

Unaudited Financial Results

for the period ended 30 June 2021



Building Communities

		Net interest income	Non funded income	Total income	Surplus after tax	Total assets	Deposits	Mortgage loans & advances
Inflation Adjusted	Year 2021	Up 225% to ZWL108m	Up 50% to ZWL233m	Up 67% to ZWL313m	Down to ZWL8,53m	Up 40% to ZWL3,8b	Up 100% to ZWL1,7b	Up 91% ZWL1,1b
Historical	Year 2021	Up 996% to ZWL101,3m	Up 131% to ZWL253m	Up 176% to ZWL330m	Up 25% to ZWL90,3m	Up 125% to ZWL2,4b	Up 141% to ZWL1,7b	Up 130% to ZWL1,1b

CHAIRMAN'S STATEMENT

INTRODUCTION

I am pleased to present the National Building Society's Unaudited Financial Results for the half-year ended 30 June 2021. In view of the dynamism of our operating and organisational environments, these results have demonstrated the Society's performance and resilience.

OPERATING ENVIRONMENT - VOLATILITY, STABILITY AND GREEN SHOOTS

The first half of 2021 financial year continued to be affected by the impact of the Covid-19 pandemic which saw our national borders closed with production, industry and the economy at large shut down. This posed potential devastating effects on the country's health system, labour force and the economy at large. Government introduced sustainability packages re-allocating resources in a bid to ease the economic hardship on the populace.

The agricultural sector recorded increased production due to abundant rains and the command agriculture program to curb starvation and food supply. GDP growth for the year was slightly adjusted to 7.8% from 7.4% due to anticipated strong growth in sectors such as agriculture and mining buoyed by record harvest of 2.7 million metric tonnes of maize and firming international mineral prices respectively. The projected GDP growth for 2022 of 5.4% will be driven by mining, manufacturing and electricity generation.

In a bid to stabilize prices and the foreign exchange rate, the Central Bank continued with their Open Market Operations, mainly targeted at managing money supply. The weekly foreign currency auction system has ensured availability and prudent allocation of resources as well as stabilization of rates. This has allowed banks to become market makers and achieve rate discovery on the foreign exchange market.

Annual inflation declined from a peak of 837.5% in July 2020 to 106.6% in June 2021. Government projects inflation fall to between 22%-35% by the end of the year 2021. The declining trend in inflation provides a platform for sustained economic growth which present a conducive environment for growth in tax revenue.

FINANCIAL PERFORMANCE

The Society's balance sheet has grown by 40% to close at ZWL3.8 billion from ZWL2.7 billion as at 31 December 2020 in inflation adjusted terms. This is a culmination of management's efforts to grow the Society's deposit base which saw deposits grow to ZWL1.7 billion (2020: ZWL855 million), a growth of 100%. These deposits acquired were deployed into loans and advances which grew by 91% to ZWL1.1 billion (2020: ZWL585 million), investment securities which grew by 141% to close at ZWL1.1 billion (2020: ZWL333 million).

We have posted a surplus of ZWL8.5 million dollars for the period ended 30 June 2021. Interest income recorded growth of 157% to ZWL126 million (2020: ZWL49 million). Non funded income grew by 50% to ZWL233 million (2020: ZWL155 million). Operating expenses grew by 55% to ZWL255.2 million from ZWL164.5 million in 2020.

CORE CAPITAL

The Society remains cognisant of the Reserve Bank of Zimbabwe's set capital level for Building Societies of USD\$20 million by 31st December 2021, and is committed to ensuring compliance is achieved.

HOUSING PROJECTS

The Society resumed construction work at the Dzivarasekwa housing project which is now scheduled to be completed in the second half of the year. We expect delivery of 500 units before the end of the year. Similarly, works have also resumed at the Newmara housing project in Mutare, the completion of which will add a further 153 units into the housing stock. The Society's ongoing mortgages scheme project at Knockmalloch has so far seen a total of 51 units being completed. Handover to beneficiaries will be done once ongoing offsite services involving other stakeholders are finalized.

The Society also progressed its land acquisitions. In this regard, worth noting is finalization of the outright purchase of 6,4 hectares of land in Plumtree and commencement of title survey process for same, which will create individual title for about 152 high density stands.

RESPONSE TO COVID-19

Our staff remain the key pillar in the achievement of the Society's objectives, and we have continued to ensure their health and safety by adhering to set World Health Organisations (WHO) guidelines and protocols. This ensures not only the safety of staff but also that of our clients. We continue to encourage our staff to "work from home" and have introduced innovative solutions for our clients benefit to ensure our offices and branches are appropriately decongested.

RELEVANT AND INNOVATIVE FINANCIAL SOLUTIONS

These results reflect the benefits of investment in product and service enhancements for the benefit of our customers. Over the years we have been in transition to becoming a fully digitised financial institution that offers a variety of competitive banking platforms to customers. The NBS digital strategy has been and remains focused on establishing a location independent financial institution with omni channels accessible to all its clients on their digital gadgets without the need to physically visit the Society's branch network.

The Society introduced Corporate Internet Banking in February 2021 with the aim of bringing convenience to its business client-base through a robust high transacting and secure processing solution. Our Corporate and Institutional Banking unit, was unveiled to meet the specialised needs of large companies and corporates. In addition, the Society now offers ZIPI Smart as an alternative electronic platform for merchants and individual clients in response to digital trends and changing customer preferences. For learners in tertiary educational institutions, the Ahoyi Student Account was introduced with the objective of tapping into the potential of this market segment. We will continue to engage stakeholders on innovative products as we transition to full digitalisation. The Society's Masvingo branch was relocated to a more spacious banking hall in order to improve visibility and convenience to clients. Furthermore, we remain laser-focused so that customers are inspired with unique experiences at all our touch points, including the soon-to-be launched virtual branch.

OUTLOOK-BUILDING COMMUNITIES UNDER A STABLE ECONOMIC ENVIRONMENT

Although the outlook for the Zimbabwean economy, and indeed the global economy, remains largely challenging as the COVID 19 pandemic continues to impact economies, most economic prognoses suggest a modest recovery in 2021. As National Building Society, we continue to believe in our business model of delivering innovative and affordable housing solutions however challenging the macro-economic environment.

