---|---|
| United States Dollar | USD | 108.6660 | 81.3486 |
| British Sterling | GBP | 146.6994 | 111.5978 |
| South African Rand | ZAR | 15.9250 | 5.9190 |
| European Euro | EUR | 123.0211 | 100.3522 |
| Botswana Pula | BWP | 9.2264 | 7.5734 |

## 33. 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 risk management activities performed by individuals who assume risk on behalf of the organisation such as Treasury Front Office, Corporate Banking, Retail banking etc. The risk management in these areas is confined to operational procedures set by management.

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

a) adequate board and senior management oversight;

b) adequate strategy, policies, procedures and limits;

c) adequate risk identification, measurement, monitoring and information systems; and

d) comprehensive internal controls and independent reviews.

### 33.1 Credit Risk

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

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

**Credit Management**

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

# NOTES TO THE FINANCIAL STATEMENTS (Continued)
## for year ended 31 December 2021

**33.1 Credit Risk (Continued)**

**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.

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

**33.1.1 Maximum Exposure To Credit Risk Without Taking Account Of Any Collateral**

Loans to Directors and officers or their companies are included in advances and other accounts (note 20).

| | GROUP | | | |
|---|---|---|---|---|
| | Inflation Adjusted | | Historical | |
| | 31 December 2021 ZWL | 31 December 2020 ZWL Restated | 31 December 2021 ZWL | 31 December 2020 ZWL |
| Cash and Cash equivalents (excluding cash on hand) | 4 759 286 799 | 2 190 087 395 | 4 759 286 799 | 1 362 526 932 |
| Investment securities | 4 010 434 252 | 1 081 820 457 | 4 010 434 252 | 1 081 820 457 |
| Loans and advances | 9 584 608 434 | 3 695 021 788 | 9 584 608 434 | 2 298 797 168 |
| Total | 18 354 329 485 | 6 966 929 640 | 18 354 329 485 | 4 743 144 557 |
| Guarantees | 279 941 484 | 107 418 549 | 279 941 484 | 107 418 549 |
| Facilities approved but not drawn down | 64 924 022 | 47 635 086 | 64 924 022 | 47 635 086 |
| | 344 865 506 | 155 053 635 | 344 865 506 | 155 053 635 |
| | 18 699 194 991 | 7 121 983 275 | 18 699 194 991 | 4 898 198 192 |

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

### 33.1.2 Risk Concentrations Of Maximum Exposure To Credit Risk On Lending Activities

Loans to Directors and officers or their companies are included in advances and other accounts (note 20).

| | GROUP | | | |
|---|---|---|---|---|
| | Inflation Adjusted | | Historical | |
| | 31 December 2021 Gross Maximum Exposure ZWL | 31 December 2020 Net Maximum Exposure ZWL Restated | 31 December 2021 Gross Maximum Exposure ZWL | 31 December 2020 Net* Maximum Exposure ZWL |
| Agriculture and horticulture | 2 318 591 003 | 2 318 591 003 | 576 171 487 | 242 540 992 |
| Distribution | 1 926 140 534 | 1 926 140 534 | 244 984 807 | 70 610 150 |
| Individuals | 2 910 290 289 | 2 910 290 289 | 386 873 236 | 306 788 948 |
| Manufacturing | 1 210 481 793 | 1 210 481 793 | 565 335 301 | 227 738 102 |
| Mining | 197 072 200 | 197 072 200 | 1 169 804 | 1 169 804 |
| Services | 1 434 241 660 | 1 434 241 660 | 677 455 052 | 230 858 398 |
| | 9 996 817 479 | 9 996 817 479 | 2 451 989 687 | 1 079 706 394 |
| Expected credit loss on loans and advances | ( 412 209 045) | ( 412 209 045) | ( 152 784 378) | ( 152 784 378) |
| Net exposure | 9 584 608 434 | 9 584 608 434 | 2 299 205 309 | 926 922 016 |

### 33.1.3 Collateral And Other Credit Enhancements

The amount and type of collateral required depends on an assessment of credit risk of the counterparty. There are guidelines regarding the acceptability of types of collateral. The main types of collateral obtained are guarantees, cession of debtors, mortgages over properties, equities, subordination of shareholder loans and promissory notes. The fair value of all collateral held by the Group at the reporting date is ZWL9 756 840 671 (2020:ZWL2 277 537 972).

### 33.1.4 Credit quality per sector on lending activities

| As at 31 December 2021<br>Assets | Grade A Pass 1 month ZWL | Grade B Special Mention 3 months ZWL | Grade C Substandard 1 year ZWL | Grade D Doubtful 5 years ZWL | Grade E Loss bearing ZWL | Total Total ZWL |
|---|---|---|---|---|---|---|
| Agriculture and horticulture | 2 130 470 002 | 154 693 215 | 33 427 786 | - | - | 2 318 591 003 |
| Conglomerates | 250 000 000 | - | - | - | - | 250 000 000 |
| Distribution | 1 756 363 762 | 8 690 506 | 607 980 | 3 696 937 | - | 1 769 359 186 |
| Food and beverages | 541 102 936 | - | - | - | - | 541 102 936 |
| Individuals | 2 242 849 918 | 32 620 760 | 77 753 979 | 175 426 | - | 2 353 400 083 |
| Manufacturing | 511 816 419 | - | - | - | - | 511 816 419 |
| Mining | 195 598 890 | - | - | 1 473 310 | - | 197 072 200 |
| Services | 1 596 056 510 | 24 155 902 | 22 831 411 | 222 784 | - | 1 643 266 607 |
| Net exposure | 9 224 258 437 | 220 160 383 | 134 621 156 | 5 568 457 | - | 9 584 608 434 |

### 33.1.5 Credit quality per sector on lending activities

**As at 31 December 2020**

| Assets | Grade A Pass 1 month ZWL | Grade B Special Mention 3 months ZWL | Grade C Substandard 1 year ZWL | Grade D Doubtful 5 years ZWL | Grade E Loss bearing ZWL | Total Total ZWL |
|---|---|---|---|---|---|---|
| Agriculture and horticulture | 926 121 812 | - | - | - | - | 926 121 812 |
| Conglomerates | 65 902 245 | - | - | - | - | 65 902 245 |
| Distribution | 392 761 989 | 876 010 | 74 751 | - | 68 924 | 393 781 674 |
| Food and beverages | 354 957 223 | - | - | - | - | 354 957 223 |
| Individuals | 585 816 682 | 22 486 561 | 13 528 802 | 17 094 | - | 621 849 139 |
| Manufacturing | 453 103 050 | 34 741 514 | - | - | - | 487 844 564 |
| Mining | 259 470 | - | 1 620 840 | - | - | 1 880 310 |
| Services | 1 073 056 032 | 13 950 644 | 1 651 787 | 263 697 | - | 1 088 922 160 |
| Net exposure | 3 851 978 503 | 72 054 729 | 16 876 180 | 280 792 | 68 924 | 3 941 259 126 |

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

### 33.1.6 Rating Scale mapping to IFRS 9 Stages

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

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

### 33.2 Market risk

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

Management ALCO meets on a monthly basis and operates within the prudential guidelines and policies established by the Board ALCO. The Board ALCO is responsible for setting exposure thresholds and limits, and meets on a quarterly basis. The following table demonstrates the sensitivity to a reasonable change in interest rates, with all other variables held constant, of the Group's statement of comprehensive income.

