Abridged Audited Financial Results

FOR THE YEAR ENDED 31 DECEMBER 2019

nbs
National Building Society
a Registered Building Society

Building Communities

HIGHLIGHTS

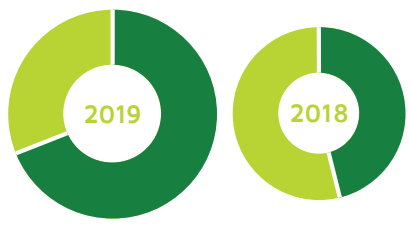
AUDITED INFLATION ADJUSTED

Surplus for the year	Cost to income ratio	Total assets	Equity and reserves	Return on equity	Liquid ratio
+85% (FY 2019 vs FY 2018)	+10%	49% (FY 2019 vs FY 2018)	+10% (FY 2019 vs FY 2018)	↑2% FY 2019	22% FY 2019

Income contribution

2019
Interest income - 29%
Non-funded income - 71%

2018
Interest income - 53%
Non-funded income - 47%



CHAIRMAN'S STATEMENT

INTRODUCTION
During 2019, the Society has continued to make significant strategic progress and deliver solid financial performance in a challenging external environment. Much of the year was impacted by economic and political uncertainty, but our customer focus has remained strong and the cornerstone of our business.

The Society is driven by our powerful core values, Commitment, Courage and Creativity whilst delivering and maintaining its vision, "Affordable low-cost housing delivered promptly and profitably in Zimbabwe." As I have mentioned in previous years, despite the external challenges, the Board is determined to continue building value for shareholders by maintaining our focus on results delivery whilst simultaneously investing in the major transformation required to serve our customers and operate effectively in a digital world. This transformation not only requires adopting new technologies, but also adapting to the new skills, culture and ways of working that the digital revolution requires. Delivering this effectively while remaining true to our traditional values and focusing on customer service is a tremendous challenge, but we are committed to building a successful and sustainable Society of which we can all be proud.

ECONOMIC ENVIRONMENT
The 2019 financial year was characterised by several adverse economic factors that include a negative growth rate below 7.5%, rising inflation, increased budget deficit on the back of a high fiscus deficit and perennial drought which exacerbated the poverty levels with the increased risk of starvation to the majority of the populace. Further to this, the Reserve Bank of Zimbabwe increased and introduced an interest rate cap of 35% for the period running to 31 December 2019 to reduce non-productive lending whilst inversely promoting lending to the productive sector of the economy.

The Government introduced the Zimbabwe dollar (ZWL) as the sole legal tender in June 2019, ending the multi-currency regime that had been in place for over a decade. From an opening rate of ZWL2.50 to the United States Dollar in February 2019 to a rate of ZWL16.77 by close of the year, the ZWL depreciated by 570%. In the same vain inflation accelerated year on year closing the year on 521% from 42.1% in December 2018. The Zimbabwe economy is considered hyperinflationary following publication of guidance from Public Accountants and Auditors Board (PAAB) on 11 October 2019 thus, the financial statements for the year ended 31 December 2019, and the information included in these financial results include the effects of the restatement criteria established in International Accounting Standard 29: Financial Reporting in Hyperinflationary Economies ("IAS 29").

PRODUCTS AND SERVICES
Various innovative products and service enhancements were commissioned in 2019 that include the Diaspora Mortgage product augmented by the Diaspora Lite product that is KYC lite and will assist in extending our mortgage finance to just about every Zimbabwean living and working abroad. The Solar Energy Loan Fund (SELF), an innovative product, was also rolled out to the market to assist our customers to purchase clean energy solar infrastructure for their homes. The Society continues to enhance its channels offering to ensure increased customer experience.

The customer base has grown to 80,000 active customers a testimony of the improved transaction capability of our platforms and thus enhanced customer experience. Transaction volumes on all platforms experienced a surge in volumes and value. The Society continues to invest in digital infrastructure to improve earnings through easy access of services.

HOUSING PROJECTS DEVELOPMENTS
The operating environment has had a significant knock on our ability to deliver housing considering the escalating cost base largely driven by the currency exchange rate. A strategic decision was made to slow down on capital developments in order to preserve capital as the cost of enhancement or development was deemed significantly higher and possibly irrecoverable after considering the disposable incomes of most of our customers. Token enhancements were however done for our Glaudina Flats project as well as getting the Merwede stands ready for disposal tied to our Diaspora Mortgage offering.

SOCIAL CAPITAL
The Society continues to give back to society to enhance the lives of the Zimbabweans that support its growth. The Society responded to the Cyclone Idai disaster that hit the Manicaland region in 2019 by donating various commodities and mobilising staff to donate clothing and blankets.

FINANCIAL PERFORMANCE
I am pleased to advise that the Society recorded positive performance in the year under review. The Society posted a net surplus of ZWL11.9 million, an 85% increase compared to ZWL6.4 million recorded last year. Net operating income grew by 34% from ZWL66.5 million to ZWL89.5 million. This was achieved on the back of increased transactability in line with our digitisation strategy which pushed fees and commission income up. Positive movements in our investment property portfolio also pushed overall earnings of the Society. Income growth was weighed down by subdued effective interest rates and the regulatory cap on service charges and interest alluded to earlier.

A reduction of the impairment charge for the year was recorded from ZWL9.8 million to ZWL5.6 million on the back of enhanced loan portfolio management. Inevitably, the non-performing loans ratio for the period was 1.75% which was significantly lower than the prudential 5% limit. Operating expenses increased by 45% from ZWL60 million in 2018 to ZWL86.8 million mainly due to inflationary pressures experienced in the past year. The Society posted a net monetary gain of ZWL9.2 million a reflection of the balanced asset mix that retained value regardless of the adverse inflationary pressure driving loss of monetary value.

The need to preserve capital saw a steep reduction in consumer lending and mortgage financing during the year. The rate of underwriting new facilities was outpaced by inflation growth thus loans and advances recorded a steep decline from ZWL507 million in 2018 to ZWL96 million in 2019. The balance sheet recorded a 49% reduction on year on year.

The Society's total regulatory capital stood at ZWL64 million, a 42% increase from prior year's ZWL45m driven by organic growth. The closing regulatory ratio was 46% for the year 2019. This ratio was well ahead of the regulatory minimum limit.

The Monetary Policy Committee, in January 2020 announced United States Dollar (USD) indexed new minimum capital requirements for financial institutions. Building Societies need to have a core capital level of USD20 million by 31 December 2020. The Society will meet this capital requirement through organic and committed injection from the Shareholder.

OUTLOOK
On 12 March 2020, the World Health Organisation declared the COVID-19 virus, a world pandemic. Global data confirms COVID-19 will be a huge challenge across all sectors, regions and countries. COVID-19 has brought about a high degree of uncertainty which will affect our ability to forecast the impact it will have on our financial and operational performance in the 2020 financial year. The Society has assessed the impact of the COVID-19 pandemic on its operations and is of the view that the pandemic will not have a material impact on the Society's financial activities and position as most of its services can be accessed through online platforms.

The Society is therefore expected to continue as a going concern despite the negative effects of the COVID-19 pandemic.

APPRECIATION
I would like to thank all our colleagues for their significant contribution in 2019. It is the commitment, support and dedication from all of them that enables us to succeed and I believe the Society remains well positioned as a result of the transformation underway to continue delivering for customers and shareholders.

S. Kudenga
Board Chairman

14 August 2020

CORPORATE GOVERNANCE STATEMENT

The Board is committed to high standards of Corporate Governance and believes that a sound governance structure engenders a successful company. Throughout the year, the Society has, in the Directors' opinion, complied fully with the tenets of good Corporate Governance in Zimbabwe as specifically incorporated in the Banking Act [Chapter 24:20] read together with the Banking Amendment Act Number 12 of 2016, the Building Societies Act [Chapter 24:02] and the Reserve Bank of Zimbabwe Corporate Governance Guidelines. The Society has also embraced the new Public Entities Corporate Governance Act Chapter {10:31}. The Board recognises the critical importance of having an effective Board of Directors. The Board also places the highest importance on active engagement with its Shareholder. Meetings are held regularly with the Shareholder and the Board takes account of the Shareholder's views.

THE BOARD
The current Board of Directors is constituted of two executive directors, five independent non-executive directors and three non-executive directors. The Board Chairman is an independent non–executive director. The roles of the Chairman and the Managing Director are separate. Effective control is exercised through the Managing Director and the respective Society executives who are accountable through regular reports to the Board. The non-executive directors have the skills and experience to bring unrestrained judgement to bear on all corporate governance issues. Non-executive directors derive no benefits from the Society for their services as directors, other than retainer and sitting allowances. All board members are required to disclose other directorships and any potential conflicts of interest. Directors are requested to recuse themselves from deliberations on matters in which they have a conflict of interest.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

BOARD CHANGES
There were a number of changes to the Board during the period under review. The following Board Members were recalled from the Board with effect from 11 June 2019:
1. Rugare Dhobbie
2. Simbarashe Befura
3. Erasmus Chester Gapara
4. Tendai Ruvarashe Hofisi
5. Olga Maulana
6. Norman Chimuka

The Society would like to express its appreciation for the pivotal role that was played by all the Directors who left the Board and wishes them success in all their future endeavours.

Additional Appointments to the Board to replace the directors who were recalled, were subsequently made on dates attached to each individual director as follows:
1. David Mutemachani (Independent Non-Executive Director, 4 July 2019)
2. Morris Chitiki (Independent Non-Executive Director, 4 July 2019)
3. Edward Nhamoinesu Tome (Independent Non-Executive Director, 4 July 2019)
4. David Makwara (Non-Executive Director, 5 July 2019)
5. Betty Nyereyegona (Mrs) (Non-Executive Director, 4 July 2019)
6. Phillip Mauto Hamadziripi (Non-Executive Director, 5 July 2019)

We wish all the directors the best in their new appointments.

Two Directors stepped down from the Board with effect from 31 December 2019 to pursue other business interests. These were Messrs Tinotenda Kambasha and Munashe Shava. The Society also wish them the best in all their future endeavours.

Accordingly, as at year end the Members of the Board were as follows:
1. Stanley Kudenga (Board Chairman)
2. Edward Nhamoinesu Tome (Vice Chairman)
3. David Mnangagwa
4. David Mutemachani
5. Morris Chitiki
6. David Makwara
7. Betty Nyereyegona (Mrs)
8. Phillip Mauto Hamadziripi
9. Lameck Danga (Managing Director)*
10 Ethel Chitanda (Mrs) (Finance Director)*

BOARD ATTENDANCE
Membership and attendance for the period to 31 December 2019 is as noted below:

Board Member	Main Board	Housing Committee	Audit Committee	Loans Review Committee	Credit Review Committee	Human Resources & Nominations Committee	Risk & Compliance Committee	Finance & Strategy Committee
Kudenga S. (Chairman)	ASASAS	AAA	NA	NA	NA	ASASAS	NA	AAL
Dhobbie R. (Mrs) (Vice Chairman)	AR	AR	NA	AR	NA	ASR	NA	NA
Chitanda E. (Mrs) (Finance Director)	ASASAS	NA	NA	NA	NA	NA	NA	AAA
Danga L. (Managing Director)	ASASAS	AAA	NA	NA	AAAL	NA	NA	AAA
Befura S.	AR	NA	AR	NA	AR	NA	NA	AR
Maulana O. (Mrs)	AR	AR	NA	NA	NA	NA	ALR	AR
Hofisi T.R. (Mrs)	LR	NA	LR	LR	NA	LLR	NA	NA
Gapara E.S.	AR	NA	NA	NA	AR	ASR	AAR	NA
Chimuka N.	AR	LR	NA	AR	NA	NA	AAR	NA
Kambasha T.M.S.	ASASAS	NA	AAL	NA	AALS	NA	NA	AAL
Shava M.	ASASLS	AAA	NA	AAA	NA	ALALLL	NA	NA
Mnangagwa K.D.	ASASAS	NA	NA	NA	AAAS	NA	ASAA	AAA
Tome E. (Vice Chairman)	YSASAS	NA	YAA	NA	NA	YYASAS	NA	YAA
Mutemachani D.	YSASAS	YAA	YAA	NA	YAAS	NA	NA	NA
Hamadziripi P.M.	YSASAS	YAA	NA	YAA	NA	NA	YYAA	NA
Nyereyegona B. (Mrs)	YLASAS	NA	NA	YLA	NA	YYLSAL	YYAA	NA
Makwara D.	YSALAS	YAA	NA	NA	YAAS	NA	NA	YAA
Chitiki M.	YSALAL	YLL	NA	YAA	NA	NA	YYAL	NA

Key
A - Attendance in quarterly meetings
S - Attendance in special meetings
L - Leave of absence granted
Y - Not yet a member of the Board
NA - Not a member of the committee
R - Resigned

STATEMENT OF COMPLIANCE
The Society complied with all statutes regulating financial institutions as well as corporate governance best practice. The Society also complied with the Reserve Bank of Zimbabwe directives on liquidity management, capital adequacy as well as prudential lending guidelines.