APPRECIATION

I would like to express my sincere gratitude firstly to the National Social Security Authority for the trust and confidence they have reposed in my board and the NBS executive management. We are extremely honoured and privileged to have such a supportive shareholder.

I also wish to convey my appreciation and applaud the individual and collective efforts of the Society's executive, management and staff. Through their diligence and dedication we continue to attain growth and success.

In conclusion, I wish to pledge the NBS board and management's commitment to deliver to our clients and stakeholders a worldclass banking service par excellence.

S.I Mutumbwa
Board Chairman
31 August 2021

CORPORATE GOVERNANCE STATEMENT

The Board is committed to high standards of Corporate Governance and believes that a sound governance structure engenders a successful company. For the half 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 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.

BOARD COMMITTEES

The position of the Board Committees as of 30 June 2021 was as follows;

AUDIT COMMITTEE

The Audit Committee comprised of three independent non-executive directors. The members were as follows:
Edward Tome - Chairman (Independent NED)
David Mutemachani - Member (Independent NED)
Munhamo Murambiwa - Member (Independent NED)

The Committee meets at least four times a year to review the following:

- The adequacy and appropriateness of the Society's accounting and internal control systems;
- Significant accounting policies adopted by the Society to ensure compliance with International Financial Reporting Standards and generally accepted accounting principles;
- The scope and results of the work of the external auditor;
- Financial matters relevant to financial reporting in a timely manner;
- The Society's interim financial statements, annual financial statements and preliminary announcements prior to their release to ensure that they are complete, reflect appropriate accounting principles, contain appropriate disclosures and are consistent with the information known to Committee members; and
- Making any necessary recommendations to the Board.

LOANS REVIEW COMMITTEE

The Committee consisted of three Independent non-executive directors and one non-executive director. The members were as follows;
David Mutemachani - Chairman (Independent NED)
Munhamo Murambiwa - Member (Independent NED)
Edward Tome - Member (Independent NED)
Betty Nyereyegona - Member (NED)

Its terms of reference include:

- To ensure that the lending processes and the loan portfolio conforms to the Society's credit policy, which has been approved and adopted by the Board;
- To ensure that the lending function is in compliance with Reserve Bank of Zimbabwe guidelines;
- To keep executive officers and the Board adequately informed on lending portfolio risk;
- To ensure that problem loans are identified, and classified appropriately in line with Reserve Bank of Zimbabwe guidelines;
- To ensure that adequate provisions are maintained to cover potential loan losses; and
- To ensure that write-offs of bad loans are made in a timeous manner.

CREDIT COMMITTEE

The Committee consisted of one independent non-executive director and two non-executive directors. The members were as follows;
Itayi Chirume - Chairman (Independent NED)
Isaac Isaki - Member (NED)
Philip Hamadziripi - Member (NED)

Its terms of reference include:

- To approve applications that do not expose the Society to undue credit risk;
- To ensure that the Society gets an adequate return for taking credit risk;
- To ensure that the lending process and the loan portfolio conform to the Society's credit policy, which has been approved and adopted by the Board;
- To ensure that the lending function complies with Reserve Bank of Zimbabwe Guidelines; and
- To ensure responsible lending to the community and general public of Zimbabwe.

HUMAN RESOURCES AND NOMINATIONS COMMITTEE

The Committee comprised of four independent non-executive directors and three non-executive directors. The members were as follows;
Munhamo I Murambiwa - Chairman (Independent NED)
Shingai I Mutumbwa - Member (Independent NED)
David Mutemachani - Member (Independent NED)
Itayi W Chirume - Member (Independent NED)
Betty Nyereyegona - Member (NED)
Philip Hamadziripi - Member (NED)
Isaac Isaki - Member (NED)

The Committee is responsible for:

- Overseeing the overall human resources strategy;
- Developing policies on remuneration packages and benefits of executive directors and senior management;
- The Society's Reward Policy to include, job alignment and salary benchmarking;
- The appointment of the Executive Management roles incumbents;
- The performance management and discipline of the Managing Director; and
- The evaluation of board members.

RISK AND COMPLIANCE COMMITTEE

The Risk Management committee consisted of two Independent non-executive directors and one non-executive director. The members were as follows;

Munhamo I Murambiwa - Chairman (Independent NED)
Edward Tome - Member (Independent NED)
Betty Nyereyegona - Member (NED)

The Committee's terms of reference include:

- To review and to have oversight of the risk profile of the Society within the context of the Board determined risk / return profile;
- To assess the material risks faced by the various business units of the Society;
- To make recommendations to the Board concerning the Society's risk appetite and particular risks or risk management practices of concern to the Committee; and
- To refer in writing to the Board Audit Committee any matters that have come to the attention of the Committee that are relevant for the Board Audit Committee.

FINANCE, HOUSING PROJECTS AND STRATEGY COMMITTEE

The committee was combined with Housing Projects Committee in May 2021 to become the Finance, Housing Projects and Strategy Committee. The committee is comprised of three independent non-executive directors, two non-executive directors and two executive directors. The members were as follows;
David Mutemachani - Chairman (Independent NED)
Shingai I Mutumbwa - Member (Independent NED)
Itayi W Chirume - Member (Independent NED)
Philip Hamadziripi - Member (NED)
Isaac Isaki - Member (NED)
Managing Director - Member (Executive)
Alfred Chaavure - Member (Executive)

The Committee's terms of reference include:

- To recommend financial policies, goals, and budgets that support the mission, values, and strategic goals of the organization.
- To review the organization's financial performance against its goals and proposes major transactions and programs to the board.
- To oversee all housing development projects facilitated or financed by NBS and its shareholders.

INTERNAL AUDIT

The Internal Audit department comprises of the Head of department, ICT and Operational auditors. The Head of Audit reports directly to the Audit Committee and administratively to the Managing Director.