The sensitivity of the statement of comprehensive income is the effect of the assumed changes in interest rates on the profit or loss for the year, based on the variable and fixed interest rate financial assets and liabilities held at 31 December 2021.

**33. RISK MANAGEMENT (Continued)**

**33.2 Market risk (Continued)**

| As at 31 December 2021 | % Changes in Interest % | 0 to 1 month ZWL | 1 to 3 months ZWL | 3 months to 1 year ZWL | 1 year to 5 years ZWL | Total Total ZWL |
|---|---|---|---|---|---|---|
| | Sensitivity of net interest income | | | | | |
| ZWL | 5% | ( 110 186 271) | ( 2 084 054) | 30 877 803 | 29 759 809 | ( 51 632 713) |
| ZWL | 3% | ( 66 111 762) | ( 1 250 432) | 18 526 682 | 17 855 885 | ( 30 979 627) |
| ZWL | 1% | ( 22 037 254) | ( 416 811) | 6 175 561 | 59 951 962 | 43 673 458 |
| ZWL | -1% | 22 037 254 | 416 811 | ( 6 175 561) | ( 5 951 962) | 10 326 542 |
| ZWL | -3% | 66 111 762 | 1 250 432 | ( 18 526 682) | ( 17 855 885) | 30 979 627 |
| ZWL | -5% | 110 186 271 | 2 084 054 | ( 30 877 803) | ( 29 759 809) | 51 632 713 |

| At 31 December 2020 | % Changes in Interest % | 0 to 1 month ZWL | 1 to 3 months ZWL | 3 months to 1 year ZWL | 1 year to 5 years ZWL | Total Total ZWL |
|---|---|---|---|---|---|---|
| | Sensitivity of net interest income | | | | | |
| ZWL | 5% | ( 177 110 307) | ( 3 349 850) | 49 632 110 | 47 835 078 | ( 82 992 968) |
| ZWL | 3% | ( 106 266 183) | ( 2 009 909) | 29 779 267 | 28 701 046 | ( 49 795 779) |
| ZWL | 1% | ( 35 422 061) | ( 669 970) | 9 926 423 | 96 365 094 | 70 199 486 |
| ZWL | -1% | 35 422 061 | 669 970 | ( 9 926 423) | ( 9 567 016) | 16 598 593 |
| ZWL | -3% | 106 266 183 | 2 009 909 | ( 29 779 267) | ( 28 701 046) | 49 795 779 |
| ZWL | -5% | 177 110 307 | 3 349 850 | ( 49 632 110) | ( 47 835 078) | 82 992 968 |

**33.3 Foreign currency exchange rate risk**

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

| 31 December 2021 | % Changes in Currency Rate % | Effect on profit before Tax ZWL | Effect On equity ZWL |
|---|---|---|---|
| | Sensitivity of net interest income | | |
| USD | 5% | 1 733 132 | ( 2 084 054) |
| USD | 3% | ( 66 111 762) | ( 1 250 432) |
| USD | 1% | ( 22 037 254) | ( 416 811) |
| USD | -1% | 22 037 254 | 416 811 |
| USD | -3% | 66 111 762 | 1 250 432 |
| USD | -5% | 110 186 271 | 2 084 054 |

| 31 December 2020 | % Changes in Currency Rate % | Effect on profit before Tax ZWL | Effect On equity ZWL |
|---|---|---|---|
| | Sensitivity of net interest income | | |
| USD | 5% | 2 785 788 | 2 097 140 |
| USD | 3% | 1 671 472 | 1 258 284 |
| USD | 1% | 557 157 | 419 428 |
| USD | -1% | ( 557 157) | ( 419 428) |
| USD | -3% | ( 1 671 472) | ( 1 258 284) |
| USD | -5% | ( 2 785 788) | ( 2 097 140) |

## 33.4 LIQUIDITY RISK

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

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

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

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

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

**At 31 December 2021**

| | on Demand % | 0 to 1 month ZWL | 1 to 3 months ZWL | 3 months to 1 year ZWL | 1 year to 5 years ZWL | Total Total ZWL |
|---|---|---|---|---|---|---|
| Guarantees | - | 14 882 341 | 4 032 850 | 88 503 358 | - | 107 418 549 |
| Commitments to lend | - | 91 556 | 13 102 589 | 34 440 941 | - | 47 635 086 |
| Irrevocable letters of credit | - | - | - | - | - | - |
| | - | 14 973 897 | 17 135 439 | 122 944 299 | - | 155 053 635 |

**At 31 December 2020**

| | on Demand % | 0 to 1 month ZWL | 1 to 3 months ZWL | 3 months to 1 year ZWL | 1 year to 5 years ZWL | Total Total ZWL |
|---|---|---|---|---|---|---|
| Guarantees | - | 23 921 456 | 6 482 289 | 142 257 804 | - | 172 661 549 |
| Commitments to lend | - | 147 165 | 21 060 732 | 55 359 398 | - | 76 567 295 |
| Irrevocable letters of credit | - | - | - | - | - | - |
| | - | 24 068 620 | 27 543 022 | 197 617 202 | - | 249 228 843 |

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

## 33.5 Operational risk

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

**33.6 Legal and compliance risk**

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

**33.7 Reputational risk**

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

**33.8 Strategic risk**

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

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

**33.9.1 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.

**CAMELS* Ratings**

| CAMELS Component | Latest RBS** Ratings 30/06/21 | Previous RBS Ratings 24/11/2016 | Previous RBS Ratings 30/6/2013 | Previous RBS Ratings 31/01/2008 |
|---|---|---|---|---|
| Capital Adequacy | 2 | 2 | 2 | 4 |
| Asset Quality | 2 | 3 | 4 | 2 |
| Management | 2 | 3 | 3 | 3 |
| Earnings | 2 | 2 | 2 | 3 |
| Liquidity | 2 | 3 | 2 | 3 |
| Sensitivity to Market Risk | 2 | 2 | 2 | 3 |
| **Composite Rating** | **2** | **3** | **3** | **3** |

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

**RBS stands for Risk-Based Supervision.

### 33.9.1.2 Summary RAS ratings

| RAS Component | Latest RAS*** Ratings 30/06/2021 | Latest RAS*** Ratings 24/112016 | Previous RAS Ratings 30/06/2013 | Previous RAS Ratings 31/01/2008 |
|---|---|---|---|---|
| Overall Inherent Risk | Moderate | High | High | High |
| Overall Risk Management Systems | Acceptable | Acceptable | Acceptable | Acceptable |
| Overall Composite Risk | Moderate | Moderate | Moderate | Moderate |
| **Direction of Overall Composite Risk** | **Stable** | **Stable** | **Stable** | **Stable** |

*** RAS stands for Risk Assessment System.

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

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

**KEY**

| High | Moderate | Low |
|---|---|---|

**Level of Inherent Risk**

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

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

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

**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.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)
## for year ended 31 December 2021

**33. RISK MANAGEMENT (continued)**

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

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

**Overall Composite Risk**

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

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

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

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

**Direction of Overall Composite Risk**

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

**33.9.2 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 | 2021 | 2020 | 2019 |
|---|---|---|---|
| Long term | BB+ | - | BB- |

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

The 2021/2022 external ratings were obtained during the month of February 2022 with a long term rating of BB+.