Subsequent events and going concern
On 23 January 2020, the Reserve Bank of Zimbabwe announced new minimum capital requirements for all financial institutions, with building societies required to have minimum capital equivalent to US$20 million by 31 December 2020. The Directors reviewed the Society's operational and capital budgets as well as cash flows and strategy for the year ending 31 December 2020. Based on this assessment, the Directors noted that the new minimum capital requirements could not be attained without shareholder support, in the form of fresh capital injection, and the Society began engaging NSSA over various capitalisation options which could enable the Society to achieve the new minimum capital threshold before the regulatory deadline. To date, the Society has obtained a letter of support from its shareholder, conditional upon certain assurances being obtained and Board approval being granted in due course. Given the letter of support and the ongoing consultations with NSSA, the Directors believe that the Society will continue to operate for the foreseeable future as a going concern. Therefore, the going concern basis of preparation has been adopted for the preparation of these financial statements. The Directors note that due to uncertainties prevailing in the operating environment, they will endeavour to continually assess the going concern status of the Society.

APPROVAL OF THE FINANCIAL RESULTS
These financial results were approved by the Board of Directors on 27 July 2020.

By order of the Board

Ms. R. Chipendo
Company Secretary

14 August 2020

AUDITOR'S STATEMENT
The financial information, presented in these abridged audited inflation adjusted financial results, is an extract of the audited inflation adjusted financial statements for the year ended 31 December 2019, which have been audited by our Independent Auditors, KPMG Chartered Accountants (Zimbabwe). A copy of the auditors' adverse opinion is available for inspection at our registered office. The basis for the adverse opinion on the inflation adjusted financial statements relates to non-compliance with International Accounting Standard 21: The Effects of Foreign Exchange Rates, International Accounting Standard 8, Accounting Policies, Changes in Accounting Estimates and Errors, International Accounting Standard 29: Financial Reporting in Hyperinflationary Economies and International Financial Reporting Standard 13: Fair Value Measurement. In addition, the basis for adverse opinion also reports on the Society's conditional capitalisation support by the shareholder in relation to going concern, as disclosed in note 33.

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Abridged Audited Financial Results

FOR THE YEAR ENDED 31 DECEMBER 2019

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Building Communities

STATEMENT OF FINANCIAL POSITION AS AT 31 DEC 2019

	Note	Audited Inflation Adjusted 31 Dec 2019 ZWL	Audited Inflation Adjusted 31 Dec 2018 ZWL	Unaudited Historical 31 Dec 2019 ZWL	Unaudited Historical 31 Dec 2018 ZWL
Assets					
Cash and cash equivalents	6	61,711,282	69,605,504	61,711,282	11,201,905
Investment securities	7	61,893,631	223,775,243	61,893,631	36,013,086
Other assets and prepayments	8	182,333,496	177,355,934	43,341,983	28,542,632
Inventory, work in progress	9	66,958,924	65,902,606	10,892,754	10,605,982
Loans and advances	10	96,353,262	507,016,315	96,353,262	81,596,257
Computer software	11	20,827,955	21,742,766	3,957,561	3,499,154
Investment property	12	36,278,600	18,162,706	36,278,600	2,923,000
Right-of-use assets	13.1	298,555	-	298,555	-
Property and equipment	13	37,301,521	21,306,367	30,079,423	3,428,924
Total Assets		**563,957,226**	**1,104,867,441**	**344,807,051**	**177,810,940**
Equity and Liabilities					
Liabilities					
Deposits	14	183,357,568	506,268,832	183,357,568	81,475,961
Borrowings	15	43,922,863	275,417,876	43,922,863	44,324,151
Other liabilities	16	25,431,033	39,939,750	25,431,033	6,427,671
Total Liabilities		**252,711,464**	**821,626,458**	**252,711,464**	**132,227,783**
Shareholders' equity					
Share capital	17.1	31,623,459	31,623,459	5,089,296	5,089,296
Share premium	17.1	276,872,969	276,872,969	44,558,325	44,558,325
Revaluation reserve	17.3	16,398,718	-	25,552,455	-
Accumulated (deficit)/retained surplus	17.2	(13,649,384)	(25,255,445)	16,895,511	(4,064,464)
Total shareholder's equity		**311,245,762**	**283,240,983**	**92,095,587**	**45,583,157**
Total liabilities and equity		**563,957,226**	**1,104,867,441**	**344,807,051**	**177,810,940**

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	Audited Inflation Adjusted 31 Dec 2019 ZWL	Audited Inflation Adjusted 31 Dec 2018 ZWL	Unaudited Historical 31 Dec 2019 ZWL	Unaudited Historical 31 Dec 2018 ZWL
Interest income	21	50,471,082	65,623,438	17,815,392	10,327,447
Interest expense	21	(18,402,535)	(17,474,847)	(6,178,152)	(2,812,300)
Net interest income		**32,068,547**	**48,148,591**	**11,637,240**	**7,515,147**
Charge for impairment	10.3	(5,553,454)	(9,814,167)	(5,553,454)	(1,579,434)
		26,515,093	**38,334,424**	**6,083,786**	**5,935,713**
Non funded income	22	63,009,266	28,187,853	54,070,631	4,769,997
Total operating income		**89,524,359**	**66,522,277**	**60,154,417**	**10,705,710**
Operating expenses	23	(86,788,814)	(60,045,602)	(38,868,044)	(9,663,392)
Surplus before tax		**2,735,545**	**6,476,675**	**21,286,373**	**1,042,318**
Income tax		(32,631)	(49,734)	(31,524)	(8,004)
Surplus after tax		**2,702,914**	**6,426,941**	**21,254,849**	**1,034,314**
Gain on net monetary position		9,198,021	-	-	-
Other comprehensive income		-	-	-	-
Surplus for the year		**11,900,935**	**6,426,941**	**21,254,849**	**1,034,314**
Other comprehensive income					
Items that will not be reclassified to profit and loss					
Revaluation of plant and equipment		16,398,718	-	25,552 455	-
Total comprehensive Surplus for the year		**28,299,653**	**6,426,941**	**46,807,304**	**1,034,314**

STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	Audited Inflation Adjusted 31 Dec 2019 ZWL	Audited Inflation Adjusted 31 Dec 2018 ZWL	Unaudited Historical 31 Dec 2019 ZWL	Unaudited Historical 31 Dec 2018 ZWL
Cashflows from operating activities					
Surplus before tax		2,735,545	6,476,675	21,286,373	1,042,318
Adjusted for:					
Depreciation	13	4,908,406	4,454,494	921,728	716,880
Amortisation of software	11	1,678,796	1,616,414	264,658	260,136
Right of use asset depreciation	13.1	4,144,065	-	209,295	-
IFRS 16 Adjustment		(294,874)	-	(294,874)	-
Initial recognition of right of use asset	11	(4,442,620)	-	(507,850)	-
Unrealised exchange gains		(2,870,037)	342	(2,870,037)	55
Fair value gain on investment property	12	(17,348,551)	(572,973)	(33,370,435)	(92,211)
Disposal of investment property		344,000	-	344,000	-
Loss/(profit) on asset disposal		18,866	(6,667)	3,364	(1,073)
Charge for impairment	10.3	5,553,454	9,814,167	5,553,454	1 579,434
Effects of changes in inflation on impairment	10.3	(13,342,244)	-	-	-
Net interest income		(32,068,547)	(48,148,591)	(11,637,240)	(7,515,147)
(Increase) in other assets and prepayments		(2,126,459)	(63,489,302)	(11,948,248)	(10,217,599)
Increase in inventory		(1,056,318)	-	(286,772)	-
Decrease/(Increase) in loans and advances		420,867,510	(126,903,539)	(17,345,752)	(20,424,059)
(Decrease)/Increase in deposits		(322,911,264)	163,105,615,	101,881,607	26,249,269
(Decrease)/Increase in other liabilities		(15,076,889)	19,024,945	18,435,190	3,061,764
Increase in lease liability		568,172	-	568,172	-
Interest received		50,471,082	65,623,438	17,815,392	10,327,447
Interest paid		(18,402,535)	(17,474,847)	(6,178,152)	(2 812,300)
Income tax paid		(32,631)	(49,734)	(31,524)	(7,060)
Net cash flows from operating activities		**61,316,927**	**13,470,437**	**82,812,349**	**2,167,854**
Cash flows from investing activities					
Purchase of property and equipment	13	(4,523,708)	(1,922,708)	(2,023,135)	(309,430)
Decrease/(Increase) in investment securities		159,314,533	(115,872,747)	(28,857,798)	(18,647,886)
Proceeds from disposal of assets		-	7,773	-	1,251
Purchase of software intangible asset	11	(763,985)	(437,459)	(723,065)	(70,402)
Purchase of investment property	12	(1,111,343)	(1 616,309)	(329,165)	(260,119)
Net cash outflows from investing activities		**152,915,497**	**(119,841,450)**	**(31,933,163)**	**(19,286,586)**
Cash flows from financing activities					
Borrowings		(231,495,013)	66,173,760	(401,288)	10,649,620
Net cash inflows from financing activities		**(231,495,013)**	**66,173,760**	**(401,288)**	**10,649,620**
Net increase in cash and cash equivalents		(17,262,589)	(40,197,253)	50,477,898	(6,469,112)
Effects of changes in exchanges rate on cash and cash equivalents		18,934	-	18,934	-
Monetary gain/(loss)		9,198,021	-	-	-
Cash and cash equivalents at beginning of the year		**69,771,006**	**109,968,259**	**11,228,540**	**17,697,652**
Cash and cash equivalents at end of year		**61,725,372**	**69,771,006**	**61,725,372**	**11,228,540**
Comprises of:					
Cash on hand	6	**2,334,530**	**116,389**	**2,334,530**	**18,731**
Foreign bank balances	6	**517,903**	**-**	**517,903**	**-**
Local banks and money markets	6	**58,872,939**	**69,654,617**	**58,872,939**	**11,209,809**
Total cash and cash equivalents		**61,725,372**	**69,771,006**	**61,725,372**	**11,228,540**

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019

Audited Inflation Adjusted 2019	Share capital ZWL	Share premium ZWL	Share awaiting allotment ZWL	General reserves ZWL	Revaluation Reserve ZWL	Accumulated surplus/(deficit) ZWL	Total ZWL
Balance as at 1 January 2019	**31,623,459**	**276,872,969**	**-**	**-**	**-**	**(25,255,445)**	**283,240,983**
IFRS 16 adjustment	-	-	-	-	-	(294,874)	(294,874)
Restated balance as at 1 January 2019	**31,623,459**	**276,872,969**	**-**	**-**	**-**	**(25,550,319)**	**282,946,109**
Surplus for the year	-	-	-	-	-	11,900,935	11,900,935
Revaluation of fixed assets	-	-	-	-	16,398,718	-	16,398,718
Transactions with owners of the Society			-		-	-	-
Balance as at 31 December 2019	**31,623,459**	**276,872,969**	**-**	**-**	**16,398,718**	**(13,649,384)**	**311,245,762**
2018							
Balance as at 1 January 2018	**31,317,148**	**124 025 858**	**153 153 422**	**2 140,807**	**-**	**(32,947,419)**	**277 689,816**
Net impact of IFRS 9	-	-	-	(875,774)	-	-	(875,774)
Effects on adoption of IFRS 9	-	-	-	-	-	(875,774)	(875,774)
Transfer (from) general reserves	-	-	-	(875,774)	-	875,774	-
Restated balance as at 1 January 2019	**31,317,148**	**124,025,858**	**153,153,422**	**1,265,033**	**-**	**(32,947,419)**	**276,814,042**
Surplus for the year	-	-	-	-	-	6,426,941	6,426,941
Transfer to accumulated deficit	-	-	-	(1,265,033)	-	1,265,033	-
Shares awaiting allotment	306,311	152 847,111	(153,153,422)	-		-	-
Balance at 31 December 2018	**31 623,459**	**276,872,969**	**-**	**-**	**-**	**(25,255,445)**	**283,240,983**
Unaudited Historical 2019							
Balance as at 1 January 2019	**5,089,296**	**44,558,325**	**-**	**-**	**-**	**(4,064,464)**	**45,583,157**
Effects on adoption of IFRS 16	-	-	-	-	-	(294,874)	(294,874)
Restated balance as at 1 January 2019	**5,089,296**	**44,558,325**	**-**	**-**	**-**	**(4,359,338)**	**45,288,283**
Surplus for the year	-	-	-	-	-	21,254,849	21,254,849
Revaluation of movable property	-	-	-	-	25,552,455	-	25,552,455
Balance as at 31 December 2019	**5,089,296**	**44,558,325**	**-**	**-**	**25,552,455**	**16,895,511**	**92,095,587**
2018							
Balance as at 1 January 2018	**5,040,000**	**19,960,000**	**24,647,621**	**344,529**	**-**	**(5,302,365)**	**44,689,785**
Net Impact of IFRS 9	**-**	**-**	**-**	**(140,942)**	**-**	**-**	**(140,942)**
Effects on adoption of IFRS 9	-	-	-	-	-	(140,942)	(140,942)
Transfer from general reserves	-	-	-	(140,942)	-	140,942	-
Restated balance as at 1 January 2018	**5,040,000**	**19,960,000**	**24,647,621**	**203,587**	**-**	**(5,302,365)**	**44,548,843**
Surplus for the year	-	-	-	-		1,034,314	1,034,314
Transfer to/(from) retained earnings	-	-	-	(203,587)	-	203,587	-
Transactions with owners of the Society							
Shares awaiting allotment	49,296	24,598,325	(24,647,621)	-	-	-	-
Balance as at 31 December 2018	**5,089,296**	**44,558,325**	**-**	**-**	**-**	**(4,064,464)**	**45,583,157**