The Internal Audit department undertook audit reviews in the Information Communication and Technology (ICT); Digital Channels; Retail and Risk Management functions of the bank; of which the findings have been submitted to the Board Audit Committee

BOARD ATTENDANCE

Membership and attendance for the period to June 2021 is as noted below:

Board Member	Main Board	Audit	Loans Review	Credit Review	HR and Nominations	Risk and Compliance	Finance, Housing Projects & Strategy
Number of Meetings held	7	4	1	2	3	1	2
Kudenga S	1R	-	-	-	1R	1	2R
Tome E (Vice Chairman)	7	4	1	-	1	N/A	1
Mutemachani D	7	4	N/A	1	2	-	2
Mapiye J (Acting Managing Director)	4	-	-	-	-	-	1
Hamadziripi P M	7	-	1	1	2	1	2
Nyereyegona B (Mrs)	6L	-	1	-	3	1	1
Makwara D	1R	-	-	1R	-	1R	2R
Mutumbwa S I (Chairman)	5	-	-	-	2	-	N/A
Murambiwa M I	5L	2	N/A	-	2	N/A	-
Isaki I	5	-	-	1	2	-	N/A
Chirume I W	5	2	-	1	1	-	N/A
Chaavure A (Acting Managing Director)	5	-	-	-	-	-	1

Key

- L - Leave of absence granted
- - Not a member of the committee
- R - Resigned
- N/A - Not yet a member

BOARD CHANGES

There were a number of changes to the Board during the period under review. The Society appointed one Executive Director and four (4) Non-Executive Directors to the Board namely:

1. Mr Alfred Chaavure - Finance Director [Acting Managing Director] (Executive)
2. Mr Shingai I Mutumbwa (Independent Non-Executive)
3. Mr Munhamo I Murambiwa (Independent Non-Executive)
4. Mr Itayi W Chirume (Independent Non-Executive)
5. Mr. Isaac Isaki (Non-Executive)

Two non-executive directors resigned from the Board namely:

1. Mr Stanley Kudenga
2. Mr David Makwara

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

Let me take this opportunity to note, with profound sorrow, the passing on of Mr. Munhamo Ivan Murambiwa, a Non-Executive Director of the NBS Board of Directors who also served as the Chairman of the Human Resources and Nominations Committee. Mr. Murambiwa was a seasoned professional who brought invaluable experience and expertise to NBS. The rich contribution he made will be forever remembered.

By order of the Board

Ms. R. Chipendo
Company Secretary

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Unaudited Financial Results

for the period ended 30 June 2021

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021

Note	INFLATION ADJUSTED		HISTORICAL	
	30 June 2021 ZWL	31 Dec 2020 ZWL	Unaudited 30 June 2021 ZWL	Audited 31 Dec 2020 ZWL
Assets				
Cash and cash equivalents	4	875,745,906	429,050,215	875,745,906
Investment securities	5	80,558,548	33,432,603	80,558,548
Other assets and prepayments	6	163,474,573	52,101,699	163,474,573
Inventory work in progress	7	1,287,940,065	1,327,625,046	63,737,697
Loans and advances	8	1,115,958,594	585,059,534	1,115,958,594
Computer software	9	95,581,662	99,769,390	3,725,781
Right of use Asset		49,246,698	49,246,698	31,869,317
Property, equipment	10	142,752,533	136,389,963	96,521,740
Total Assets		3,811,258,579	2,712,675,148	2,431,592,156
Equity and Liabilities				
Liabilities				
Deposits	11	1,709,522,350	855,402,742	1,709,522,350
Borrowings	12	26,761,746	53,008,037	26,761,746
Other liabilities	13	339,038,270	76,850,972	339,038,270
Total Liabilities		2,075,322,366	985,261,751	2,075,322,366
Shareholders' equity				
Share capital	15.1	171,145,017	171,145,017	5,089,296
Share premium	15.1	1,498,426,489	1,498,426,489	44,558,325
Revaluation reserve		50,893,065	50,893,065	78,350,226
Accumulated surplus	15.2	15,471,642	6,948,826	228,271,943
Total Shareholder equity		1,735,936,213	1,727,413,397	356,269,790
Total liabilities and equity		3,811,258,579	2,712,675,148	1,082,357,921

STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE 2021

Inflation Adjusted 2021	Share capital ZWL	Share premium ZWL	Revaluation Reserve ZWL	Accumulated surplus/deficit ZWL	Total ZWL
Balance as at 1 January 2021	171,145,017	1,498,426,489	50,893,065	6,948,826	1,727,413,397
Profit for the year	-	-	-	8,522,816	8,522,816
Balance as at 30 June 2021	171,145,017	1,498,426,489	50,893,065	15,471,642	1,735,936,213
2020					
Balance as at 1 January 2020	171,145,017	1,498,426,489	88,749,268	(73,869,979)	1,684,450,796
Revaluation of property and equipment	-	-	(37,856,203)	-	(37,856,203)
Profit for the year	-	-	-	80,818,804	80,818,804
Balance as at 31 December 2020	171,145,017	1,498,426,489	50,893,065	6,948,825	1,727,413,396
Historical 2021	Share capital ZWL	Share premium ZWL	Revaluation Reserve ZWL	Accumulated surplus/deficit ZWL	Total ZWL
Balance as at 1 January 2020	5,089,296	44,558,325	78,350,228	137,990,638	265,988,487
Profit for the year	-	-	-	90,281,305	90,281,305
Balance as at 30 June 2021	5,089,296	44,558,325	78,350,228	228,271,943	356,269,792
2020					
Balance as at 1 January 2020	5,089,296	44,558,325	25,552,457	16,895,511	92,095,589
Profit for the year	-	-	-	121,095,127	121,095,127
Revaluation of movable property	-	-	52,797,771	-	52,797,771
Balance as at 31 December 2020	5,089,296	44,558,325	78,350,228	137,990,638	265,988,487

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 JUNE 2021

Note	INFLATION ADJUSTED		HISTORICAL	
	30 June 2021 ZWL	30 June 2020 ZWL	30 June 2021 ZWL	30 June 2020 ZWL
Interest income	18	126,229,880	49,198,386	119,041,756
Interest expense	19	(18,721,166)	(16,138,604)	(17,789,916)
Net interest income		107,508,714	33,059,782	101,251,840
Charge for impairment	8.3	(28,360,833)	(1,153,995)	(28,360,833)
		79,147,881	31,905,787	72,891,007
Non funded income	20	233,374,062	155,343,347	252,958,203
Total operating income for the year		312,521,943	187,249,134	325,849,210
Operating expenses	21	(255,165,103)	(164,461,933)	(235,294,237)
Surplus before tax		57,356,840	22,787,201	90,554,973
Income tax		(280,057)	(40)	(273,668)
Gain on monetary position		(48,553,967)	35,014,906	(33)
Comprehensive income for the year		8,522,816	57,802,067	90,281,305