**33.10 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.

**33.11 Capital management**

**33.11.1 Holding company**

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

### 33.11.2 Banking subsidiary

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

Regulatory capital consists of Tier 1 capital, which comprises share capital, share premium, retained earnings (including current year profit), statutory reserve and other equity reserves. The other component of regulatory capital is Tier 2 capital, which includes subordinated term debt, revaluation reserves and portfolio provisions.

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

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

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

| | Inflation Adjusted | | Historical Cost | |
|---|---|---|---|---|
| | 2021 ZWL | 2020 ZWL Restated | 2021 ZWL | 2020 ZWL |
| Share capital | 1 167 413 | 1 167 413 | 16 506 | 16 506 |
| Share premium | 2 069 689 473 | 2 069 689 473 | 31 474 502 | 31 474 502 |
| Retained earnings | 4 816 210 665 | 2 919 239 997 | 5 112 718 793 | 2 142 925 978 |
| Functional currency translation reserve | 462 166 697 | 462 166 697 | 11 619 648 | 11 619 648 |
| | 7 349 234 248 | 5 452 263 580 | 5 155 829 449 | 2 186 036 634 |
| Less: capital allocated for market and operational risk | ( 301 228 069) | ( 309 435 086) | ( 301 228 069) | (192 509 961) |
| Tier 1 capital | 7 048 006 179 | 5 142 828 494 | 4 854 601 381 | 1 993 526 673 |
| Tier 2 capital (subject to limit as per Banking Regulations) | 948 997 410 | 657 870 772 | 1 420 672 035 | 1 119 443 122 |
| Fair valuation gains on land and buildings | 377 056 299 | 290 977 498 | 848 730 924 | 891 186 492 |
| Subordinated debt | 223 114 790 | 213 189 970 | 223 114 790 | 132 632 641 |
| Stage 1 & 2 ECL provisions – (limited to 1,25% of risk weighted asset | 348 826 321 | 153 703 305 | 348 826 321 | 95 623 989 |
| Tier 1 & 2 capital | 7 997 003 590 | 5 800 699 266 | 6 275 273 416 | 3 112 969 795 |
| Tier 3 capital (sum of market and operational risk capital) | 301 228 069 | 309 435 086 | 301 228 069 | 192 509 961 |
| Total capital base | 8 298 231 659 | 6 110 134 352 | 6 576 501 485 | 3 305 479 756 |
| Total risk weighted assets | 24 160 630 276 | 12 713 020 339 | 24 160 630 276 | 7 649 919 150 |
| Tier 1 ratio | 29.17% | 40.45% | 20.09% | 26.06% |
| Tier 2 ratio | 3.93% | 5.17% | 5.88% | 14.63% |
| Tier 3 ratio | 1.25% | 2.43% | 1.25% | 2.52% |
| Total capital adequacy ratio | 34.35% | 48.06% | 27.22% | 43.21% |
| RBZ minimum required | 12.00% | 12.00% | 12.00% | 12.00% |

## 34. EVENTS AFTER REPORTING DATE

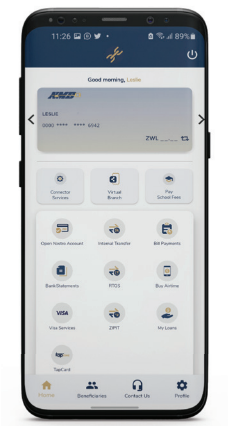
There were no material events after the reporting date which could significantly affect the consolidated financial statements of the Group.

# HISTORICAL FIVE YEAR FINANCIAL SUMMARY

## 35. OTHER SUPPLEMENTAL INFORMATION

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

| | 2021 ZWL | 2020 ZWL | 2019 ZWL | 2018 ZWL | 2017 ZWL |
|---|---|---|---|---|---|
| Interest income | 2 568 881 470 | 501 216 271 | 70 557 190 | 39 333 178 | 32 061 931 |
| Interest expense | ( 739 070 816) | ( 90 638 279) | ( 16 894 088) | ( 8 865 016) | ( 9 157 095) |
| **Net interest income** | **1 829 810 654** | **410 577 992** | **53 663 102** | **30 468 162** | **22 904 836** |
| Fee and commissions income | 2 927 160 013 | 815 541 357 | 99 863 112 | 1 899 670 | 1 583 164 |
| Net foreign exchange gains | 76 798 658 | 217 274 144 | 87 242 303 | 28 539 376 | 18 832 185 |
| **Revenue** | **4 833 769 325** | **1 443 393 493** | **240 768 517** | **60 907 208** | **43 320 185** |
| Other income | 2 107 418 588 | 1 226 846 996 | 206 622 639 | 4 968 447 | 1 129 001 |
| **Operating income** | **6 941 187 913** | **2 670 240 489** | **447 391 156** | **65 875 655** | **44 449 186** |
| Operating expenditure | ( 2 838 459 393) | ( 814 190 000) | ( 105 937 502) | ( 34 720 428) | ( 27 578 347) |
| Impairment losses on financial assets measured at amortised cost | 4 102 728 520 | 1 856 050 489 | 341 453 654 | 31 155 227 | 16 870 839 |
| Impairment losses on loans and advances | ( 248 106 738) | ( 127 974 740) | ( 11 048 567) | ( 4 011 952) | ( 3 853 149) |
| **Profit before taxation** | **3 854 621 782** | **1 728 075 749** | **330 405 087** | **27 143 275** | **13 017 690** |
| Taxation credit/(charge) | ( 912 597 374) | 85 514 320 | ( 44 504 548) | ( 5 922 074) | ( 3 078 864) |
| Profit after taxation | 2 942 024 408 | 1 813 590 069 | 285 900 539 | 21 221 201 | 9 938 826 |
| Other comprehensive income | | | | | |
| Revaluation of land and buildings, net of tax | 848 730 924 | 891 186 492 | 175 943 209 | 46 431 | 90 310 |
| Translation gain on change in functional currency, net of tax | - | - | 11 619 648 | - | - |
| **Total comprehensive income for the year** | **3 790 755 332** | **2 704 776 561** | **473 463 396** | **21 267 632** | **10 029 136** |