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Abridged Audited Financial Results

FOR THE YEAR ENDED 31 DECEMBER 2019

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

1 REPORTING ENTITY

National Building Society is a registered Building Society in terms of the Zimbabwe Building Societies Act (Chapter 24:02). The registered office of the Society is 14th Floor, Social Security Centre, Corner Julius Nyerere Way and Sam Nujoma Street, Harare, Zimbabwe.

2 NATURE OF BUSINESS

The principal business of the Society is that of providing mortgage finance including deposit acceptance and investing activities.

3 ACCOUNTING POLICIES

The principle accounting policies adopted in the preparation of the annual financial statements are set out below and have been consistently followed in all material respects with the following exceptions.

- IFRS 16 (Note4)
- IAS 29 (Note 3.2)
- IAS 21 (Note 3.2)
- IAS 16

The revaluation model was adopted for Furniture and Fittings, Office Equipment, Motor Vehicles and Computer Equipment in the current year in accordance with IAS16 paragraph 31

3.1 Basis of preparation

Statement of compliance

The Society's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), International Accounting Standards and Interpretations developed by the international Financial Reporting Interpretations Committee (IFRIC).They have also been prepared in accordance with the requirements of the Building Societies Act (Chapter 24:02) and adaptations of the Banking Act.

The Society applied the accounting policies as prescribed in IFRS except for IAS 21 (The Effects of Changes in Foreign Exchange Rates) in the preparation of these financial statements and this therefore had an impact on the IA29 (Financial Reporting in Hyper Inflationary Economies) adjusted statements here presented.

3.2 Functional and presentation currency

The functional and presentation currency of Zimbabwe changed following the promulgation of Statutory Instrument 33(SI 33) on 22 February 2019, which separated the United States Dollar from the Real time Gross Settlement (RTGS) balances and bond notes and coins and the discontinuance of the multicurrency system as legal tender in Zimbabwe on 24 June 2020 through Statutory Instrument 142 thus reintroducing the Zimbabwean Dollar (ZWL) as legal tender. SI 33 prescribed that assets and liabilities would be taken over at an exchange rate of USD1:ZWL1 which contrasted with guidance issued by the Public Accountants and Auditors Board (PAAB). The Society was thus not able to be in full compliance with IAS21.

Changes in accounting policies

IAS29 (Financial Reporting in Hyperinflationary Economies)

The financial statements have been prepared in accordance with IAS 29 principles in 2019, but not fully for 2018, given the limitations on comparative information. Comparative information was restated by a factor of 6.21 only, given that they had been presented as USD as 1USD:1ZWL basis. This is not in compliance with the requirements of IAS 29. This follows the pronouncement by the PAAB, in October 2019 that IAS29 applied to Zimbabwean entities for reporting periods on or after 1 July 2019. The Zimbabwe Consumer Price Index (CPI) has been adopted as the restatement factors which are the measuring units that the financial statements in a hyperinflationary economy must be adjusted by. Monetary assets and liabilities and non-monetary assets and liabilities at fair value were not restated as they were presented at measuring unit that was current at reporting date. Income statement transactions were restated by the application of the CPI from the dates that the transactions were initially recorded in the financial statements.

The CPI'S are as follows:

Date	CPI	Factor
Dec-18	88.8	6.21
Dec-19	551.6	1

4 IFRS 16 (LEASES)

IFRS 16 establishes principles for the recognition, measurement, presentation and disclosure of leases, with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents those transactions. IFRS 16 Leases applies to all leases, including subleases and replaces IAS17 (Leases) which was previously used to account for the Society's lease commitments.

The Society has adopted the modified retrospective approach and will recognise the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application. The impact of the adoption of IFRS 16 are shown below.

	Right of use asset	Equity	Liabilities	Income statement
2019	298,555	269,617	568,173	389,198
2018	-	294,874	-	-
Total	298,555	564,491	568,173	389,198

5 USE OF ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future period affected.

A full set of The Society's policies are available in its annual report, which is ready for inspection at The Society's registered office.

	Audited Inflation Adjusted		Unaudited Historical	
	31 Dec 2019 ZWL	31 Dec 2018 ZWL	31 Dec 2019 ZWL	31 Dec 2018 ZWL
6 CASH AND CASH EQUIVALENTS				
Balances with the RBZ	52 520 202	31 005 940	52 520 202	4 989 916
Interbank placements	6 000 000	37 282 322	6 000 000	6 000 000
Balances with local banks	352 737	1 366 355	352 737	219 893
Balances with foreign banks	517 903	-	517 903	-
Cash on hand	2,334,530	116,389	2,334,530	18,731
	61,725,372	69,771,006	61,725,372	11,228,540
Reserve Bank of Zimbabwe	52,520,202	31,005,940	52,520,202	4,989,916
Interbank placements	6,000,000	37,282,322	6,000,000	6,000,000
Local banks	870,640	1,366,355	870,640	219,893
	59,390,842	69,654,617	59,390,842	11,209,809
Stage 1 - ECL allowance	(14,090)	(165,502)	(14,090)	(26,635)
	59,376,752	69,489,115	59,376,752	11,183,174
Cash on hand	2,334,530	116,389	2,334,530	18,731
Net carrying amount	61,711,282	69,605,504	61,711,282	11,201,905

An impairment charge of ZWL14,090 was raised for bank balances as at 31 December 2019, in line with the adoption of IFRS 9 on 1 January 2018.

	Audited Inflation Adjusted		Unaudited Historical	
	31 Dec 2019 ZWL	31 Dec 2018 ZWL	31 Dec 2019 ZWL	31 Dec 2018 ZWL
7 INVESTMENT SECURITIES HELD AT ARMOTISED COST				
Savings bond	24,000,000	78,914,247	24,000,000	12,700,000
Treasury bills	40,949,556	145,349,842	40,949,556	23,391,758
	64,949,556	224,264,089	64,949,556	36,091,758
Stage 1 - ECL allowance	(3,055,925)	(488,846)	(3,055,925)	(78,672)
Net carrying amount	61,893,631	223,775,243	61,893,631	36,013,086
Maturity Analysis				
Less than 1 month	1,553,323	-	1,553,323	-
1 month to 3 months	1,045,689	42,412,133	1,045,689	6,825,562
3 months to 6 months	17,047,906	13,136,178	17,047,906	2,114,060
6 months to 1 year	41,396,119	111,776,813	41,396,119	17,988,710
1 year to 5 years	3,906,519	56,938,965	3,906,519	9,163,426
	64,949,556	224,264,089	64,949,556	36,091,758
8 OTHER ASSETS AND PREPAYMENTS				
Newmara housing development	63,642,247	63,642,247	10,242,213	10,242,213
Dzivarasekwa housing project	100,767,792	100,662,270	16,226 950	16,200,000
Interest accrued	1,778,265	6,467,990	1,778,265	1,040,921
Collateral deposits	4,173,837	3,921,466	4,173,837	631,098
Sundry assets	11,971,355	2,661,961	10,920,718	428,400
	182,333,496	177,355,934	43 341 983	28,542,632
Non-current	168,583,876	168,225,983	30,643,000	27,073,311
Current	133,749,620	9,129,951	12,698,983	1,469,321
	182,333,496	177,355,934	43,341,983	28,542,632
9 INVENTORY, WORK IN PROGRESS				
Batanai Housing Project work in progress	33,547,536	33,328,033	5,406,074	5,363,620
Glaudina Housing Project work in progress	32,927,967	32,592,703	5,306,513	5,245,280
Work in progress	483,421	-	180,167	-
Write down	-	(18,130)	-	(2,918)
	66,958,924	65,902,606	10,892,754	10,605,982

The Society had undertaken the construction of low-cost housing units in Glaudina Harare and the Batanai Housing Project Chinhoyi. Upon completion the Society expected to receive 288 units from the Glaudina Housing Project and 723 from the Batanai Housing Project. Construction on the Batanai Housing project was suspended and NSSA has undertaken to take over and settle claims from contractors amounting to ZWL3,832,777. These were recognised in the income statement Note 23.

During the year under review, borrowing costs amounting to ZWL661,178 (2018: ZWL1,993,181), historical ZWL120,813 (2018:ZWL320,771) were capitalized to the Glaudina and Batanai Housing Projects. The borrowing costs capitalised were incurred at a rate of 5% per annum.

	Audited Inflation Adjusted		Unaudited Historical	
	31 Dec 2019 ZWL	31 Dec 2018 ZWL	31 Dec 2019 ZWL	31 Dec 2018 ZWL
10 LOANS AND ADVANCES				
Personal loans, advances and other accounts	50,312,002	209,361,284	50,312,002	33,693,389
Mortgage loans	51,083,764	312,901,992	51,083,764	50,356,625
Gross loans and advances	101,395,766	522,263,276	101,395,766	84,050,014
Impairment provision	(5,042,504)	(15,246,961)	(5,042,504)	(2,453,757)
Net loans and advances	96,353,262	507,016,315	96,353,262	81,596,257
10.1 Maturity Analyis				
Less than 1 month	472,259	19,940,487	472,259	3,209,106
1 month to 3 months	387,370	2,858,933	387,370	460,100
3 months to 6 months	1,173,609	4,169,555	1,173,609	671,024
6 months to 1 year	3,618,524	7,509,697	3,618,524	1,208,567
1 year to 5 years	18,026,309	178,870,370	18,026,309	28,786,357
More than 5 years	77,717,695	308,914,234	77,717,695	49,714,860
	101,395,766	522,263,276	101,395,766	84,050,014
10.2 Loan impairment allowance				
Loans and advances subject to Stage 1	92,921,743	482,667,188	92,921,743	77,677,650
Loans and advances subject to Stage 2	6,956,614	34,445,678	6,956,614	5,543,487
Loans and advances subject to Stage 3	1,517,409	5,150,410	1,517,409	828,877
Gross loans and advances	101,395,766	522,263,276	101,395,766	84,050,014
Loan Impairment Charge				
Stage 1	1,675,076	10,942,294	1,675,076	1,760,989
Stage 2	1,030,323	1,010,538	1,030,323	162,630
Stage 3	2,337,105	3,294,129	2,337,105	530,138
Gross impairment loss	5,042,504	15,246,961	5,042,504	2,453,757
Net loans and advances	96,353,262	507,016,315	96,353,262	81,596,257

Adoption of IFRS 9 on 1 January 2018 came with a 3 stage impaired approach for financial assets as opposed to IAS 39 which required collective and specific impairment charge. This has necessitated the change in presentation of the impairment charge as at 31 December 2018.