STATEMENT OF CASHFLOWS FOR THE PERIOD ENDED 30 JUNE 2021

Note	INFLATION ADJUSTED		HISTORICAL	
	30-Jun-21 ZWL	31 Dec 2020 ZWL	30-Jun-21 ZWL	31 Dec 2020 ZWL
Profit before tax	57,356,841	44,012,985	90,554,973	121,163,479
Adjusted for non cash flow items	45,022,258	162,103,592	33,702,268	12,975,910
Working capital adjustments	487,720,674	(276,387,315)	486,926,203	127,056,998
Cash flow from operating activities	590,099,773	(70,270,738)	611,183,444	261,196,387
Cash flow from operating activities				
Purchase of property and equipment	(22,278,177)	(9,475,282)	(21,732,904)	(6,909,984)
(Decrease)/ increase in investment securities	(47,232,994)	317,993,007	(52,977,516)	37,182,441
Proceeds from Disposal of assets	1,163,254	4,555,966	1,163,255	2,359,954
Purchase of computer software	(261,061)	-	(235,924)	-
Net cash outflows from Investing activities	(68,608,978)	313,073,691	(73,783,091)	32,632,411
Cashflows from financing activities				
Borrowings	(26,246,291)	(184,700,908)	(17,159,721)	(1,396)
Net cash flows from financing activities	(26,246,291)	(184,700,908)	(17,159,721)	(1,396)
Net increase in cash and cash equivalents	495,244,504	58,102,044	520,240,632	293,827,402
Monetary gain	(48,553,968)	36,909,348	-	-
Cash and cash equivalents at the beginning of the year	429,066,870	334,055,478	355,516,774	61,725,372
Cash and cash equivalents at the end of the year	875,757,406	429,066,870	875,757,406	355,552,774

Building Communities.



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Head Office: 14th Floor Social Security Centre, Cnr Sam Nujoma Street & J Nyerere Way, Harare, Zimbabwe

A MEMBER OF THE DEPOSIT PROTECTION SCHEME



NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

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.

1.1 Nature of business

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

1.2 Accounting policies

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

2. BASIS OF PREPARATION

Basis of accounting

The financial statements have been prepared with the intention of complying with International Financial Reporting Standards (IFRS). Partial compliance was achieved on IFRS 21 due to the impact of SI 33. The financial statements were prepared in a manner required by the Companies and Other Business Entities Act (Chapter 24:31) of Zimbabwe, the Building Societies Act (Chapter 24:02) of Zimbabwe and sections of the Banking Act (Chapter 24:20) applicable to building societies. 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. The annual financial statements have been prepared on a going concern basis.

2.1 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 June 24 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 to RTGS1 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. IAS29 (Financial Reporting in Hyperinflationary Economies) The financial Statement have been prepared in accordance with the prescription of IAS29. 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:

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for the period ended 30 June 2021

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021 (continued)

IAS29 (Financial Reporting in Hyperinflationary Economies)

The financial Statement have been prepared in accordance with the prescription of IAS29. 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
June 2020	1445.21	2.07
December 2020	2 474.5	1.21
June 2021	2 986.44	1.00

Inflation adjusted financial information is the primary financial information of the Society. Historical cost information is included as supplementary information.

3 Use of estimates and judgments

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.

	INFLATION ADJUSTED		HISTORICAL	
	30 June 2021 ZWL	31 Dec 2020 ZWL	30 June 2021 ZWL	31 Dec 2020 ZWL
4 Cash and cash equivalents				
Balances with the RBZ	707,472,793	360,857,048	707,472,793	298,999,393
Interbank placements	5,000,000	7,241,293	5,000,000	6,000,000
Balances with local banks	435,288	968,635	435,288	802,593
Balances with foreign banks	104,520,143	20,947,188	104,520,143	17,356,448
Cash	58,329,182	39,052,705	58,329,182	32,358,340
	875,757,406	429,066,869	875,757,406	355,516,774
Reserve Bank of Zimbabwe	707,472,793	360,857,048	707,472,793	298,999,393
Interbank placements	5,000,000	7,241,293	5,000,000	6,000,000
Bank balances	104,955,431	21,915,824	104,955,431	18,159,041
	817,428,224	390,014,165	817,428,224	323,158,434
Stage 1 - ECL allowance	(11,500)	(16,655)	(11,500)	(13,800)
	817,416,724	389,997,510	817,416,724	323,144,634
Cash on hand	58,329,182	39,052,705	58,329,182	32,358,340
Net carrying amount	875,745,906	429,050,215	875,745,906	355,502,974
5 Investment Securities held at amortised cost				
Savings bond	-	29,729,898	-	24,633,637
Treasury bills	80,744,631	3,781,739	80,744,631	3,133,478
	80,744,631	33,511,637	80,744,631	27,767,115
Stage 1 - ECL allowance	(186,083)	(79,034)	(186,083)	(65,486)
Net carrying amount	80,558,548	33,432,603	80,558,548	27,701,629
Maturity Analysis				
3 months to 6 months	1,010,012	31,900,330	1,010,012	26,432,016
6 months to 1 year	79,734,619	669,939	79,734,619	555,099
1 year to 5 years	-	941,368	-	780,000
	80,744,631	33,511,637	80,744,631	27,767,115
6 Other Assets and prepayments				
Interest accrued	11,463,645	6,658,140	11,463,645	5,516,810
Collateral deposits	36,258,413	31,501,912	36,258,413	26,101,894
Sundry assets	115,752,515	13,941,647	115,752,515	11,551,788
	163,474,573	52,101,699	163,474,573	43,170,492
Non-current	36,258,413	31,501,912	36,258,413	26,101,894
Current	127,216,160	20,599,787	127,216,160	17,068,598
	163,474,573	52,101,699	163,474,573	43,170,492
7 Inventory work in progress				
Dzivarasekwa Housing project	458,793,459	454,459,703	27,163,406	13,522,458
Newmara housing development	348,142,591	347,221,775	13,376,099	12,462,058
Chinhoyi Housing Project work in progress	182,358,048	181,558,048	6,206,074	5,406,074
Glaudina Housing Project work in progress	178,204,970	178,204,970	5,306,513	5,306,513
Hopeville, NBS Park and Stoneridge Housing Development	107,809,059	154,847,139	1,415,474	11,105,537
Work in progress	12,631,938	11,333,411	10,270,131	6,758,116
	1,287,940,065	1,327,625,046	63,737,697	54,560,756
8 Loans and advances				
Personal loans, advances and other accounts	654,694,680	268,842,945	654,694,680	222,758,230
Mortgage loans	501,703,328	330,936,778	501,703,328	274,208,017
Gross loans and advances	1,156,398,008	599,779,723	1,156,398,008	496,966,247
Impairment provision	(40,439,414)	(14,720,189)	(40,439,414)	(12,196,874)
Net loans and advances	1,115,958,594	585,059,534	1,115,958,594	484,769,373
8.1 Maturity Analysis				
Less than 1 month	187,638,435	1,883,116	187,638,435	1,560,314
1 month to 3 months	45,510,455	20,617,117	45,510,455	17,082,957
3 months to 6 months	27,215,948	498,131	27,215,948	412,742
6 months to 1 year	118,694,826	100,615,276	118,694,826	83,367,934
1 year to 5 years	704,932,962	21,755,632	704,932,962	18,026,309
More than 5 years	72,405,382	454,410,451	72,405,382	376,515,991
	1,156,398,008	599,779,723	1,156,398,008	496,966,247