# HISTORICAL FIVE YEAR FINANCIAL SUMMARY (Continued)

**35. OTHER SUPPLEMENTAL INFORMATION (Continued)**

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

| | 2021 ZWL | 2020 ZWL | 2019 ZWL | 2018 ZWL | 2017 ZWL |
|---|---|---|---|---|---|
| **SHAREHOLDER'S FUNDS** | | | | | |
| Share capital | 84 116 | 84 116 | 84 116 | 80 975 | 78 751 |
| Capital reserves | 19 121 607 | 19 121 607 | 19 184 170 | 64 040 438 | 49 821 935 |
| Treasury shares reserve | ( 7 168) | - | - | - | - |
| Functional currency translation reserve | 11 619 648 | 11 619 648 | 11 619 648 | - | - |
| Revaluation reserve | 1 915 997 366 | 1 067 266 442 | 176 079 950 | - | - |
| Share Option Reserve | 27 768 409 | - | - | - | - |
| Retained earnings | 5 085 120 045 | 2 143 095 638 | 329 505 569 | - | - |
| Total equity | 7 059 704 023 | 3 241 187 451 | 536 473 453 | 64 121 413 | 49 900 686 |
| Redeemable ordinary shares | 14 335 253 | 14 335 253 | 28 360 340 | 1 505 647 | 1 415 904 |
| Subordinated term loan | 223 114 790 | 132 632 641 | 14 335 253 | 14 335 253 | 14 335 253 |
| **Total shareholders' funds and shareholders liabilities** | **7 297 154 066** | **3 388 155 345** | **579 169 046** | **79 962 313** | **65 651 843** |
| **LIABILITIES** | | | | | |
| Deposits and other liabilities | 19 091 448 981 | 6 413 943 465 | 1 267 777 847 | 447 105 283 | 356 985 626 |
| Current tax liabilities | 236 048 645 | 57 205 065 | 98 021 360 | - | - |
| Deferred tax liabilities | 741 543 501 | 174 727 794 | 624 937 | - | - |
| **Total liabilities** | **20 069 041 127** | **6 645 876 324** | **1 366 424 144** | **447 105 283** | **356 985 626** |
| **Total shareholder's funds and liabilities** | **27 366 195 193** | **10 034 031 669** | **1 945 593 190** | **527 067 596** | **422 637 469** |
| **ASSETS** | | | | | |
| Cash and cash equivalents | 4 872 262 099 | 1 964 637 240 | 492 304 267 | 112 440 912 | 89 553 202 |
| Investment securities | 4 010 434 252 | 1 081 820 457 | 107 166 155 | 117 249 434 | 92 245 425 |
| Deferred tax assets | - | - | - | 1 908 532 | 1 204 449 |
| Current tax assets | - | - | - | 285 822 | 231 007 |
| Loans, advances and other assets | 11 849 962 849 | 3 730 886 733 | 817 960 242 | 254 202 945 | 210 483 221 |
| Non-current assets held for sale | - | - | - | 36 000 | 36 000 |
| Trade and other investments | 36 499 730 | 10 877 672 | 1 612 131 | 112 501 | 190 997 |
| Investment properties | 3 518 133 464 | 1 653 496 476 | 229 867 982 | 20 950 606 | 18 977 000 |
| Property and equipment | 3 065 495 111 | 1 588 179 384 | 295 285 227 | 17 844 069 | 7 335 988 |
| Intangible assets | 13 407 688 | 4 133 707 | 1 397 186 | 2 036 775 | 2 380 180 |
| **Total assets** | **27 366 195 193** | **10 034 031 669** | **1 945 593 190** | **527 067 596** | **422 637 469** |

# HISTORICAL FIVE YEAR FINANCIAL SUMMARY (Continued)

**35. OTHER SUPPLEMENTAL INFORMATION (Continued)**

| | 2021 ZWL | 2020 ZWL | 2018 ZWL | 2017 ZWL | 2016 ZWL |
|---|---|---|---|---|---|
| **CLOSING NUMBER OF SHARES** | 404 171 689 | 404 171 689 | 404 171 689 | 392 955 196 | 384 974 542 |
| **Share performances** | | | | | |
| Net asset value per share (ZWL cents) | 1746.71 | 724.70 | 136.28 | 19.98 | 16.69 |
| Basic earnings per share (ZWL cents) | 463.00 | 448.72 | 71.56 | 5.43 | 2.58 |
| Dividend per share (ZWL cents) | - | - | - | 0.96 | 0.15 |
| Dividend cover (times) | - | - | - | 0.96 | 0.15 |
| Price/earnings ratio | 0.02 | 0.89 | 0.57 | 4.44 | 3.49 |
| Closing price per share (ZWL cents) | 1001 | 400 | 41 | 24 | 9 |
| Market capitalisation (ZWL) | 4 046 769 036 | 1 616 686 756 | 165 710 392 | 94 309 247 | 34 647 709 |
| **Financial performance** | | | | | |
| Return on shareholders' funds (%)[1] | 24.91% | 92.34% | 81.75% | 27.03% | 15.28% |
| Return on assets (%) | 7.66% | 26.96% | 24.42% | 4.03% | 2.37% |
| Total cost/net income total income (%)[2] | 44.91% | 35.28% | 26.15% | 58.8% | 70.7% |
| Non-interest income/total income (%) | 54.60% | 81.85% | 44.50% | 47.37% | 40.1% |
| Effective tax rate (%) | 32.34% | -4.95% | 18.79% | 21.85% | 23.7% |

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

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

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

## SUSTAINABILITY REPORT

**Sustainability Key Performance Indicators for the year ended 31 December 2021**

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

As part of our integrated reporting framework and in conjunction with the triple bottom line reporting method, we have identified various impact areas, informed by the United Nations' Sustainable Development Goals (SDGs) which are directly relevant to our core business as a provider of financial products and services. The Group adopted the Global Reporting Initiatives (GRI) Standards which represent global best practice for reporting publicly on a range of economic, environmental and social impacts.

Below is a list of the Group's Key Performance Indicators (KPIs) or material issues based on GRI standards against the Sustainable Development Goals (SDGs). The reporting was a combination of both qualitative and quantitative impact analysis.


**GRIs Disclosure:** Environmental

**Focus Area:** Energy sources.

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

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

**Progress:** Green energy is a solution to greater sustainability, and NMBZ is in the process of incorporating green energy into its operations. As we become more and more aware of our impact on the environment, the importance of transitioning from conventional energy resources to renewable sources is becoming clearer. The Group continued to invest in solar systems and equipment at its Headquarters (HQ) in Borrowdale, Harare. NMBZ doubled its solar power generation during the last quarter of the year under review, increasing the output up to 100kWp (kilowatts peak) from 50kWp. Resultantly, the entire HQ building has gone green as far as power is concerned.


**GRIs Disclosure:** Environmental

**Focus Area:** Green House Gases Emissions

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

**Organisational Achievements:**

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

**Progress:** The Group's direct and indirect sources of emissions are recorded and monitored as per the Green House Gases GHGs Protocol guidelines (Scope1, Scope 2 & Scope 3). During the period under review, NMBZ measured its GHGs emission contributions which was at 1,136.76 metric tones of carbon equivalent (tCO2e).


**GRIs Disclosure:** Environmental

**Focus Area:** Waste management

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

**Organisational Achievements:**

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

**Progress:** NMBZ invested in various applications and systems that include NMBMobile, NMBConnect for easy and mobile account opening and customer transactions, IApprove for internal applications & authority sought, SmartStream software for stationery acquisitions and accounting, Credit Quest for loan application and assessment as well as Virtual

## SUSTAINABILITY REPORT (Continued)

Branch Services for withdrawals and deposits. This was all to reduce the use of paper and ink. The Group also works in close cooperation with the key stakeholders such as the government's Environmental Management Agency (EMA) and NGOs in managing disposables and the environment at large.