	Audited Inflation Adjusted		Unaudited Historical	
	31 Dec 2019 ZWL	31 Dec 2018 ZWL	31 Dec 2019 ZWL	31 Dec 2018 ZWL
10.3 Impairment provision				
Opening balance	15 246 961	5 211 367	2 453 757	838 689
Charge in profit or loss	2 588 747	9 787 106	2 588 747	1 575 078
IFRS 9 adjustment at 1 Jan 2018	-	248 488	-	39 990
Effects of changes in inflation	(12 793 204)	-	-	-
Balance at end of year	5 042 504	15 246 961	5 042 504	2 453 757

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FOR THE YEAR ENDED 31 DECEMBER 2019

ECL allowance movement

	Cash and cash equivalent ZWL	Loans and advances ZWL	Investment securities ZWL	Total ZWL
Audited Inflation Adjusted				
2019				
Balance at beginning of the year	165,502	15,246,961	488,846	15,901,309
Charge to profit and loss for the year	(12,545)	2,588,746	2,977,253	5,553,454
Effects of changes in inflation	(138,867)	(12,793,203)	(410,174)	(13,342,244)
Balance at end of the year	**14,090**	**5,042,504**	**3,055,925**	**8,112,519**
2018				
Balance at beginning of the year	**-**	**5,211,368**	**-**	**5,211,368**
Effect of first-time adoption of IFRS 9	390,271	248,487	237,016	875,774
Charge to profit and loss for the year	(224,769)	9,787,106	251,830	9,814,167
Balance at end of the year	**165,502**	**15,246,961**	**488,846**	**15,901,309**
Unaudited Historical				
2019				
Balance at beginning of the year	**26,635**	**2,453,758**	**78,672**	**2,559,065**
Charge to profit and loss for the year	(12,545)	2,588,746	2,977,253	5,553,454
Balance at end of the year	**14,090**	**5,042,504**	**3,055,925**	**8,112,519**
2018				
Balance at beginning of the year	**-**	**838,689**	**-**	**838,689**
Effect of first-time adoption of IFRS 9	62,808	39,990	38,144	140,942
Charge to profit and loss for the year	(36,173)	1 575,079	40,528	1,579,434
Balance at end of the year	**26,635**	**2 453,758**	**78,672**	**2,559,065**

Change in ECL

Analysis of loan impairment charge on the statement of profit and loss

	Audited Inflation Adjusted		Unaudited Historical	
	31 Dec 2019 ZWL	31 Dec 2018 ZWL	31 Dec 2019 ZWL	31 Dec 2018 ZWL
Increase in loan impairment charge on loans and advances for the period	1,488,912	8,086,214	1,488,912	1,301,348
Impairment allowance on account balances in excess	1,099,834	1,073,603	1,099,834	172,779
Impairment charges on cash and cash equivalents and investment securities	2,964,708	654,350	2,964,708	105,307
Net impairment charge to statement of profit and loss	**5,553,454**	**9,814,167**	**5,553,454**	**1,579,434**
10.4 Sectorial analysis				
Individuals	101,075,591	522,263,276	101,075,591	84,050,014
Corporates	320,175	-	320,175	-
	101,395,766	**522,263,276**	**101,395,766**	**84,050,014**
11 COMPUTER SOFTWARE				
Cost/valuation				
Opening balance	**25,095,442**	**24,657,983**	**4,038,714**	**3,968,312**
Additions	763,985	437,459	723,065	70,402
Closing balance	**25,859,427**	**25,095,442**	**4,761,779**	**4,038,714**
Amortisation				
Opening balance	**3,352,676**	**1,736,262**	**539,560**	**279,424**
Charge to income statement	1 678 796	1,616,414	264,658	260,136
Closing balance	**5 031 472**	**3,352,676**	**804,218**	**539,560**
Net book value	**20 827 955**	**21,742,766**	**3,957,561**	**3,499,154**
12 INVESTMENT PROPERTY				
Opening balance	**18,162,706**	**15,973,424**	**2,923,000**	**2,570,670**
Additions	1,111,343	1,616,309	329,165	260,119
Fair value adjustment to profit and loss	17,348,551	572,973	33,370,435	92,211
Reduction in Investment property	(344,000)	-	(344,000)	-
Closing balance	**36,278,600**	**18,162,706**	**36,278,600**	**2,923,000**

Caveat by the property valuers

Statutory Instrument 142 of 2019 introduced the Zimbabwe Dollar (ZWL) as the sole legal tender effective 24 June 2019. This appears to have been a follow up measure to the Monetary Policy Statement (MPS) of 22nd February 2019 which added the RTGS$ to the then basket of currencies. The de-dollarisation of the economy is now complete. The MPS established an Inter-Bank Foreign Exchange market which continues to function. These events have created complex valuation challenges, at least for the short term. Valuations rely on historical market evidence for calculation inputs. This includes transaction prices for comparable properties, rents and capitalisation rates. Such market evidence does not exist at present to calculate ZWL values. Therefore, we have adopted the approach for the meanwhile of converting US$ valuation inputs at the Inter-Bank Foreign Exchange Auction Rate of the day to calculate ZWL property values. This approach, however, presents a multitude of risks to the users of the valuation reports. These are detailed below:

Overstating the property values

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

Therefore, a direct conversion of USD valuation inputs likely results in overstated ZWL property values.
Property Sub-Sectors Will Respond Differently to the New Currency To use a single conversion rate for different property sub-sectors does not recognise the fact that each will respond differently to the reintroduced ZWL. Non-residential property is likely to lag behind the economic cycle quite considerably. Whereas residential property which is more sentiment driven, is likely to respond positively quicker.

Ignoring market dynamics (supply and demand)

Applying a conversion rate to USD valuation inputs to calculate ZWL property values is not an accurate reflection of market dynamics. Risks associated with currency trading do not reflect the risks associated with property trading. The two markets perceive and price their respective risks quite differently. It is, therefore, unlikely that property values will strictly track the movement in the Inter-Bank Foreign Exchange Rate.

Recommendation

In light of the foregoing, we urge all users of this report to exercise due caution and prudent judgement as to the extent to which they rely on it for whatever purpose.

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13 PROPERTY AND EQUIPMENT

Audited Inflation Adjusted	Leasehold Improvements ZWL	Office Equipment ZWL	Furniture and Fittings ZWL	Motor Vehicles ZWL	Computer Equipment ZWL	Total ZWL
31 December 2019						
Cost/Valuation						
Opening balance	**12,035,044**	**1,659,357**	**1 801,745**	**2,945,773**	**12,936,351**	**31,378,270**
Additions	462,948	316,930	106,214	-	3,637,616	4,523,708
Revaluation gain	-	494,707	408,400	1,867,156	2,562,006	5,332,269
Disposals	-	-	-	-	(60,626)	(60,626)
Closing balance	**12,497,992**	**2,470,994**	**2,316,359**	**4,812,929**	**19,075,347**	**41,173,621**
Accumulated depreciation						
Opening balance	**2,631,187**	**275,162**	**374,671**	**1 203,978**	**5,586,905**	**10,071,903**
Charge for the year	1,240,913	192,263	188,893	589,155	2,697,182	4,908,406
Revaluation	-	(467,425)	(563,564)	(1,793,133)	(8,242,327)	(11,066,449)
Disposal	-	-		-	(41,760)	(41,760)
Closing balance	**3,872,100**	**-**	**-**	**-**	**-**	**3,872,100**
Net book value 2019	**8,625,892**	**2,470,995**	**2,316,359**	**4,812,929**	**19,075,347**	**37,301,521**
Carrying amount on cost model	**8,625,892**	**1,508,862**	**1,344,395**	**1,152,640**	**8,271,014**	**20,902,803**
2018						
Cost/valuation						
Opening balance	**11,868,008**	**1,144,941**	**1,391,746**	**2,945,773**	**12,108,710**	**29,459,178**
Additions	167,036	514,416	409,999	-	831,257	1,922,708
"Effect of adoption of IFRS 16 as at 1 January 2019"						
Disposal	-	-	-	-	(3,616)	(3,616)
Closing balance	**12,035,044**	**1,659,357**	**1,801,745**	**2,945,773**	**12,936,351**	**31,378,270**
Accumulated depreciation						
Opening balance	**1,435,071**	**145,337**	**226,535**	**614,898**	**3,198,078**	**5,619,919**
Charge for the year	1,196,116	129,826	148,135	589,080	2,391,337	4,454,494
Disposal	-	-	-	-	(2,510)	(2,510)
Closing balance	2,631,187	275,163	374,670	1,203,978	5,586,905	10,071,903
Net book value 2018	**9,403,857**	**1,384,194**	**1,427,075**	**1,741,795**	**7,349,446**	**21,306,367**
Unaudited Historical						
31 December 2019						
Cost						
Opening balance	1,936,850	267,047	289,963	474,076	2,081,901	5,049,836
Additions	91,634	85,082	29,293	-	1,817,126	2,023,135
Revaluation gain	-	2,118,865	1,997,102	4,338,854	15,187,126	23,641,947
Disposal	-	-	-	-	(10,806)	(10,806)
Closing balance	**2,028,484**	**2,470,994**	**2,316,358**	**4,812,930**	**19,075,347**	**30,704,113**
Accumulated depreciation						
Opening balance	423,448	44,283	60,297	193,761	899,124	1,620,913
Charge for the year	201,242	29,994	30,729	94,803	564,960	921,728
Revaluation	-	(74,277)	(91,026)	(288,564)	(1,456,641)	(1,910,508)
Disposal	-	-	-	-	(7,443)	(7,443)
Closing balance	**624,690**	**-**	**-**	**-**	**-**	**624,690**
Net book value 2019	**1,403,794**	**2,470,994**	**2,316,358**	**4,812,930**	**19,075,347**	**30,079,423**
Carrying amount on cost model	**1,403,794**	**277,852**	**228,230**	**185,512**	**2,431,312**	**4,526,699**
2018						
Cost						
Opening balance	**1,909,968**	**184,260**	**223,980**	**474,076**	**1,948,705**	**4,740,989**
Additions	26,882	82,787	65,983	-	133,778	309,430
Disposals	-	-	-	-	(582)	(582)
Closing balance	**1,936,850**	**267,047**	**289,963**	**474,076**	**2,081,901**	**5,049,837**
Accumulated depreciation						
Opening balance	230,952	23,390	36,457	98,958	514,680	904,437
Charge for the year	192,496	20,893	23,840	94,803	384,848	716,880
Disposal	-	-	-	-	(404)	(404)
Closing balance	**423,448**	**44,283**	**60,297**	**193,761**	**899,124**	**1,620,913**
Net book value 2018	**1,513,402**	**222,764**	**229,666**	**280,315**	**1,182,777**	**3,428,924**

	Audited Inflation Adjusted		Unaudited Historical	
	31 Dec 2019 ZWL	31 Dec 2018 ZWL	31 Dec 2019 ZWL	31 Dec 2018 ZWL
13.1 Right-of-use asset				
Initial recognition of right of use asset	3,421,180	-	391,086	-
Additions	1,021,440	-	116,764	-
Balance	**4,442,620**	**-**	**507,850**	**-**
Opening accumulated depreciation				
Charge for the year	1,303,590	-	209,295	-
Effects of changes in inflation	2,840,475	-		-
	4,144,065	**-**	**209,295**	
Carrying amount at the year end of the year	**298,555**	**-**	**298,555**	**-**
14 DEPOSITS				
Transactional and savings deposits	105,537,045	99,072,780	105,537,045	15,944,197
Term deposits	68,820,523	354,379,429	68,820,523	57,031,764
Money market deposits	9,000,000	52,816,623	9,000,000	8,500,000
	183,357,568	**506,268,832**	**183,357,568**	**81,475,961**
14.1 Deposits by source				
Banks	9,000,000	18,641,161	9,000,000	3,000,000
Corporates	158,835,928	435,082,681	157,835,928	70,019,676
Individuals	16,521,640	52,544,990	16,521,640	8,456,285
	183,357,568	**506,268,832**	**183,357,568**	**81,475,961**
14.2 Maturity analysis				
Less than 1 month	143,587,346	251,257,851	143,587,346	40,435,977
1 month to 3 months	8,997,261	136,829,917	8,997,261	22,020,611
3 months to 6 months	6,831,550	47,428,532	6,831,550	7,632,872
6 months to 1 year	13,260,981	8,512,797	13,260,981	1,370,000
1 year to 5 years	670,856	3,466,243	670,856	557,837
More than 5 years	10,009,574	58,773,492	10,009,574	9,458,664
	183,357,568	**506,268,832**	**183,357,568**	**81,475,961**

Maturity analysis is based on the remaining period from 31 December 2019 to contractual maturity.