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021 (continued)

8.2 Loan impairment allowance

	INFLATION ADJUSTED		HISTORICAL	
	30 June 2021 ZWL	31 Dec 2020 ZWL	30 June 2021 ZWL	31 Dec 2020 ZWL
Exposure to credit - gross loans and advances				
Loans and advances subject to Stage 1	988,881,014	112,145,599	988,881,014	92,921,743
Loans and advances subject to Stage 2	113,636,077	8,395,814	113,636,077	6,956,614
Loans and advances subject to Stage 3	13,441,503	1,831,334	13,441,503	1,517,409
Gross loans and advances	1,115,958,594	122,372,747	1,115,958,594	101,395,766
Loan Impairment Charge				
Stage 1	19,323,225	2,125,306	19,323,225	1,760,989
Stage 2	14,646,309	196,276	14,646,309	162,630
Stage 3	6,469,877	639,814	6,469,877	530,138
Gross impairment loss	40,439,411	2,961,396	40,439,411	2,453,757
Net loans and advances	1,075,519,186	119,411,351	1,075,519,186	98,942,009
Impairment allowances				
Portfolio impairment	26,130,155	4,549,813	26,130,155	3,769,890
Specific impairment	14,309,256	1,535,895	14,309,256	1,272,614
Gross impairment	40,439,411	6,085,708	40,439,411	5,042,504

	INFLATION ADJUSTED		HISTORICAL	
	30 June 2021 ZWL	30 June 2020 ZWL	30 June 2021 ZWL	30 June 2020 ZWL
8.3 Impairment provision				
Opening balance	14,720,190	27,289,848	12,196,874	5,042,504
Charge in profit and loss	35,396,907	8,634,482	28,242,537	7,154,370
Effects of changes in inflation	(2,523,316)	(21,204,140)	-	-
Closing balance	47,593,781	14,720,190	40,439,411	12,196,874

ECL allowance movement

	Cash and cash equivalent	Loans and advances	Investment securities	Total
30 June 2021				
Balance at beginning of the year	16,655	14,720,189	79,034	14,815,878
Charge to profit and loss for the year	(2,300)	28,242,536	120,597	28,360,833
Effects of changes in inflation	(2,855)	(2,523,314)	(13,548)	(2,539,719)
Balance at period ended 30 June 2021	11,500	40,439,410	186,083	40,636,992

2020				
Balance at beginning of the year	76,255	27,289,848	16,538,555	43,904,659
Charge to profit and loss for the year	(350)	8,634,481	(3,609,106)	5,025,024
Effects of changes in inflation	(59,250)	(21,204,140)	(12,850,415)	(34,113,805)
Balance at end of the year	16,655	14,720,189	79,034	14,815,878

Historical costs				
2021				
Balance at beginning of the year	13,800	12,196,874	65,486	12,276,160
Charge to profit and loss for the year	(2,300)	28,242,536	120,597	28,360,833
Balance at period ended 30 June 2021	11,500	40,439,410	186,083	40,636,992

2020				
Balance at beginning of year 2020	14,090	5,042,504	3,055,924	8,112,518
Charge to profit and loss for the year	(290)	7,154,370	(2,990,438)	4,163,642
Balance at end of the year	13,800	12,196,874	65,486	12,276,160

	INFLATION ADJUSTED		HISTORICAL	
	30 June 2021 ZWL	31 Dec 2020 ZWL	30 June 2021 ZWL	31 Dec 2020 ZWL
Change in ECL				
Analysis of loan impairment charge on the statement of profit and loss				
Increase in loan impairment charge on loans and advances for the period	25,164,779	1,796,942	25,164,779	1,488,912
Impairment allowance on account balances in excess	3,077,757	1,327,370	3,077,757	1,099,834
Impairment charges on cash and cash equivalents and investment securities	120,597	3,578,053	120,597	2,964,708
Net impairment charge to statement of profit and loss	28,363,133	6,702,365	28,363,133	5,553,454

8.4 Sectorial Analysis - Gross

Corporates	145,655,169	89,950,318	145,655,169	74,531,149
Individuals	1,010,742,839	509,829,405	1,010,742,839	424,620,465
	1,156,398,008	599,779,723	1,156,398,008	499,151,614