**GRIs Disclosure:** Environmental

**Focus Area:** Customer Environmental Risk Assessment**.**

**Measure/Target:** Responsible financing.

**Organisational Achievements:**

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

**Progress:** The Group prioritizes financing of projects and business operations that are considered to have less Environmental & Social (E&S) risks or implemented effective mitigatory measures. This is done through Environmental and Social Due Diligence screening processes. Corporate and SMEs borrowers with a combined exposure of ZWL389.4million or 3.87% of the total loan book had their projects rated high risk (Category A) but with adequate and effective control measures in place. The remaining portion of the book ZWL9.7bln (96.13%) was rated medium risk (Category B) and low risk (Category C).


**GRIs Disclosure:** Environmental

**Focus Area:** Water and Effluents

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

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

**Progress:** Financial support has been channelled towards water management initiatives that included dam construction and wetlands protection. Environmental risks controls on protection of water bodies such as wetlands are clearly referenced in our credit sanctioning policies. Our property and land valuers together with our lending processes & procedures assist in assessing the history of a piece of land and the operational implications of a site's current or intended commercial use. Through Environmental & Social (E&S) risk due diligence and related covenants, our borrowers are compelled to identify E&S risks within their operations and organizations, take measures that reduce the risks as well as disclose them to relevant stakeholders.


**GRIs Disclosure:** Social

**Focus Area:** Customer Protection/Marketing and Labeling

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

**Organisational Achievements:**

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

**Progress:** We are committed to continue offering excellent services to new and existing customers. NMB Group remain guided by the Zimbabwe Consumer Protection Act [Chapter 14:14]

The Code of Conduct & Ethics Charter, Service Standards, Competition Act, Confidentiality and Interests Declaration, NMB Consumer Protection Policy are all in place to give guidance to the staff on how to conduct themselves and to protect the customers. The Group provides platforms for customers and competitors to convey their grievances and complaints. These include customer Complaints & Query boxes across all our networks, Complaints registers, Online Enquiries desk and various social media platforms.


**GRIs Disclosure:** Social

**Focus Area:** Customer Privacy.

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

**Organisational Achievements:** Customer Protection policy -Right of the customer to privacy.

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


**GRIs Disclosure:** Social

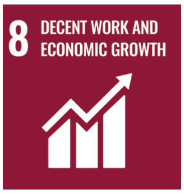
**Focus Area:** Human Rights Assessment.

**Measure/Target:** Promote Human Rights initiatives through support and embedding in our systems and policies relevant measures.

**Organisational Achievements:**

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

**Progress:** The Group operates in accordance with the Zimbabwe Human Rights Commission Act and recognizes other internationally accepted human rights standards, including the UN Guiding Principles on Business and Human Rights. NMB Bank's Human Resources (HR) Manual, Code of Conduct, Consumer Protection Policy, Service Standards and Prevention of Bullying & Sexual Harassment at Work Policy are all drawn and summarize our objectives and commitment to this aspect. These are reviewed at least once per year.




**GRIs Disclosure:** Social

**Focus Area:** Employment

**Measure/Target:** Staff Complement and Turnover.

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

**Progress:** The Group's recruitment process is transparent and solely based on meritocracy. It is our firm belief that skilled and empowered employees who have the customers at heart define NMBZ's reputation.

As demand for new and diverse skills increase in tandem with the dynamic global landscape, we understand the need to continuously equip our workforce with the right knowledge to ensure that customers' expectations are met. The Group has a dedicated training arm that handles upskilling and development of the entire organization. Where necessary, external training is sought. Knowledge gap assessments and skills audit are essential aspects of this department.

The Group had a staff complement of 331 as at 31 December 2021. Regardless of the challenging economic environment, the Group prioritizes all staff-welfare related matters.

4 QUALITY EDUCATION

**GRIs Disclosure:** Social

**Focus Area:** Training and Education.

**Measure/Target:** Create an environment and products that support education for all and staff training.

**Organisational Achievements:**

- Udemy
- Customer and staff educational loans. (School & University fees loans).

**Progress:** The Group subscribed to Udemy, an e-library and e-learning platform, where diverse learning content is available to meet the Group's learning requirements. Furthermore, our employees attend webinars and online training programs relevant to their learning requirements.

Employees periodically take in-house product knowledge tests, which are deployed through an online system.

Each staff member (100%) was afforded an opportunity to go through knowledge and or skills enhancement session through trainings and workshops.

The Group provides internship to university students to enable them to acquire practical experience. Furthermore, the Group offers a wide range of educational loan facilities to its customers and staff. The credit facilities are meant to assist primary, secondary and tertiary level students. The same facilities were also extended to educational corporate service providers, schoolteachers and lecturers across the country. As a result, a total of ZWL78.6million was directly advanced to the education sector as at 31 December 2021.

5 GENDER EQUALITY

**GRIs Disclosure:** Social

**Focus Area:** Diversity and equal opportunity.

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

**Organisational Achievements:**

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

**Progress:** The Group respects and promotes diversity and equal opportunities to all staff and customers regardless of gender. Employment and staff promotions are based on merit. Staff promotions are based on performance, qualification and experience. Our Human Resources policies such as Gender Policy, Recruitment & Selection, and Promotions & Transfer Policies outline the Group’s commitment to diversity and equal opportunities for all. As at 31 December 2021, 39.27% of staff complement were women, the institution is targeting a minimum 50% proportion as and when opportunities arise.

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

The Banking subsidiary offers its products to both new and existing customers regardless of gender. Resultantly, a total of ZWL790.0million worth of credit facilities was granted to women.


**GRIs Disclosure:** Social

**Focus Area:** Local Communities.

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

**Organisational Achievements:**

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

**Progress:** NMB Group has been financing various projects in both the public and private sectors in support of clean water provisioning, health, housing and transport infrastructure building. In specific terms, these included financing of dam construction by private corporates, financing of local council operations, housing projects and borehole drilling for schools as well as donations to various communities. As a result, facilities amounting to ZWL100.7million were advanced to finance the health sector, ZWL886.6million to finance water provisioning projects, ICT, road rehabilitations and construction projects across the country. A total of ZWL306million worth of mortgage facilities were also granted.


**GRIs Disclosure:** Social

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

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

**Organisational Achievements:**

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

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

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


**GRIs Disclosure:** Social

**Focus Area:** Occupational Health and Safety.

**Measure/Target:** Best practices regarding Staff Welfare, Heath & working Conditions.

Organisational Achievements:

- Staff Medical Aid facility.
- HIV policy.
- Employer Funeral Scheme.
- Pension Fund policy.
- Covid-19 response Committee.

## SUSTAINABILITY REPORT (Continued)

**Progress:** The Group Covid-19 taskforce has put in place measures to ensure maximum protection of our employees and adherence to Covid-19 protocols. In the same vein, the Group assists with medical costs incurred by staff members diagnosed with Covid-19. A staggered working arrangement was put in place to decongest all workplaces in response to the pandemic. The Group availed free transport for employees as a measure to curtail the spread of Covid-19. We are also continuously training our staff members on non-communicable diseases such as cancer and HIV/AIDS.