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FOR THE YEAR ENDED 31 DECEMBER 2019

		Audited Inflation Adjusted		Unaudited Historical	
		31 Dec 2019 ZWL	31 Dec 2018 ZWL	31 Dec 2019 ZWL	31 Dec 2018 ZWL
14.3	**Sectorial Analyis**				
	Individuals	16,181,924	81,187,606	16,181,924	13,065,861
	Manufacturing	21,050	130,488,766	21,050	21,000,103
	Transport and distribution	40,717	2,653	40,717	427
	Energy and minerals	71,376	29,062	71,376	4,677
	Financial services	76,693,448	273,524,611	76,693,448	44,019,460
	Construction and property	748,801	6,838,131	748,801	1,100,489
	Trade and services	89,600,252	14,198,003	89,600,252	2,284,944
		183,357,568	**506,268,832**	**183,357,568**	**81,475,961**
15	**BORROWINGS**				
	Shareholder loan	43,922,863	275,417,876	43,922,863	44,324,151
		43,922,863	**275,417,876**	**43,922,863**	**44,324,151**
	Current liability	-	-	-	-
	Non - current liability	43,922,863	275,417,876	43,922,863	44,324,151
		43,922,863	**275,417,876**	**43,922,863**	**44,324,151**

Terms and repayment schedule

			Audited Inflation Adjusted		Unaudited Historical	
	Nominal interest facility rate	Year of maturity	Carrying amount 2019	Carrying amount 2018	Carrying amount 2019	Carrying amount 2018
Unsecured shareholder loan	5%	2019	4,832,533	30,028,010	4,832,533	4,832,533
Unsecured shareholder loan	5%	2020	4,908,358	30,499,162	4,908,358	4,908,358
Unsecured shareholder loan	6.50%	2022	23,000,000	142,915,566	23,000,000	23,000,000
Unsecured shareholder loan	6.50%	2022	5,600,000	34,796,833	5,600,000	5,600,000
Unsecured shareholder loan	1.75%	2033	5,581,972	37,178,305	5,581,972	5,983,260
			43,922,863	**275,417,876**	**43,922,863**	**44,324,151**

The facilities were availed to fund the construction of low-cost housing in line with the Society's mandate. Repayment towards facilities was supposed to be generated from the collections from mortgage facilities given to the Society's customers. Due to adverse economic conditions which saw sharp increases in construction costs to the extent that the target market would not be able to afford the delivered housing units, the intention behind the loans has yet to be realised. Management is currently in discussions with the shareholder to adjust the terms of the facilities.

		Audited Inflation Adjusted		Unaudited Historical	
		31 Dec 2019 ZWL	31 Dec 2018 ZWL	31 Dec 2019 ZWL	31 Dec 2018 ZWL
16	**OTHER LIABILITIES**				
	Deferred income	2,481,197	8,985,621	2,481,197	1,446,094
	Accrued interest	5,694,241	13,928,664	5,694,241	2,241,598
	Lease liability	568,172	-	568,172	-
	Provisions	9,692,082	1,342,513	9,692,082	216,056
	Other liabilities	6,995,341	15,682,952	6,995,341	2,523,923
		25,431,033	**39,939,750**	**25,431,033**	**6,427,671**

		Audit fee ZWL	Contractor claims ZWL	Totals ZWL
16.1	**Provisions**			
	Audited Inflation Adjusted			
	Balance at 1 January 2019	**1,342,513**	**-**	**1,342,513**
	Provisions made during the year	7,091,934	3,832,777	10,924,711
	Provisions paid during the year	(1,342,513)	-	(1,342,513)
	Effects of change in inflations	(1,232,629)	-	(1,232,629)
	Balance at 31 December 2019	**5,859,305**	**3,832,777**	**9,692,082**
	Balance at 1 January 2018	**-**	**-**	**-**
	Provisions made during the year	1,342,513	-	1,342,513
	Provisions paid during the year	-	-	-
	Effects of change in inflations	-	-	-
	Balance at 31 December 2018	**1,342,513**	**-**	**1,342,513**
	Unaudited Historical			
	Balance at 1 January 2019	**216,056**	**-**	**216,056**
	Provisions made during the year	5,859,305	3,832,777	9,692,082
	Provisions paid during the year	(216,056)	-	(216,056)
	Balance at 31 December 2019	**5,859,305**	**3,832,777**	**9,692,082**
	Balance at 1 January 2018	**216,056**	**-**	**216,056**
	Provisions made during the year	-	-	-
	Provisions paid during the year	-	-	-
	Balance at 31 December 2018	**216,056**	**-**	**216,056**

		Audited Inflation Adjusted		Unaudited Historical	
		31 Dec 2019 ZWL	31 Dec 2018 ZWL	31 Dec 2019 ZWL	31 Dec 2018 ZWL
17	**EQUITY AND RESERVES**				
17.1	**Share movement**				
	Authorised ordinary shares	1,000,000,000	1,000,000,000	1,000,000,000	1,000,000,000
	Issued and fully paid ordinary shares	508,929,558	508,929,558	508,929,558	508,929,558
	Unissued ordinary shares	491,070,442	491,070,442	491,070,442	491,070,442
	Issued share capital and share premium				
	508,929,558 Ordinary shares of $0.01 each	31,623,459	31,623,459	5,089,296	5,089,296
	Share premium	276,872,969	276,872,969	44,558,325	44,558,325
17.2	**Accumulated loss**				
	Opening balance	**(25,255,445)**	**(32,947,419)**	**(4,064,464)**	**(5,302,365)**
	Surplus for the period	11,900,935	6,426,941	21,254,849	1,034,314
	Transfer from general reserve	-	1,265,033	-	203,587
	IFRS 16 adjustment	(294,874)	-	(294,874)	-
	Closing balance	**(13,649,384)**	**(25,255,445)**	**16,895,511**	**(4,064,464)**
17.3	**Revaluation reserve**				
	Opening balance	**-**	**-**	**-**	**-**
	Translation	16,398,718	-	25,552,455	-
	Closing balance	**16,398,718**	**-**	**25,552,455**	**-**

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18 CATAGORIES OF FINANCIAL INSTRUMENTS

	Audited Inflation Adjusted		Unaudited Historical	
	Amortised Cost	Total carrying amount	Amortised Cost	Total carrying amount
31 December 2019				
Cash on hand	2,334,530	2,334,530	2,334,530	2,334,530
Bank balances	53,390,842	53,390,842	53,390,842	53,390,842
Interbank placements	5,985,910	5,985,910	5,985,910	5,985,910
Investment securities	61,893,631	61,893,631	61,893,631	61,893,631
Loans and advances	96,353,262	96,353,262	96,353,262	96,353,262
Total	**219,958,175**	**219,958,175**	**219,958,175**	**219,958,175**
Financial liabilities				
Deposits	183,357,568	183,357,568	183,357,568	183,357,568
Borrowings	43 922 863	43 922 863	43,922,863	43,922,863
Total	**227,280,431**	**227,280,431**	**227,280,431**	**227,280,431**
31 December 2018				
Financial assets				
Cash on hand	116,389	116,389	18,731	18,731
Bank balances	32,372,295	32,372,295	5,209,809	5,209 809
Interbank placements	37,282,322	37,282,322	6,000,000	6,000,000
Investment securities	223,609,741	223,609,741	36,091,758	36,091,758
Loans and advances	507,016,315	507,016,315	84,050,014	84,050,014
Total	**800,397,062**	**800,397,062**	**131,370,312**	**131,370,312**
Financial liabilities				
Deposits	506,268,832	506,268,832	81,475,961	81,475,961
Borrowings	275,417,876	275,417,876	44,324,151	44,324,151
Total	**781,686,708**	**781,686,708**	**125,800,112**	**125,800,112**

18.1 Financial instruments not measured at fair value

Audited Inflation Adjusted	Level 2 ZWL	Level 3 ZWL	Total fair value ZWL	Total carrying amount ZWL
31 December 2019				
Financial assets				
Cash on hand	2,334,530	-	2,334,530	2,334,530
Bank balances	53,390,842	-	53,390,842	53,390,842
Interbank placements	-	5,985,910	5,985,910	5,985,910
Investment securities	-	61,893,631	61,893,631	61,893,631
Loans and advances	96,353,262	-	96,353,262	96,353,262
Total	**152,078,634**	**67,879,541**	**219,958,175**	**219,958,175**
Financial liabilities				
Deposits	183,357,568	-	183,357,568	183,357,568
Borrowings	-	43,922,863	43,922,863	43,922,863
Total	**183,357,568**	**43,922,863**	**227,280,431**	**227,280,431**
31 December 2018				
Financial assets				
Cash on hand	116,389	-	116,389	116,389
Bank balances	32,372,295	-	32,372,295	32,372,295
Interbank placements	-	37,282,322	37,282,322	37,282,322
Investment securities	-	223,609,741	223,609,741	223,609,741
Loans and advances	507,016,315	-	507,016,315	507,016,315
Total	**539,504,999**	**260,892,063**	**800,397,062**	**800,397,062**
Financial liabilities				
Deposits	506,268,832	-	506,268,832	506,268,832
Borrowings	-	275,417,876	275,417,876	275,417,876
Total	**506,268,832**	**275,417,876**	**781,686,708**	**781,686,708**
Unaudited Historical				
31 December 2019				
Financial assets				
Cash on hand	2,334,530	-	2,334,530	2,334,530
Bank balances	53,390,842	-	53,390,842	53,390,842
Interbank placements	-	5,985,910	5,985,910	5,985,910
Investment securities	-	61,893,631	61,893,631	61,893,631
Loans and advances	96,353,262	-	96,353,262	96,353,262
Total	**152,078,634**	**67,879,541**	**219,958,175**	**219,958,175**
Financial liabilities				
Deposits	183,357,568	-	183,357,568	183,357,568
Borrowings	-	43,922,863	43,922,863	43,922,863
Total	**183,357,568**	**43,922,863**	**227,280,431**	**227,280,431**
31-Dec-18				
Financial assets				
Cash on hand	18 731	-	18,731	18,731
Bank balances	5,209,809	-	5,209,809	5,209,809
Interbank placements	-	5,973,365	5,973,365	5,973,365
Investment securities	-	37 311,782	37,311,782	37,311,782
Loans and advances	81,596,257	-	81,596,257	81,596,257
Total	**86,824,797**	**43,285,147**	**130,109,944**	**130,109,944**
Financial liabilities				
Deposits	81,475,961	-	81,475,961	81,475,961
Borrowings	-	44,324,151	44,324,151	44,324,151
Total	**81,475,961**	**44,324,151**	**125,800,112**	**125,800,112**

Which details the Society's approach, assessment and management of risk and capital from an internal perspective that is over and above the minimum regulatory rules and capital requirements of Basel II. The primary objective of the Society's capital management is to ensure that the Society complies with externally imposed capital requirements and that the Society maintains strong credit ratings and healthy capital ratios in order to support its business and maximise shareholder value. ICAAP incorporates a capital management framework designed to satisfy the needs of key stakeholders i.e depositors, regulators, rating agencies who have specific interest in its capital adequacy and optimal risk taking to ensure its going concern status (solvency). The focus is also targeted at the meeting the expectations of those stakeholders i.e.shareholders,analysts, investors ,clients and the general public who are interested in looking at the profitability of the Society vis-a-vis assumed levels of risk.

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FOR THE YEAR ENDED 31 DECEMBER 2019

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19 CAPITAL ADEQUACY

Capital adequacy is computed in line with guidelines provided by the Reserve Bank of Zimbabwe.

	Unaudited Historical	
	31 Dec 2019 ZWL	31 Dec 2018 ZWL
Risk weighted assets	282,419,100	94,914,741
Tier 1		
Share capital	5,089,296	5,089,296
Share premium	44,558,325	44,558,325
Accumulated profit/(deficit)	16,895,511	(4,064,464)
Exposure to insiders	(2,061,012)	-
Core capital	**64,482,120**	**45,583,157**
Tier 2		
Borrowings	43,922,863	44,324,151
Revaluation reserve	25,552,455	-
	69,475,318	**44,324,151**
Core Capital	64,482,120	45,583,217
Tier 1 ratio	23%	48%
Tier 2 ratio	25%	47%
Capital adequacy ratio	**48%**	**95%**

19.1 Capital adequacy

Regulatory capital, consists of Tier 1 capital which comprises share capital, share premium and accumulated loss including current year deficit. The Society was compliant with minimum regulatory provisions as set by the Reserve Bank of Zimbabwe as at 31 December 2019.