9 Computer software

Cost				
Opening balance	139,950,280	139,950,280	4,761,779	4,761,779
Additions	261,061	-	235,924	-
Closing balance	140,211,341	139,950,280	4,997,703	4,761,779
Amortisation				
Opening balance	40,180,890	27,230,142	1,113,349	804,218
Charge to income statement	4,448,789	12,950,748	158,573	309,131
Closing balance	44,629,679	40,180,890	1,271,922	1,113,349
Net book value	95,581,662	99,769,390	3,725,781	3,648,430

10 Property and equipment

	2021 Inflation Adjusted					Total
	Leasehold Improvements	Office Equipment	Furniture and Fittings	Motor Vehicles	Computer Equipment	
Cost						
Opening balance	67,638,684	11,080,237	11,834,611	13,286,921	60,269,048	164,109,501
Additions	-	1,555,010	734,893	-	19,988,274	22,278,177
Disposal	-	-	-	(1,145,012)	-	(1,145,012)
Closing balance	67,638,684	12,635,247	12,569,504	12,141,909	80,257,322	185,242,667
Accumulated depreciation						
Opening balance	27,719,538	-	-	-	-	27,719,538
Charge for the year	6,763,868	1,263,525	1,256,950	976,145	4,669,137	14,929,625
Disposals	-	-	-	(159,030)	-	(159,030)
Revaluation	-	-	-	-	-	-
Closing balance	34,483,406	1,263,525	1,256,950	817,115	4,669,137	42,490,134
Net book value 2021	33,155,278	11,371,722	11,			

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Unaudited Financial Results for the period ended 30 June 2021

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021 (continued)

Historical 30 June 2021	Leasehold Improvements	Office Equipment	Furniture and Fittings	Motor Vehicles	Computer Equipment	Total
Cost						
Opening balance	2,028,484	9,180,877	9,805,937	11,009,294	49,937,805	81,962,397
Additions	-	1,489,732	707,432	-	19,535,740	21,732,904
Disposal	-	-	-	(1,145,012)	-	(1,145,012)
Revaluation	-	-	-	-	-	-
Closing balance	2,028,484	10,670,609	10,513,369	9,864,282	69,473,545	102,550,289
Accumulated depreciation						
Opening balance	827,447	-	-	-	-	827,447
Disposals	-	-	-	(159,031)	-	(159,031)
Charge for the year	101,378	232,141	191,809	793,036	4,041,769	5,360,133
Revaluation	-	-	-	-	-	-
Closing balance	928,825	232,141	191,809	634,005	4,041,769	6,028,549
Net book value 2021	1,099,659	10,438,468	10,321,560	9,230,277	65,431,776	96,521,740
December 2020 audited						
Cost						
Opening balance	2,028,484	2,470,994	2,316,358	4,812,930	19,075,347	30,704,113
Additions	-	41,021	667,106	-	6,201,857	6,909,984
Revaluation	-	6,670,512	6,834,673	6,682,954	24,727,411	44,915,550
Disposals	-	(1,650)	(12,200)	(486,590)	(66,810)	(567,250)
Closing balance	2,028,484	9,180,877	9,805,937	11,009,294	49,937,805	81,962,397
Accumulated depreciation						
Opening balance	624,690	-	-	-	-	624,690
Charge for the year	202,757	460,888	300,445	1,707,719	5,568,961	8,240,770
Revaluation	-	(460,670)	(298,996)	(1,586,071)	(5,536,484)	(7,882,221)
Disposal	-	(218)	(1,449)	(121,648)	(32,477)	(155,792)
Closing balance	827,447	-	-	-	-	827,447
Net book value 2020	1,201,037	9,180,877	9,805,937	11,009,294	49,937,805	81,134,950

	INFLATION ADJUSTED		HISTORICAL	
	30 June 2021 ZWL	31 Dec 2020 ZWL	30 June 2021 ZWL	31 Dec 2020 ZWL
11 Deposits				
Transactional and savings deposits	1,270,194,252	633,962,654	1,270,194,252	525,289,584
Term deposits	439,328,098	214,198,795	439,328,098	177,481,111
Money market deposits	-	7,241,293	-	6,000,000
11.1 Deposits by source				
Banks	-	7,241,293	-	6,000,000
Corporates	406,323,017	490,384,020	406,323,017	406,323,017
Individuals	1,303,199,333	357,777,429	1,303,199,333	296,447,678
11.2 Maturity analysis				
Less than 1 month	1,367,908,750	640,251,723	1,367,908,749	530,500,589
1 month to 3 months	18,069,823	7,491,112	18,069,823	6,206,995
3 months to 6 months	20,150,000	2,856,390	20,150,000	2,366,751
6 months to 1 year	21,670,938	15,554,417	21,670,938	12,888,099
1 year to 5 years	4,500,000	100,602,331	4,500,000	83,357,208
More than 5 years	277,222,840	88,646,769	277,222,840	73,451,053
	1,709,522,350	855,402,742	1,709,522,350	708,770,695
Maturity analysis is based on the remaining period from 30 June 2021 to contractual maturity				
11.3 Sectorial Analysis				
Individuals	302,444,795	133,742,543	302,444,795	110,816,567
Manufacturing	79,314,824	44,936,050	79,314,824	37,233,170
Transport and Distribution	-	169,762	-	140,662
Energy and Minerals	7,002,904	-	7,002,904	-
Financial Services	843,141,145	360,653,298	843,141,145	298,830,569
Construction and Property	62,866,075	33,913,064	62,866,075	28,099,730
Trade and Services	414,753,197	281,988,026	414,753,197	233,649,998
	1,709,522,350	855,402,742	1,709,522,350	708,770,695

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021 (continued)

	INFLATION ADJUSTED		HISTORICAL	
	30 June 2021 ZWL	31 Dec 2020 ZWL	30 June 2021 ZWL	31 Dec 2020 ZWL
12 Borrowings				
Shareholder loan	26,761,746	53,008,037	26,761,746	43,921,467
	26,761,746	53,008,037	26,761,746	43,921,467
Current liability	5,720,000	-	5,720,000	-
Non-current liability	21,041,746	53,008,037	21,041,746	43,921,467
	26,761,746	53,008,037	26,761,746	43,921,467