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

**GRIs Disclosure:** Social

**Focus Area:** Socioeconomic Compliance.

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

**Organisational Achievements:**

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

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

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

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

**GRIs Disclosure:** Economic

**Focus Area:** Whistle-blowing, Anti-bribery and Corruption.

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

**Organisational Achievements:**

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

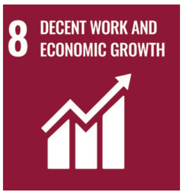
**Progress:** As a Group, we aspire to run our business in an open and transparent manner and therefore have a zero tolerance approach to bribery and corruption. Staff Manual, Ethics Charter, Code of Conduct, Anti-bribery & Corruption and our Tip-Offs Anonymous reporting policy summarize our commitment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

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

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

The primary aim of the Group's whistle blowing programme is to encourage employees to raise concerns or disclose information about possible fraudulent, unethical, criminal or other improper behavior in the workplace environment. Reports may be made directly through to Group's Internal Audit or through the Deloitte Tip - Off Anonymous whistle blowing programme. To further create comfort in cross-rank communication, we adopted an open door policy where junior officers can freely converse and share ideas with senior officers. The Group values all contributions regardless of rank.

## SUSTAINABILITY REPORT (Continued)



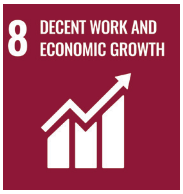

**GRIs Disclosure:** Economic

**Focus Area:** Business performance.

**Measure/Target:** Profitable and growing business, which creates jobs and contributes to the economic success.

**Organisational Achievements:** Financial disclosures.

**Progress:** The Group discloses its financial performance on a quarterly basis through trading updates, semi-annually through interim financial reports and annually through full year audited financials and annual reports. Areas of disclosures included our revenues, operating costs, economic value retained and dividends paid. We also publish our turnover, profits and taxes paid during the reporting period.




**GRIs Disclosure:** Economic

**Focus Area:** Economic impact and growth.

**Measure/Target:** Indirect economic impacts.

**Organisational Achievements:**

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

**Progress:** To achieve long term sustainable economic growth, a number of policy challenges must first be addressed, including; ESG disclosures, raising employment, improving access to housing and supporting families in planning for their futures. All of these goals rely on access to appropriate and responsible finance. In addition, new solutions to help tackle social and environmental challenges also need access to appropriate financing to help innovate, develop, commercialize and scale deployment. NMB Group supports the disadvantaged, SMEs, women, youths and those in the rural areas through offering of low cost products such as NMBlite accounts and various credit facilities. The Bank recruited a number of Agents and Brand Ambassadors to market its products that include the Tapcard, NMBConnet services as well as loans to Microfinance institutions. The low cost NMBlite account product was also tailor made for the poor and the unbanked population in the rural areas of Zimbabwe.


**GRIs Disclosure:** Economic

**Focus Area:** Community support.

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

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

Progress: As a Group, we play a broader role in the communities in which we live and work beyond what we deliver through our core business activities. We support communities by Investing money, time and skills in partnerships with respected and relevant non-governmental organizations, charities and social enterprises. This enables colleagues to use their professional skills and expertise in a range of activities, including volunteering and fundraising. Charitable assistance and participation were those to do with Covid-19 awareness campaigns, education, road safety campaigns, development of regulatory compliance and ethics standards, treatment of cancer in children and support to the orphans and vulnerable children. A total of ZWL3.0 million was channelled towards this societal responsibility. Of this, 66.67% or ZWL2.0 million was used to combat the spread of the Covid-19 virus during the period.

## SUSTAINABILITY REPORT (Continued)


**GRIs Disclosure:** Economic

**Focus Area:** Procurement

**Measure/Target:** Best Procurement practices.

**Organisational Achievements:**

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

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


**GRIs Disclosure:** Economic

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

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

**Organisational Achievements:**

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

**Progress:** Through innovation initiatives, the Group offers a range of exciting and low cost products that have seen the rural, old age, women, the disadvantaged and the youth being able to have bank accounts, bankcards and employment. These include our NMBLite (264,000 customers) account, targeted for the unbanked populace, and the Tapcard, which is mainly aimed at easing the cash challenges for the commuting public. The Group also offered credit facilities to SMEs (ZWL230.9 million) and individuals (ZWL2.0 billion) across the country. These included both rural and urban customers. The Group also engaged a number of agents across the country to sell bank products and to facilitate business transactions on behalf of the Group. In return, all these individuals and SMEs earn commission.


**GRIs Disclosure:** Economic

**Focus Area:** Sustainability Structures.

**Measure/Target:** Sustainability structure enhancement

**Organisational Achievements:**

- ESRM policy & procedures.
- ESG Coordination.

**Progress:** NMBZ Group has in place an Environmental & Social Risk Management (ESRM) policy in place. The responsible officer within the Risk Management department coordinates all ESG programs and initiatives. The Group is in the process of enhancing its sustainability structures i.e. Sustainability Champions and Committees. As NMB Group, we have been also participating in sustainability learning forums and workshops during the period, to boost our understanding of climate related issues. Since 2020, the Group has been disclosing non-financial performance voluntarily as per the guidelines from the ZSE listing requirements and Global Reporting Initiative standards.

## SUSTAINABILITY REPORT (Continued)


**GRIs Disclosure:** Economic

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

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

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

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

NMB Group will continue collaborate with the government of Zimbabwe, NGOs, Churches, corporates, local authorities and other international organizations in ensuring that the Sustainable Development Goals (SDGs) are achieved.

# NOTICE TO MEMBERS

Notice is hereby given that the 27th Annual General Meeting of the Members of NMBZ Holdings Limited will be held at the NMB Bank Limited Head Office, 19207 Liberation Legacy Way, Borrowdale Harare on **Friday 24 June 2022 at 1430** hours for the following purposes:

**ORDINARY BUSINESS**

1. To receive and adopt the Financial Statements for the year ended 31 December 2021, together with the reports of the Directors and Auditors thereon.
2. To appoint Directors.
    a. In accordance with Article 83 of the Company's Articles of Association, Mr. James de la Fargue retires by rotation. Being eligible, the Director offers himself for re-election.
    b. In accordance with Article 91.2 of the Company's Articles of Association, Mrs. Emilia Chisango who was appointed as a Director of the Company with effect from 26 May 2022 retires from office. Being eligible, the Director offers herself for re-election.
    c. In accordance with Article 83 of the Company's Articles of Association, Mr. Charles Chikaura, retires by rotation and does not offer himself for re-election.
    d. In accordance with Article 83 of the Company's Articles of Association, Ms. Sabinah Chitehwe retires by rotation and does not offer herself for re-election.

    2.1 To note the changes that occurred at Executive Management level following the retirement of Mr B P Washaya on 31 December 2021 and the appointment of Mr G Gore as Chief Executive Officer with effect from 1 January 2022. Further, Mr B Ndachena resigned effective 30 September 2021 and Mrs M Chipunza was appointed as Chief Finance Officer with effect from 1 September 2021.
3. To approve Directors' fees for the year ended 31 December 2021.
4. To approve Messrs Ernst & Young's remuneration for the year ended 31 December 2021.
5. To appoint Ernst & Young as the Company's Auditors for the year ending 31 December 2022. Ernst & Young were appointed as the Company's auditors with effect from 2017.