	Audited Inflation Adjusted		Unaudited Historical	
	31 Dec 2019 ZWL	31 Dec 2018 ZWL	31 Dec 2019 ZWL	31 Dec 2018 ZWL
20 CAPITAL COMMITMENTS				
Authorised but not yet contracted for	-	-	151,199,494	6,642,986
21 INTEREST INCOME				
Loans and advances	41,402,741	45,505,521	14,504,172	7,089,786
Money market placements	9,068,341	20,117,917	3,311,220	3,237,661
	50,471,082	**65,623,438**	**17,815,392**	**10,327,447**
Interest expense			-	
Money market deposits	10,930,061	13,953,364	3,809,832	2,245,573
Borrowings	7,422,154	3,451,881	2,356,180	555,526
Savings deposits	50,320	69,602	12,140	11,201
	18,402,535	**17,474,847**	**6,178,152**	**2,812,300**
Net interest income	**32,068,547**	**48,148,591**	**11,637,240**	**7,515,147**
22 NON FUNDED INCOME				
Net commission and fee income	33,868,962	27,371,053	13,837,991	4,404,938
Realised exchanged gains	8,883,378	-	3,987,654	-
Unrealised exchanged gains	2,870,037	-	2,870,037	-
Fair value adjustment on investment property	17,348,551	-	33,370,434	-
Other operating income	38,338	816,800	4,515	365,059
	63,009,266	**28,187,853**	**54,070,631**	**4,769,997**
23 OPERATING EXPENSES				
Staff costs	32,618,645	30,203,616	11,315,885	4,860,794
Defined contribution plan	1,025,664	864,580	358,247	139,141
Project contractor claims	3,832,777	-	3,832,777	-
Depreciation	4,908,406	4,454,754	921,729	716,880
Amortisation of intangible assets	1,678,796	1,616,414	264,658	260,136
Other expenses	42,724,526	22,906,238	22,174,748	3,686,441
	86,788,814	**60,045,602**	**38,868,044**	**9,663,392**
Remuneration of directors and key management personnel				
Fees for services as directors	547,591	1,182,582	401,880	521,760
Short term benefits of executive staff	7,892,120	-	2,978,669	1,274,618
Post employment benefits	373,911	-	135,438	-
	8,813,622	**1,182,582**	**3,515,987**	**1,796,378**

Operating leases

Society as a lease

The Society leases a number of buildings under operating leases. The buildings are mainly used by the Society for its branches. The leases run for a period of 5 years with an option to renew the lease after the expiry date. During the year ended 31 December 2019, an amount of ZWL209 295 was recognised as depreciation of Right of use asset under IFRS 16. Lease interest was determined to be ZWL179 902.

24 RELATED PARTY DISCLOSURES

The Society is a wholly owned subsidiary of National Social Security Authority through its two funds National Pension Scheme Fund and Workers Compensation Insurance Fund.

The organisation has diverse business interests across various economic sectors. A number of banking transactions are entered into with related parties in the normal course of business. These include loans, deposits and money market investments.

24.1 The following is a list of related parties to the Society:

National Pension Scheme Fund
Workers Compensation Insurance Fund
National Social Security Authority
First Mutual Life Group
Social Security Center

	31 Dec 2019 ZWL	31 Dec 2018 ZWL
24.2 Transactions with related parties		
Interest paid to NSSA	461,639	290,599
Interest paid to FML	596,341	-
Interest paid to FBC	7,194	-
Interest paid to FBC Building Society	29,687	-
Deposits received	-	-
First Mutual Life Assurance Company	47,800,563	6,340,824
Fidelity Life Asset Management	-	124,030
NICOZ Diamond Insurance Limited	-	140,207
Rainbow Tourism Group Limited	-	24,190
NSSA	18,255,000	-
FBC	5,000,000	-
FBC Building Society	13,000,000	-
Borrowings from NSSA	43,922,863	44,324,151
Rent expense to NSSA	251,422	111,862
Other expenses	230,750	50,662
24.3 Balances with related parties		
Term deposit held with NSSA	8,862,000	2,000,000
Transaction deposits with NSSA	57,556,277	-
Balance owed to NSSA	43,922,863	44,324,151
Interbank borrowing placement with FBC Holdings Limited	3,000,000	3,000,000
Loans to executive staff of NBS	4,841,960	-

25 RISK MANAGEMENT DISCLOSURE

As a financial intermediary, the Society is exposed to various types of risks including credit, market, liquidity, operational, legal, compliance and reputation risks. The objective of the risk management framework at NBS is to ensure that these risks are understood, measured and monitored and that the policies and procedures established to address these risks are strictly adhered to.

26 CREDIT RISK

This is risk of potential loss that arises when a borrower, or client, or counterparty, may fail to meet obligations in accordance with agreed credit terms and conditions. This includes failing to meet interest and capital repayments, settlements and collateral risk. The Society is exposed to credit risk due to its involvement in lending operations.

26.2 Credit risk management framework

Credit risk is managed through a comprehensive process of credit origination, credit approval, credit monitoring and review. There is full segregation of duties between credit origination and credit approval processes.

The Society has been prudently maintaining an impairment allowance on its credit exposures to cushion itself from problematic loans. IFRS 9 modeling methodologies have been adopted, documented and expected credit loss impairments (ECLs) have been appropriately recognized to reflect the inherent credit risk profile at each reporting period.

Undesirable characteristics within the credit portfolio that include concentration and default risk are managed through a framework of approved limits which are monitored and reviewed by the Loans Review Committee set by the Board.

The Society also performs various types of credit stress testing which are meant to assess the impact of changing economic conditions on asset quality, earnings performance and ultimately capital adequacy.

The Society, thus, manages its credit risk by adhering to credit policies and procedure manuals and monitor risk against the set thresholds. These Credit policies are reviewed annually to align with developing trends in credit processes and business goals.

The Board maintains oversight over credit risk through its Board Credit Committee and the Board Loans Review Committee. Management structures supported by the Management Credit Committee and Loans Review Committee actively manage credit risk.

26.3 Credit risk mitigation

Where possible, NBS takes collateral as a secondary recourse to the borrower. The Society put in place policies to determine the eligibility of collateral for credit risk mitigation. In times of difficulty, the Society reviews customers' specific facts and circumstances to assist them in restructuring their repayment liabilities. However, should the need arise, disposal and recovery processes are in place for disposal of collateral held by NBS.

26.4 Non-performing loans and advances

The Society classifies its advances into performing and non-performing loans in accordance with the RBZ guidelines.

26.5 Credit risk exposure

The table below summarizes the Society's exposure to credit risk.

	Audited Inflation Adjusted		Unaudited Historical	
	31 Dec 2019 ZWL	31 Dec 2018 ZWL	31 Dec 2019 ZWL	31 Dec 2018 ZWL
Cash and cash equivalents	61,725,372	69,771,006	61,725,372	11,228,540
Investment securities	64,949,556	224,264,089	64,949,556	36,091,758
Loans and advances	101,395,766	522,263,276	101,395,766	84,050,014
Other assets and prepayments	249,292,420	243,258,540	54,234,737	39,148,614
Total	**477,363,114**	**1,059,556,911**	**282,305,431**	**170,518,926**
26.6 Aging analysis of past due but not impaired loans and advances (special mention loans):				
1 to 3 months	4 673 184	32 078 089	4 673 184	5 162 461

26.7 Credit quality per class of financial assets (gross)

	Audited Inflation Adjusted		Unaudited Historical	
	31 Dec 2019 ZWL	31 Dec 2018 ZWL	31 Dec 2019 ZWL	31 Dec 2018 ZWL
Pass	94,601,103	483,962,364	94,601,103	77,886,088
Special mention	4,673,184	32,078,089	4,673,184	5,162,461
Substandard	828,909	2,514,742	828,909	404,708
Doubtful	505,272	2,227,010	505,272	358,402
Loss	787,298	1,481,071	787,298	238,355
Totals	**101,395,766**	**522,263,276**	**101,395,766**	**84,050,014**

27 MARKET RISK

Market risk is defined as the risk of a loss of value resulting from the fluctuation of the market prices of financial instruments. The Societies transactions are mainly exposed to the following risk types:

- Interest Rate Risk
- Foreign Exchange Risk.

27.1 Market risk management framework

The Board through the Board Risk and Compliance Committee has oversight over Market Risk and sets the Society's risk appetite for market risk. The Society manages market risk through risk awareness of the front office, monitoring of treasury limits and an escalation procedure to ALCO. Management structures supported by ALCO are in place to identify, measure and monitor market risk regularly against set benchmarks through the use of daily, weekly and monthly dashboards and reports highlighting inherent market risk and assessed against key market risk metrics.

Sensitivity analysis is employed to quantify the impact of a specified change in individual market parameters on the value of the Society's positions. Stress testing is also used to show the market risk under extreme conditions where documented stress scenarios are calculated on a monthly basis for key risk drivers across all portfolios. These are guided by the relevant NBS policies that have been approved by the Board.

27.2 Interest rate risk

This arises from the possibility that changes in interest rates will affect the future cash flows of the Society's financial instruments. The Society employs several methods that enable it to identify, measure and monitor interest rate risk. Margin analysis, interest rate repricing gaps and sensitivity analysis are employed on a regular basis to assess the Society's exposure to interest rate risk.

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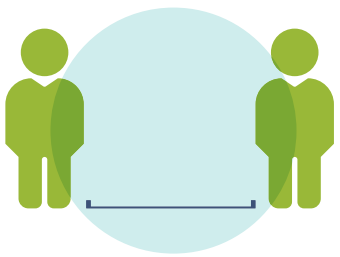

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Abridged Audited Financial Results

FOR THE YEAR ENDED 31 DECEMBER 2019

Solar Energy Loan Fund

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27.2.1 Interest rate repricing gap analysis