Terms and repayment schedule

	Nominal interest facility rate	Year of maturity	Carrying amount 2021	Carrying amount 2020	Carrying amount 2021	Carrying amount 2020
Unsecured shareholder loan	5%	2019	4,832,533	5,832,298	4,832,533	4,832,533
Unsecured shareholder loan	5%	2020	4,908,358	5,923,810	4,908,358	4,908,358
Unsecured shareholder loan	6.50%	2022	5,859,424	27,758,291	5,859,424	23,000,000
Unsecured shareholder loan	6.50%	2022	-	6,758,540	-	5,600,000
Unsecured shareholder loan	1.75%	2033	5,580,576	6,736,783	5,580,576	5,581,972
	-	-	21,180,891	53,009,722	21,180,891	43,922,863

	INFLATION ADJUSTED		HISTORICAL	
	Unaudited 30 June 2021 ZWL	Audited 31 Dec 2020 ZWL	Unaudited 30 June 2020 ZWL	Audited 31 Dec 2020 ZWL
13 Other liabilities				
Deferred income	5,656,876	5,132,199	5,656,876	4,252,441
Accrued interest	8,262,730	11,090,033	8,262,730	9,188,994
Lease liability	33,323,597	40,217,656	33,323,597	33,323,597
Provisions	13,537,538	7,820,031	13,537,538	6,479,531
Other liabilities	278,257,529	12,591,053	278,257,529	10,432,711
	339,038,270	76,850,972	339,038,270	63,677,274

14 Provisions

	Audit fees ZWL	Contractor Claims ZWL	Total ZWL
Inflation adjusted			
Balance at 1 January 2021	3,194,320	4,625,710	7,820,030
Provisions made during the year	4,537,290	-	4,537,290
Provisions paid during the year	2,520,718	-	2,520,718
Effects of changes in inflation	(547,567)	(792,933)	(1,340,500)
Balance at 30 June 2021	9,704,761	3,832,777	13,537,538
Balance at 1 January 2020			
Provisions made during the half year	31,710,346	20,742,850	52,453,196
Provisions paid during the half year	4,532,568	-	4,532,568
Effects of changes in inflation	(8,409,739)	-	(8,409,739)
Balance at 31 December 2020	(24,638,855)	(16,117,140)	(40,755,995)
Historical			
Balance at 1 January 2021	2,646,754	3,832,777	6,479,531
Provisions made during the year	4,537,290	-	4,537,290
Provisions paid during the year	2,520,718	-	2,520,718
Balance at 30 June 2021	9,704,761	3,832,777	13,537,538
Balance at 1 January 2020			
Provisions made during the year	5,859,305	3,832,777	9,692,082
Provisions paid during the year	3,755,601	-	3,755,601
Balance at 31 December 2020	(6,968,152)	-	(6,968,152)

15 Equity and Reserves

	INFLATION ADJUSTED		HISTORICAL	
	31 June 2021	31 Dec 2020	30 June 2021	31 Dec 2020
15.1 Share Movement				
Authorised ordinary shares	1,206,882,210	1,206,882,210	1,000,000,000	1,000,000,000
Issued and fully paid ordinary shares	614,218,030	614,218,030	508,929,558	508,929,558
Unissued ordinary shares	592,664,180	592,664,180	491,070,442	491,070,442
Issued share capital and share premium				
508,929,600 Ordinary Shares of ZWL\$0.01 each	171,145,017	171,145,017	5,089,296	5,089,296
Share premium	1,498,426,489	1,498,426,489	44,558,325	44,558,325
15.2 Accumulated Profit				
Opening balance	6,948,826	(73,869,979)	137,990,638	16,895,511
Profit/(Loss) for the period	8,522,816	80,818,805	90,281,305	121,095,127
Closing balance	15,471,642	6,948,826	228,271,943	137,990,638
15.3 Revaluation reserve				
Opening balance	50,893,065	88,749,268	78,350,226	25,552,455
Movement for the year	-	(37,856,203)	-	52,797,771
Closing balance	50,893,065	50,893,065	78,350,226	78,350,226

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Unaudited Financial Results for the period ended 30 June 2021

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021 (continued)

16 Categories of Financial Instruments	INFLATION ADJUSTED		HISTORICAL	
	Amortised Cost ZWL	Total carrying amount ZWL	Amortised Cost ZWL	carrying amount ZWL
30 June 2021				
Financial assets				
Cash on hand	58,329,182	58,329,182	58,329,182	58,329,182
Bank balances	317,158,434	317,158,434	317,158,434	317,158,434
Interbank placements	4,988,500	4,988,500	4,988,500	4,988,500
Investment securities	80,558,548	80,558,548	80,558,548	80,558,548
Loans and advances	1,115,958,594	1,115,958,594	1,115,958,594	1,115,958,594
Total	1,576,993,258	1,576,993,258	1,576,993,258	1,576,993,258
Financial liabilities				
Deposits	1,709,522,350	1,709,522,350	1,709,522,350	1,709,522,350
Borrowings	26,761,746	26,761,746	26,761,746	26,761,746
Total	1,736,284,096	1,736,284,096	1,736,284,096	1,736,284,096
31 Dec 2020				
Financial assets				
Cash on hand	32,358,340	39,052,705	32,358,340	32,358,340
Bank balances	317,158,434	382,772,872	317,158,434	317,158,434
Interbank placements	5,986,200	7,224,638	5,986,200	5,986,200
Investment securities	27,701,629	33,432,603	27,701,629	27,701,629
Loans and advances	484,769,373	585,059,532	484,769,373	484,769,373
Total	867,973,976	1,047,542,350	867,973,976	867,973,976
Financial liabilities				
Deposits	708,770,695	855,402,743	708,770,695	708,770,695
Borrowings	43,921,467	53,009,722	43,922,863	43,922,863
Total	752,692,162	908,412,465	752,693,558	752,693,558