**SPECIAL BUSINESS**

**SPECIAL RESOLUTIONS**

**1. Share Buy Back**

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

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

a. the maximum number of shares authorised to be acquired is no more than 10% of the Company's ordinary issued share capital.
b. for each share, the minimum price shall not be lower than the nominal value of the Company's shares and the maximum

## NOTICE TO MEMBERS (Continued)

**SPECIAL BUSINESS (Continued)**

price that may be paid is 5% above the weighted average market price for the ordinary shares in the Company as derived from the Zimbabwe Stock Exchange (ZSE) Daily Price Sheet for the five business days immediately preceding the date on which such ordinary shares are contracted to be purchased.

c. the authority in terms of this special resolution shall unless renewed prior to such time, expire on the first anniversary of this resolution or at the conclusion of the next Annual General Meeting of the Company, whichever is later, save that the Company, may before such expiry, enter into a contract or contracts to purchase its ordinary shares which would or might be completed wholly or partly after the expiry and may purchase its ordinary shares in pursuance of such contract or contracts.''

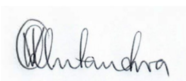
**2. Share Option Scheme**

"That, the Directors of the Company be and are hereby authorised to establish the 2022 NMBZ Holdings Limited Employee Share Option Scheme, details of which are contained in the scheme document, a copy of which is hereby tabled in the Meeting and initialled and signed by the Chairman."

***Notes:***

1. **A member of the company entitled to attend and vote at this meeting is entitled to appoint a proxy to attend, speak and on a poll, vote in his/her stead. A proxy need not be a member of the company. Proxy forms should be submitted at least 48 hours before the commencement of the meeting.**
2. **A Special Resolution is required to be passed by a majority of seventy-five per cent of those present and voting (including proxy votes), representing not less than twenty-five per cent of the total number of votes in the Company.**
3. **Please be advised that the 2021 Annual Report can be accessed on the company's website: www.nmbz.co.zw. Electronic copies of the 2021 Annual Report (which includes the financial statements, Directors' and Auditors' Report) shall be emailed to those shareholders whose email addresses are on record.**

**By Order of the Board**



**MISS. V. T. MUTANDWA**
**COMPANY SECRETARY**
**31 MAY 2022**

## EXPLANATIONS REGARDING THE NOTICE OF THE ANNUAL GENERAL MEETING

**Resolution 1**

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

**Resolution 2**

The Company's Articles of Association require one third of the Directors to stand down at each Annual General Meeting and if they are eligible, they may offer themselves for re-election. The Directors retiring are Mr. James de la Fargue, Mr. Charles Chikaura and Ms. S. Chitehwe. Mr. James de La Fargue is offering himself for re-election while Mr. Charles Chikaura and Ms. Sabinah Chitehwe retire as directors of the Company. Mrs. Emilia Chisango was appointed by the directors effective 26 May 2022. In accordance with Article 91.2 of the Articles of Association of the Company, she retires from the board. Being eligible she offers herself for re-election. The re-election of each Director will be voted on separately. The profiles of the retiring Directors are as below:

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

James de la Fargue represents African Century on the Board. He is a holder of a BA Business Organisation (Heriot-Watt University), ACCA, Diplomas in Marketing & Marketing Research and a Certificate in General Agriculture. James worked for a number of international organizations including Deloitte & Touché Management Consultants, Unilever PLC and Chargeurs SA. He is a former president of the Zimbabwe Tobacco Association and worked at MBCA as a senior executive in charge of Corporate Finance. James was involved in business consultancy work and management of an integrated farm in Centenary from 1998 to 2008. Since 2009, James has been with African Century Limited where he initially consulted for the group and later took up a position as Business Development Director of African Century Financial Holdings and as Executive Chairman of Frango King. He currently is the Chief Executive Officer of Lake Harvest, the largest tilapia farming operation in Africa.

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

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

**Paragraph 2.1** - no resolution is sought from the members, however members are being advised to take note of the changes that occurred at Executive Management level following the retirement of Mr B P Washaya on 31 December 2021 and the appointment of Mr G Gore as Chief Executive Officer with effect from 1 January 2022. Further, Mr B Ndachena resigned effective 30 September 2021 and Mrs M Chipunza was appointed as Chief Finance Officer with effect from 1 September 2021.

# EXPLANATIONS REGARDING THE NOTICE OF THE ANNUAL GENERAL MEETING (Continued)

**Resolution 3**

Shareholders are requested to approve Director's fees. The Directors' fees for 2021 amounted to ZWL 22,664,841.72 in historical cost terms.

**Resolution 4**

The Remuneration of the auditors is required to be fixed by the Company in a General meeting in terms of section 191 (6) of the Companies and Other Business Entities Act [Chapter 24:31]. Accordingly, Members will be requested to approve the remuneration paid to the external auditors of Messrs Ernst & Young for the year ended 31 December 2021, which audit fee amounted to ZWL 20,773,857.95 in historical cost terms.

**Resolution 5**

All public companies are required to appoint Auditors at each Annual General Meeting at which Financial Statements are presented, to hold office until the next such meeting in terms of section 191 (2) of the Companies and Other Business Entities Act [Chapter 24:31]. This resolution therefore proposes the appointment of auditors. In accordance with the Banking Act [Chapter 24:20], the Company is required to rotate its auditors every 5 years. Messrs Enrst & Young having served their 5-year term. However due to capacity challenges in the market, the bank sought a 2-year extension of the Ernst & Young term which extension was granted by the Reserve Bank of Zimbabwe. The Directors therefore propose the appointment of Messrs Ernst & Young as the Company's auditors until the next Annual General Meeting. The Engagement Partner is Walter Mupanguri, a Registered Public Auditor, PAAB practice number 0367.

**Special Resolution 1**

The directors are seeking authority to allow the use of the Company's available cash resources to purchase its own shares in the market in terms of the Companies Act and the regulations of the ZSE. The directors will only exercise the authority if they believe that to do so would be in the best interests of shareholders generally. In exercising this authority, the directors will duly take into account following such repurchase for the next 12 months, the ability of the Company to pay its debts in the ordinary course of business, the maintenance of an excess of assets over liabilities, and for the Company and Group, the adequacy of ordinary capital and reserves as well as working capital.

**Special Resolution 2**

The Directors are seeking authority to establish the 2022 Share Option Scheme. The 2012 Executive Share Option Scheme expires at the conclusion of the 2022 Annual General Meeting. A copy of the scheme document is available for inspection at the Company's Head Office.

## NMBZ HOLDINGS LIMITED ANNUAL GENERAL MEETING PROXY FORM

I / We …………………………………………………………………………………………………………………………………………….

Of ……………………………………………………………………………………………………………………………………………….

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

……………………………………………………………………………………………………………………………………………………

Of ……………………………………………………………………………………………………………………………………………….

Or failing him ……………………………………………………………………………………………………………………………..

Of ……………………………………………………………………………………………………………………………………………….

As my/our proxy to vote on my / our behalf at the ANNUAL GENERAL MEETING of the Company to be held on Friday 24 June 2022 at 1430 hours and at any adjournment thereof.