Audited Inflation Adjusted	Less than 1 month ZWL	1 to 3 months ZWL	3 to 6 months ZWL	6 to 12 months ZWL	1 to 5 years ZWL	5 years and above ZWL	Non interest bearing ZWL	Total ZWL
2019								
Assets								
Cash and cash equivalents	59,077,322	-	-	-	-	-	2,633,960	61,711,282
Investment securities	1,567,413	1,045,689	17,047,906	39,099,144	3,133,479	-	-	61,893,631
Loans and advances	3,412,161	6,267,175	7,053,413	15,901,798	19,256,108	44,462,607	-	96,353,262
Other assets and prepayments	-	-	-	-	-	-	182,333,496	182,333,496
Inventory, work in progress	-	-	-	-	-	-	66,958,924	66,958,924
Computer software	-	-	-	-	-	-	20,827,955	20,827,955
Investments property	-	-	-	-	-	-	36,278,600	36,278,600
Right of use asset	-	-	-	-	-	-	298,555	298,555
Property and equipment	-	-	-	-	-	-	37,301,521	37,301,521
Total assets	**64,056,896**	**7,312,864**	**24,101,319**	**55,000,942**	**22,389,587**	**44,462,607**	**346,633,011**	**563,957,226**
Liabilities								
Deposits	143,587,346	8,997,261	6,831,550	13,260,981	670,856	10,009,574	-	183,357,568
Borrowings	-	-	-	-	-	43,922,863	-	43,922,863
Lease liability	-	-	-	336,103	232,069	-	-	568,172
Other liabilities	-	-	-	-	-	-	24,862,861	24,862,861
Equity & Reserves	-	-	-	-	-	-	311,245,762	311,245,762
Total liabilities	**143,587,346**	**8,997,261**	**6,831,550**	**13,597,084**	**902,925**	**53,932,437**	**336,108,623**	**563,957,226**
Periodic gap	(79,530,450)	(1,684,397)	17,269,769	41,403,858	21,486,662	(9,469,830)	10,524,388	-
Cumulative gap	(79,530,450)	(81,214,847)	(63,945,078)	(22,541,220)	(1,054,558)	(10,524,388)	-	
2018								
Assets								
Cash and cash equivalents	69,489,115	-	-	-	-	-	116,389	69,605,504
Investment securities	-	42,482,379	13,136,177	111,776,812	56,379,875	-	-	223,775,243
Loans and advances	19,940,487	2,858,933	4,169,549	7,509,703	163,623,410	308,914,233	-	507,016,315
Other assets and prepayments	-	-	-	-	-	-	177,355,934	177,355,934
Inventory, work in progress	-	-	-	-	-	-	65,902,606	65,902,606
Computer software	-	-	-	-	-	-	21,742,766	21,742,766
Investment property	-	-	-	-	-	-	18,162,706	18,162,706
Property and equipment	-	-	-	-	-	-	21,306,367	21,306,367
Total assets	**89,429,602**	**45,341,312**	**17,305,726**	**119,286,515**	**220,003,285**	**308,914,233**	**304,586,768**	**1,104,867,441**
Liabilities								
Deposits	251,257,850	136,829,917	47,428,532	8,512,797	3,466,243	58,773,493	-	506,268,832
Borrowings	-	-	-	-	-	275,417,876	-	275,417,876
Other liabilities	-	-	-	-	-		39,939,750	39,939,750
Equity and reserves	-	-	-	-	-	-	283,240,983	283,240,983
Total liabilities	**251,257,850**	**136,829,917**	**47,428,532**	**8,512,797**	**3,466,243**	**334,191,369**	**323,180,733**	**1,104,867,441**
Periodic gap	(161,828,248)	(91,488,605)	(30,122,806)	110,773,718	216,537,042	(25,277,136)	(18,593,965)	-
Cumulative gap	(161,828,248)	(235,316,853)	(283,439,659)	(172,665,941)	43,871,101	18,593,965	-	-
Unaudited Historical								
2019								
Assets								
Cash and cash equivalents	59,077,322	-	-	-	-	-	2,633,960	61,711,282
Investment securities	1,567,413	1,045,689	17,047,906	39,099,144	3,133,479	-	-	61,893,631
Loans and advances	3,412,161	6,267,175	7,053,413	15,901,798	19,256,108	44,462,607	-	96,353,262
Other assets and prepayments	-	-	-	-	-	-	43,341,983	43,341,983
Inventory work in progress	-	-	-	-	-	-	10,892,754	10,892,754
Investments property	-	-	-	-	-	-	36,278,600	36,278,600
Computer software	-	-	-	-	-	-	3,957,561	3,957,561
Property and equipment	-	-	-	-	-	-	30,079,423	30,079,423
Right of use asset	-	-	-	-	-	-	298,555	298,555
Total assets	**64,056,896**	**7,312,864**	**24,101,319**	**55,000,942**	**22,389,587**	**44,462,607**	**127,482,836**	**344,807,051**
Liabilities								
Deposits	143,587,346	8,997,261	6,831,550	13,260,981	670,856	10,009,574	-	183,357,568
Borrowings	-	-	-	-	-	43,922,863	-	43,922,863
Lease liability	-	-	-	336,103	232,069			568,172
Other liabilities	-	-	-	-	-	-	24,862,861	24,862,861
Equity & Reserves	-	-	-	-	-	-	92,095,587	92,095,587
Total liabilities	**143,587,346**	**8,997,261**	**6,831,550**	**13,597,084**	**902,925**	**53,932,437**	**116,958,448**	**344,807,051**
Periodic gap	(79,530,450)	(1,684,397)	17,269,769	41,403,858	21,486,662	(9,469,830)	10,524,388	-
Cumulative gap	(79,530,450)	(81,214,847)	(63,945,078)	(22,541,220)	(1,054,558)	(10,524,388)	-	-
2018								
Assets								
Cash and cash equivalents	5,973,365	-	-	-	-	-	5,228,540	11,201,905
Investment securities	-	6,836,867	2,114,060	17,988,710	9,073,449	-	-	36,013,086
Loans and advances	3,209,106	460,100	671,023	1,208,568	26,332,600	49,714,860	-	81,596,257
Other assets and prepayments	-	-	-	-	-	-	28,542,632	28,542,632
Inventory, work in progress	-	-	-	-	-	-	10,605,982	10,605,982
Computer software	-	-	-	-	-	-	3,499,154	3,499,154
Investment property	-	-	-	-	-	-	2,923,000	2,923,000
Property and equipment	-	-	-	-	-	-	3,428,924	3,428,924
Total assets	**9,182,471**	**7,296,967**	**2,785,083**	**19,197,278**	**35,406,049**	**49,714,860**	**54,228,232**	**177,810,940**
Liabilities								
Deposits	40,435,977	22,020,611	7,632,872	1,370,000	557,837	9,458,664	-	81,475,961
Borrowings	-	-	-	-	-	44,324,151	-	44,324,151
Other liabilities	-	-	-	-	-		6,427,671	6,427,671
Equity and reserves	-	-	-	-	-	-	45,583,157	45,583,157
Total liabilities	40,435,977	22,020,611	7,632,872	1,370,000	557,837	53,782,815	52,010,828	177,810,940
Periodic gap	(31,253,506)	(14,723,644)	(4,847,789)	17,827,278	34,848,212	(4,067,955)	2,217,404	-
Cumulative gap	(31,253,506)	(45,977,150)	(50,824,939)	(32,997 661)	1,850,551	(2,217,404)	-	-

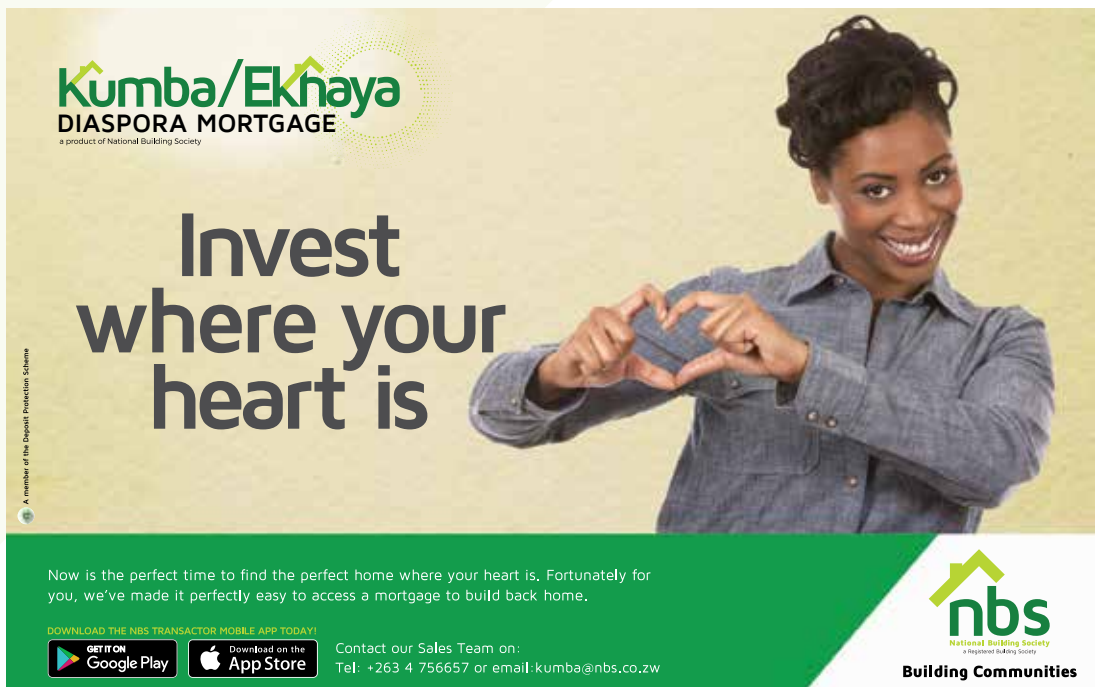
27.3 Foreign exchange risk

Foreign exchange risk is the potential adverse impact on earnings and economic value of assets and liabilities of the Society as a result of exchange rate movements. The Society monitors its foreign currency denominated assets and liabilities on an ongoing basis as guided by limits to maximum exposures per currency and stop loss limits which were approved by the Board.

27.4 Liquidity risk

This is the risk that the Society may fail to fund increases in assets and meet obligations as they fall due, without incurring unacceptable losses. The Society is exposed to both funding liquidity risk and market liquidity risk. Funding liquidity risk is the risk that the Society may not be able to meet its obligations as they fall due. Market liquidity risk is the risk that the Society will be unable the sell its assets and settle positions, without incurring an unacceptable loss. Liquidity management reports are prepared and reported to senior management and Treasury Front Office.

The Society focuses on ensuring that at any given time, there is sufficient liquidity to meet its obligations and sets aside sufficient buffer to cater for unforeseen stress events that can arise in the normal course of business. The Society's liquidity risk framework ensures that there are limits in place to monitor the liquidity risk profile. As an integral part of its risk management, the Society stress tests its liquidity position on a regular basis to unearth underlying liquidity vulnerabilities.



27.4.1 Liquidity gap analysis

Audited Inflation Adjusted	Less than 1 month ZWL	1 to 3 months ZWL	3 to 6 months ZWL	6 to 12 months ZWL	1 to 5 years ZWL	5 years and above ZWL	Total ZWL
2019							
Assets							
Cash and cash equivalents	61,711,282	-	-	-	-	-	61,711,282
Investment securities	1,567,413	1,045,689	17,047,906	39,099,144	3,133,479	-	61,893,631
Loans and advances	3,412,161	6,267,175	7,053,413	15,901,798	19,256,108	44,462,607	96,353,262
Other assets	-	-	-	-	182,333,496	-	182,333,496
Inventory, work in progress	-	-	-	-	66,958,924		66,958,924
Computer software	-	-	-	-	-	20,827,955	20,827,955
Investment property	-	-	-	-	-	36,278,600	36,278,600
Right of use asset	-	-	-	-	298,555	-	298,555
Property and equipment	-	-	-	-	-	37,301,521	37,301,521
Total assets	**66,690,856**	**7,312,864**	**24,101,319**	**55,000,942**	**271,980,562**	**138,870,683**	**563,957,226**
Liabilities							
Deposits	143,587,346	8,997,261	6,831,550	13,260,981	670,856	10,009,574	183,357,568
Borrowings	-	-	-	-	-	43,922,863	43,922,863
Lease liability	-	-	-	336,103	232,069	-	568,172
Other liabilities	-	-	-	24,862,861	-	-	24,862,861
Total liabilities	**143,587,346**	**8,997,261**	**6,831,550**	**38,459,945**	**902,925**	**53,932,437**	**252,711,464**
Periodic Gap	(76,896,490)	(1,684,397)	17,269,769	16,540,997	271,077,637	84,938,246	311,245,762
Cumulative Gap	(76,896,490)	(78,580,887)	(61,311,118)	(44,770,121)	226,307,516	311,245,762	-
2018							
Assets							
Cash and cash equivalents	69,605,504	-	-	-	-	-	69,605,504
Investment securities	-	42,482,379	13,136,177	111,776,812	56,379,875	-	223,775,243
Loans and advances	19,940,487	2,858,933	4,169,549	7,509,703	163,623,410	308,914,233	507,016,315
Other assets and prepayments	-	-	-	177,355,934	-	-	177,355,934
Inventory, work in progress	-	-	-	65,902,606	-	-	65,902,606
Computer software	-	-	-	-	-	21,742,766	21,742,766
Investment property	-	-	-	-	-	18,162,706	18,162,706
Property and equipment	-	-	-	-	-	21,306,367	21,306,367
Total assets	**89,545,991**	**45,341,312**	**17,305,726**	**362,545,055**	**220,003,285**	**370,126,072**	**1,104,867,441**
Liabilities							
Deposits	251,257,850	136,829,917	47,428,532	8,512,797	3,466,243	58,773,493	506,268,832
Borrowings	-	-	-	-	-	275,417,876	275,417,876
Other liabilities	-	-	-	39,939,750	-	-	39,939,750
Total liabilities	**251,257,850**	**136,829,917**	**47,428,532**	**48,452,547**	**3,466,243**	**334,191,369**	**821,626,458**
Periodic gap	**(161,711,859)**	**(91,488,605)**	**(30,122,806)**	**314,092,508**	**216,537,042**	**35,934,703**	**283,240,983**
Cumulative gap	(161,711,859)	(253,200,464)	(283,323,270)	30,769,238	247,306,280	283,240,983	-
2019 Unaudited Historical							
Assets							
Cash and cash equivalents	61,711,282	-	-	-	-	-	61,711,282
Investment securities	1,567,413	1,045,689	17,047,906	39,099,144	3,133,479	-	61,893,631
Loans and advances	3,412,161	6,267,175	7,053,413	15,901,798	19,256,108	44,462,607	96,353,262
Other assets and prepayments	-	-	-	-	43,341,983	-	43,341,983
Inventory, work in progress	-	-	-	-	10,892,754	-	10,892,754
Investment property	-	-	-	-	-	36,278,600	36,278,600
Computer software	-	-	-	-	-	3,957,561	3,957,561
Right of use asset	-	-	-	-	298,555	-	298,555
Property and equipment	-	-	-	-	-	30,079,423	30,079,423
Total assets	**66,690,856**	**7,312,864**	**24,101,319**	**55,000,942**	**76,922,879**	**114,778,191**	**344,807,051**
Liabilities							
Deposits	143,587,346	8,997,261	6,831,550	13,260,981	670,856	10,009,574	183,357,568
Borrowings	-	-	-	-	-	43,922,863	43,922,863
Lease liability	-	-	-	336,103	232,069	-	568,172
Other liabilities	-	-	-	24,862,861	-	-	24,862,861
Total liabilities	143,587,346	8,997,261	6,831,550	38,459,945	902,925	53,932,437	252,711,464
Periodic Gap	(76,896,490)	(1,684,397)	17,269,769	16,540,997	76,019,954	60,845,754	92,095,587
Cumulative Gap	(76,896,490)	(78,580,887)	(61,311,118)	(44,770,121)	31,249,833	92,095,587	-
2018							
Assets							
Cash and cash equivalents	11,201,905	-	-	-	-	-	11,201,905
Investment securities	-	6,836,867	2,114,060	17,988,710	9,073,449	-	36,013,086
Loans and advances	3,209,106	460,100	671,023	1,208,568	26,332,600	49,714,860	81,596,257
Other assets and prepayments	-	-	-	28,542,632	-	-	28,542,632
Inventory, work in progress	-	-	-	10,605,982	-	-	10,605,982
Computer software	-	-	-	-	-	3,499,154	3,499,154
Investment property	-	-	-	-	-	2,923,000	2,923,000
Property and equipment	-	-	-	-	-	3,428,924	3,428,924
Total assets	**14,411 011**	**7,296,967**	**2,785,083**	**58,345,892**	**35,406,049**	**59,565 938**	**177,810,940**
Liabilities							
Deposits	40,435,977	22,020,611	7,632,872	1,370,000	557,837	9,458,664	81,475 961
Borrowings	-	-	-	-	-	44,324,151	44,324,151
Other liabilities	-	-	-	6,427,671	-	-	6,427,671
Total liabilities	**40,435,977**	**22,020,611**	**7,632,872**	**7,797,671**	**557,837**	**53,782,815**	**132,227,783**
Periodic gap	(26 024 966)	(14,723,644)	(4,847 789)	50,548,221	34,848,212	5,783,123	45,583,157
Cumulative gap	(26,024,966)	(40,748,610)	(45,596,399)	4,951,822	39,800,034	45,583,157	-