Signed this ……………………………………….day of …………………………………..2022

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

Note:

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

## SHAREHOLDER ANALYSIS

| Size of shareholding | 2021 Number of shareholders | % of Holders | 2021 Issued Shares | % of Shareholding |
|---|---|---|---|---|
| 0 - 10,000 | 3,810 | 93.82% | 2,994,763 | 0.74% |
| 10,001 - 100,000 | 170 | 4.19% | 6,315,814 | 1.56% |
| 100,001 - 1,000,000 | 56 | 1.38% | 19,234,147 | 4.76% |
| 1,000,001 - 10,000,000 | 15 | 0.37% | 45,436,341 | 11.24% |
| 10,000,001 and above | 10 | 0.25% | 330,190,624 | 81.70% |
| **Total** | **4,061** | **100%** | **404,171,689** | **100%** |

| Size of shareholding | 2020 Number of shareholders | % of Holders | 2020 Issued Shares | % of Shareholding |
|---|---|---|---|---|
| 0 – 10,000 | 3,680 | 93.35 % | 2,889,490 | 0.71 % |
| 10,001 - 100,000 | 171 | 4.34% | 6,027,354 | 1.49% |
| 100,001 – 1,000,000 | 60 | 1.53% | 21,309,044 | 5.27% |
| 1,000,001 - 10,000,000 | 22 | 0.56% | 69,426,640 | 17.18% |
| 10,000,001 and above | 9 | 0.23% | 304,519,201 | 75.34% |
| **Total** | **3,942** | **100%** | **404,171,689** | **100%** |

## 2021

| Industry | Shareholders | % of shareholders | Shares | % of Shares |
|---|---|---|---|---|
| Banks | 2 | 0.05% | 19,190 | 0.00% |
| Local Companies | 308 | 7.59% | 19,202,646 | 4.75% |
| Employees | 238 | 5.86% | 722,289 | 0.18% |
| Estate Late | 3 | 0.07% | 2,229 | 0.00% |
| External Companies | 7 | 0.17% | 125,925,486 | 31.16% |
| Fund Managers | 3 | 0.07% | 2,510 | 0.00% |
| Insurance Companies | 7 | 0.17% | 39,597,169 | 9.80% |
| Investment Trusts And Property | 36 | 0.89% | 34,245,367 | 8.47% |
| Local Residents | 3279 | 80.73% | 16,536,275 | 4.09% |
| Nominees Local | 54 | 1.33% | 31,845,282 | 7.88% |
| Non Residents | 5 | 0.12% | 111,970,853 | 27.70% |
| Non Resident Individuals | 39 | 0.96% | 1,612,129 | 0.40% |
| Other Corporate Holdings | 3 | 0.07% | 3,369 | 0.00% |
| Pension Funds | 77 | 1.90% | 22,486,895 | 5.56% |
| **Total** | **4,061** | **100%** | **404,171,689** | **100%** |

## SHAREHOLDERS' ANALYSIS (Continued)

| Rank | Shareholder | 2021 Number of Shares | % of Shareholding |
|---|---|---:|---:|
| 1 | African Century Financial Investments Ltd NNR, | 76,426,874 | 18.91% |
| 2 | Arise B V | 71,632,001 | 17.72% |
| 3 | Old Mutual Life Assurance Company Of Zimbabwe Limited | 39,589,966 | 9.80% |
| 4 | Africinvest Financial Sector Holding, | 36,702,487 | 9.08% |
| 5 | Lalibela Limited-Nnr, | 23,104,516 | 5.72% |
| 6 | LHG Malta Holdings Limited | 20,014,400 | 4.95% |
| 7 | Old Mutual Zimbabwe Limited | 17,066,917 | 4.22% |
| 8 | Alsace Trust | 16,885,381 | 4.18% |
| 9 | Cornerstone Trust | 16,875,582 | 4.18% |
| 10 | TN Asset Management Nominees | 11,880,000 | 2.94% |
| | **Total** | **330,178,124** | **81.69%** |

## 2020

| Industry | Shareholders | % of shareholders | Shares | % of Shares |
|---|---:|---:|---:|---:|
| Banks | 2 | 0.05% | 19,190 | 0.00% |
| CO | 310 | 7.86% | 61,188,517 | 15.14% |
| Employee | 239 | 6.06% | 742,143 | 0.18% |
| Estate Late | 3 | 0.08% | 2,229 | 0.00% |
| External Companies | 7 | 0.18% | 110,029,366 | 27.22% |
| Fund Managers | 3 | 0.08% | 2,510 | 0.00% |
| Insurance Companies | 10 | 0.25% | 42,769,956 | 10.58% |
| Investment Trusts And Property | 33 | 0.84% | 34,127,245 | 8.44% |
| Local Resident | 3,159 | 80.14% | 14,873,679 | 3.68% |
| Nominees Local | 53 | 1.34% | 2,901,481 | 0.72% |
| Non Residents | 5 | 0.13% | 112,135,058 | 27.74% |
| Non Resident Individual | 39 | 0.99% | 1,624,716 | 0.40% |
| Other Corporate Holdings | 4 | 0.10% | 5,069 | 0.00% |
| Pension Fund | 75 | 1.90 % | 23,750,530 | 5.88% |
| **Total** | **3,942** | **100%** | **404,171,689** | **100%** |

## SHAREHOLDER ANALYSIS (Continued)

| Rank | Shareholder | 2020 Number of Shares | % Shareholding |
|---|---|---|---|
| 1 | African Century Financial Investments Ltd NNR, | 76,426,874 | 18.91% |
| 2 | Arise B V | 71,632,001 | 17.72% |
| 3 | Old Mutual Life Assurance Company Of Zimbabwe Limited | 40,864,553 | 10.11% |
| 4 | Africinvest Financial Sector Holding, | 36,702,487 | 9.08% |
| 5 | Lalibela Limited-NNR, | 23,104,516 | 5.72% |
| 6 | Alsace Trust | 16,885,381 | 4.18% |
| 7 | Cornerstone Trust | 16,875,582 | 4.18% |
| 8 | Omzil Stra Shareholder Trap Fund | 11,065,095 | 2.74% |
| 9 | Drakmore Investments (Private) Limited | 10,962,712 | 2.71% |
| 10 | Martcap Investments (Private) Limited | 7,728,231 | 1.91% |
| | **Total** | **312,247,432** | **77.26%** |

# SHAREHOLDERS' INFORMATION

## MEMBERS' DIARY

| | |
|---|---|
| **Financial year end** | 31 December 2021 |
| **Reports:-** | |
| **- Announcement of annual results** | April 2022 |
| **- Annual financial statements posted to shareholders** | June 2022 |
| **- Annual General Meeting** | June 2022 |
| **- Announcement of AGM results** | June 2022 |
| **- Announcement of the 2022 half-year results** | August 2022 |

## SECRETARY AND REGISTERED OFFICE

**Company Secretary** **V. T. MUTANDWA**

**Registered Offices**
NMB Head Office
19207 Liberation Legacy Way
(formerly Borrowdale Road)
Borrowdale
**Harare**
**Zimbabwe**

Telephone: +(263) 8688003347 +(263) (2922) 70169
Facsimile +(263) (242) 759648 +(263) (2922) 68535
**Website: http://www.nmbz.co.zw**
Email: enquiries@nmbz.co.zw

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

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

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