27.4.2 Liquidity ratio

	31 Dec 2019 ZWL	31 Dec 2018 ZWL
Total liquid assets	150,472,021	49,130,966
Total customer deposits	183,357,568	81,475,961
Liquidity ratio	82.06%	60%
Minimum statutory level	30%	30%

27.4.3 Contingent liabilities

Mortgage commitments	4,544,136	4,544,136

28 OPERATIONAL RISK

This is the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events.

The NBS Operational Risk Management Framework defines minimum standards and processes, and the governance structure for operational risk management across the Society. The Society has adopted the following categories of risk events in its management of operational risk.

- Internal Fraud;
- External Fraud;
- Business Disruption and System Failures;
- Client Products and Business Practices;
- Employment Practices and Workplace Safety;
- Execution Delivery and process management; and
- Damage to Physical Assets.

Risk and Control Self Assessments (RCSA) are being used across all departments for identifying, assessing, monitoring and managing key risks within a department and evaluating the effectiveness of the controls that are in place to manage these risks.

The Society's Management Committees and Board Risk and Compliance meets regularly to manage operational risk.

29 COMPLIANCE AND LEGAL RISK

Compliance risk is the current and prospective risk to earnings or capital arising from violations of, or non-conformance with laws, rules, regulations, prescribed practices, internal policies and procedures, or ethical standards.

Legal risk is the risk of loss due to litigation which is primarily caused by:

- defective transactions;
- claim being made or some other event occurring which results in liability or other loss;
- failure to protect assets adequately; or
- change in the law.

The risks may expose the Society to loss of authorization to operate and inability to enforce contracts. The Society's Legal Department is responsible for the management of legal risk by reviewing all agreements entered into by the Society.

All departments are responsible and accountable for compliance management in their environment and the Society's Compliance Function monitors and guides the institution on compliance matters and ensuring there is zero tolerance to compliance breaches.

The board has full oversight over compliance risk through the Board Risk and Compliance Committee.

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30 STRATEGIC RISK

Strategic risk refers to the current and/or prospective impact on the Society's earnings, capital or business viability arising from adverse business decisions and implementation of strategies which are inconsistent with internal factors and the external environment.

The Society has in place structures and processes to identify, measure and monitor strategic risk which are monitored regularly and discussed in ALCO and EXCO and assessed against the Society's strategic objectives.

The Board has oversight over strategic risk through the Finance and Strategy Committee. Management through EXCO is responsible for the implementation of the Board approved strategic risk policy under the oversight of the Risk and Compliance Committee and the Board.

In implementing the Society's strategy, the Board and EXCO determine and allocate financial and operating targets to departments. Monitoring of progress against the action plans is done on a monthly basis and strategic risk mitigation is done through the formulation and implementation of operational plans.

31 Reputational risk

The risk of value destruction that occurs in a situation of negative public opinion. It can be a result of factors such as service delivery, performance, strategy execution, brand positioning and competitiveness. It normally results in loss of sales, share value and breakdown of relationships.

The Board has delegated responsibility for effective management of reputational risk to the Risk and Compliance Committee and to EXCO. Board approved reputational risk management policy is in place.

Line management has the primary responsibility for reputational risk identification and mitigation. Communication of information about the Society to the public or press releases is done in line with the provisions of the communications policies. Any exposures to reputational risk are captured in the internal risk events log, with controls to mitigate the risk.

32 RISK AND CREDIT RATINGS

32.1 Reserve Bank of Zimbabwe ratings

The Reserve Bank of Zimbabwe conducted a risk based on-site examination of National Building Society from 15 March to 7 April 2017, utilising data as at 31 December 2016. The report was updated as at 30 June 2017.

The examination was conducted in line with CAMELS and Risk Assessment System (RAS) methodologies and primarily focused on the adequacy of strategic management capabilities, business operating systems and processes and the effectiveness of risk management and internal control systems

The composite CAMELS rating assigned to National Building Society is '3' i.e. 'fair'

The table below shows ratings assigned to each of the CAMELS components.

CAMELS Components	Rating
Capital	3 – Fair
Asset Quality	3 – Fair
Management	3 – Fair
Earnings	4 - Weak
Liquidity	3 – Fair
Sensitivity to Market Risk	2 – Satisfactory
Composite Rating	3 – Fair

32.2 Reserve Bank of Zimbabwe ratings

In terms of the Risk Assessment System (RAS) the level of overall composite risk of NBS was considered moderate and the direction stable. The level of overall aggregate inherent risk was rated moderate and the quality of overall aggregate risk management systems was considered acceptable.

The Society's risk profile is summarised in the matrix below:

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

Interpretation of risk matrix

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 institution.
Weak - risk management systems are inadequate or inappropriate given the size, complexity and risk profile of the banking institution. Institution's risk management systems are lacking in important ways and therefore a cause of more than normal supervisory attention. The internal control systems will be lacking in important aspects particularly as indicated by continued control exceptions or by the failure to adhere to written policies and procedures.
Acceptable - management of risk is largely effective but lacking to some modest degree. While the institution might be having some minor risk management weaknesses, these have been recognized and are being addressed. Management information systems are generally adequate.
Strong - management effectively identifies and controls all types of risk posed by the relevant functional areas or per inherent risk. The board and senior management are active participants in managing risk and ensure appropriate polices 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 mitigate inherent risk. For a given low risk area, significant weaknesses in the risk management systems may result in a moderate composite risk assessment. On the other hand, a strong risk management system may reduce the risk so that any potential financial loss from the activity would have only a moderate negative impact on the financial condition of the organization.
High - risk management systems do not significantly mitigate the high inherent risk. Thus, the activity could potentially result in a financial loss that would have a significant impact on the bank's overall condition.

Direction of overall composite risk

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

32.3 External credit ratings

The Society subscribes to an internationally recognised rating agency Global Credit Rating Company (GCR), and the rating ascribed for the year is B.

33 GOING CONCERN

Note 34 below refers to the fact that subsequent to year end, on 22 January 2020, the Reserve Bank of Zimbabwe (RBZ) issued a Monetary Policy Committee Statement revising the minimum capital requirements for Building Societies to the local currency equivalent of USD20 million effective 31 December 2020. By contrast, the minimum capital requirements as at 31 December 2019 were ZWL20 million, whereas given the new capital requirements, the Society would have needed an equivalent of ZWL335.5 million (USD20 million), at the prevailing interbank rate of USD1:ZWL16.7734 as at 31 December 2019. The Society's regulatory capital as at 31 December 2019 was ZWL64.5 million (USD3.8 million), whilst by 31 May 2020 it had reached ZWL80.6m (USD3.2 million). Since then, the exchange rate has continued to deteriorate to over 1USD:ZWL70 as at 21 July 2020, which would mean the Society would be expected to have over ZWL1.4 billion (USD20 million) in regulatory capital by 31 December 2020 at the prevailing average auction exchange rate.

Given the significant gap that existed at year end between the Society's core capital and the new minimum capital requirements as communicated by the central bank, the Society has been engaging its shareholder, NSSA, with the view to obtaining the necessary assurances that it will be adequately capitalised by the regulatory deadline. This is necessitated by the fact that the Society concluded that it cannot attain the new minimum capital threshold on its own. At the time of finalising these financial statements, the shareholder had demonstrated its willingness to ensure the Society is adequately capitalised in line with the new minimum capital requirements through a letter of support, conditional upon certain assurances being attained and subject to Board approval. The Society will continue to engage with its shareholder to ensure the minimum capital requirements are met before the regulatory deadline. In addition, management is currently working on improving its capital base by enhanced profitability through various strategies. It is against this background that the Board is of the view that the Society will remain a going concern for the foreseeable future.

34. SUBSEQUENT EVENTS

New Regulatory Minimum Capital Requirements

On 22 January 2020, the Reserve Bank of Zimbabwe ("RBZ") announced new minimum capital requirements for financial institutions. Effective 31 December 2020, building societies will be expected to maintain minimum capital requirements equivalent to USD20 million. The RBZ also required all financial institutions to submit formal capitalisation plans by 30 June 2020.

Covid-19 Global Pandemic

On 11 March 2020, the World Health Organisation ("WHO") declared the Coronavirus COVID19 outbreak to be a pandemic due to its rapid spread across the globe. The Zimbabwean government and those of other countries in the rest of the world, have taken stringent measures to help contain the virus. These include mandatory lockdown, prescribing self-isolation/quarantine for those potentially affected, implementing social distancing measures, and controlling or closing borders. Initially, a 21-day lockdown period was put in place, followed by two two-week extensions, which were then replaced with a downgrade to stage 2 which is characterised by controlled movements and curtailed business activity limited to essential services including banking services. The effects of the measures to mitigate the effects of the pandemic pose a threat to all businesses especially those in the financial services sector.

The Society has taken a proactive approach by setting up a COVID-19 Executive Committee (EXCO) Taskforce focused on identifying and managing threats and opportunities arising from this pandemic whilst assessing its impact on various stakeholders. When government announced the 'hard' lockdown in March and April 2020, the Society had to temporarily suspend some in branch services, which caused some disruption to the normal course of business for some of its clients, as they were only able to access the Society's services through digital platforms only. However, as this was in the interest of public safety, the Society made sure there would be minimal inconvenience by ensuring the society's customers also had options from USSD-mobile banking, internet banking, mobile banking apps, amongst other options. Throughout this period, the Society's services remained functional as it enabled its remote working capabilities for staff who could work from home, whilst ensuring that critical staff who needed physical access particularly to ensure its backbone systems remained operational throughout the period of the lockdown were granted access, in line with its business continuity protocols.

The Society proceeded to reopen its branch network by strictly following WHO public health guidelines as well as government regulations for businesses operating during the pandemic which include amongst others regular cleaning of its branches, social distancing, encouraging the use of hand sanitisers at all its branches, testing of staff, regular temperature checks and access controls into and out of branches. Due to the nature of the Society's owners being the government through NSSA, the effect of the pandemic on its operations has largely been mitigated by the fact that most of its loans are issued primarily to government employees, whose earnings are guaranteed as long as they continue to be employed as civil servants, as the deductions are claimed during the payroll run and deducted at source and remitted to the Society. The Society continues to invest in its e-platforms thus ensuring continuity of banking activities without the need for physical contact. The impact of the pandemic has not been as pronounced on the Society's performance subsequent to year end, primarily due to the Society's ability to integrate digital platforms in the provision of its essential services to its customers and by continuing to liaise with its supply chain partners for continuity of service throughout this pandemic period. As COVID-19 continues to evolve within the communities we serve, the Society will continue to monitor and adapt to the new normal.

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Project : Hopeville
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