16.1 Financial Instruments not Measured at Fair Value

Inflation adjusted 30-Jun-21	Level 2 ZWL	Level 3 ZWL	Total fair value ZWL	Total carrying amount ZWL
	Financial assets			
Cash on hand	58,329,182	-	58,329,182	58,329,182
Bank balances	812,428,225	-	812,428,225	812,428,225
Interbank placements	-	4,988,500	4,988,500	4,988,500
Investment securities	-	80,558,548	80,558,548	80,558,548
Loans and advances	1,115,958,594	-	1,115,958,594	1,115,958,594
Total	1,986,716,001	85,547,048	2,072,263,049	2,072,263,049
Financial liabilities				
Deposits	1,709,522,350	-	1,709,522,350	1,709,522,350
Borrowings	-	26,761,746	26,761,746	26,761,746
Total	1,709,522,350	26,761,746	1,736,284,096	1,736,284,096
31-Dec-20				
Financial assets				
Cash on hand	39,052,705	-	39,052,705	39,052,705
Bank balances	382,772,872	-	382,772,872	382,772,872
Interbank placements	-	7,224,638	7,224,638	7,224,638
Investment securities	-	33,432,603	33,432,603	33,432,603
Loans and advances	585,059,534	-	585,059,533	585,059,533
Total	1,006,885,111	40,657,241	1,047,542,352	1,047,542,352
Financial liabilities				
Deposits	855,402,743	-	855,402,743	855,402,743
Borrowings	-	53,008,037	53,008,037	53,008,037
Total	855,402,743	53,008,037	908,410,780	908,410,780
Historical 30-Jun-21				
Financial assets				
Cash on hand	58,329,182	-	58,329,182	58,329,182
Bank balances	812,428,225	-	812,428,225	812,428,225
Interbank placements	-	4,988,500	4,988,500	4,988,500
Investment securities	-	80,558,548	80,558,548	80,558,548
Loans and advances	1,115,958,594	-	1,115,958,594	1,115,958,594
Total	1,986,716,001	85,547,048	2,072,263,048	2,072,263,048
Financial liabilities				
Deposits	1,709,522,350	-	1,709,522,350	1,709,522,350
Borrowings	-	26,761,746	26,761,746	26,761,746
Total	1,709,522,350	26,761,746	1,736,284,096	1,736,284,096

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021 (continued)

31-Dec-20	Level 2 ZWL	Level 3 ZWL	Total fair value ZWL	Total carrying amount ZWL
	Financial assets			
Cash on hand	32,358,340	-	32,358,340	32,358,340
Bank balances	18,159,014	-	18,159,014	18,159,014
Interbank placements	6,000,000	-	6,000,000	6,000,000
Investment securities	27,701,629	-	27,701,629	27,701,629
Loans and advances	484,560,756	-	484,560,756	484,560,756
Total	568,779,739	-	568,779,739	568,779,739
Financial liabilities				
Deposits	708,770,695	-	708,770,695	708,770,695
Borrowings	43,921,467	43,922,863	87,844,330	87,844,330
Total	752,692,162	43,922,863	796,615,025	796,615,025
17 Capital Adequacy			31 June 2021 ZWL	31 Dec2020 ZWL
Capital adequacy is computed in line with guidelines provided by the Reserve Bank of Zimbabwe.				
Risk weighted assets			1,189,089,127	780,849,055
Tier 1				
Share capital			5,089,296	5,089,296
Share Premium			44,558,325	44,558,325
Accumulated profit/loss			228,271,943	137,990,638
Core capital			277,919,564	187,638,259
Tier 2				
Borrowings			26,761,746	43,921,467
Revaluation reserve			78,350,226	78,350,226
			105,111,972	122,271,693
Core Capital				
Tier 1 ratio			23%	24%
Tier 2 ratio			9%	16%
Capital adequacy ratio			32%	40%

Regulatory capital, consists of Tier 1 capital which comprises share capital, share premium and accumulated profit. Tier 2 capital consists of loans from shareholder and revaluation reserve.

	INFLATION ADJUSTED		HISTORICAL	
	30 June 2021 ZWL	30 June 2020 ZWL	30 June 2021 ZWL	30 June 2020 ZWL
18 Interest				
Interest income				
Loans and advances	120,262,921	41,972,212	113,372,918	11,655,731
Money market placements	5,966,959	7,226,174	5,666,838	2,095,583
	126,229,880	49,198,386	119,041,756	13,751,314
19 Interest expense				
Money market deposits	17,528,263	11,684,723	16,695,803	3,273,869
Borrowings	1,124,555	4,425,306	1,040,113	1,231,473
Savings deposits	68,348	28,575	54,000	11,336
	18,721,166	16,138,604	17,789,916	4,516,678
Net interest income	107,508,714	33,059,782	101,251,840	9,234,636
20 Non funded income				
Net commission and fee income	184,234,377	87,449,932	172,629,597	25,379,798
Realised exchange gains	38,504,953	5,554,426	36,451,568	2,687,920
Fair value adjustment on investment property	-	45,494,196	-	78,967,650
Other operating income	10,634,732	16,844,793	43,877,038	2,476,662
	233,374,062	155,343,347	252,958,203	109,512,030
21 Operating expenses				
Staff Costs	106,205,138	44,156,800	99,784,997	12,847,816
Defined Contribution plan	3,175,005	1,325,785	3,000,123	423,602
Depreciation	14,929,625	22,494,069	5,360,133	3,867,029
Amortisation of computer software	4,448,789	9,330,486	158,573	154,566
Other expenses	126,406,546	87,154,793	126,990,411	28,739,956
	255,165,103	164,461,933	235,294,237	46,032,969
Remuneration of directors and key management personnel				
Fees for services as directors	1,220,713	5,417,871	989,353	2,621,838
Short term benefits of executive staff	18,882,949	29,869,828	17,702,917	14,454,727
Post employment benefits	870,884	843,860	821,782	408,364
	20,974,546	36,131,559	19,514,052	17,484,929
22 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.				
22.1 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 Centre				
22.2 Transactions with related parties				
Interest paid to First Mutual	5,038,662	3,638,053	5,038,662	3,014,423
First Mutual Wealth	-	1,959,449	-	1,623,563
Deposits received				
First Mutual Life Assurance Co.	-	575,095	-	476,513
Fidelity Life Asset Management	303,514	1,283,595	303,514	1,063,563
NICOZ Diamond Insurance Limited	12,502,681	5,657,469	12,502,681	4,687,673
NSSA	-	11,385,727	-	9,434,000
FBC Building Society	-	22,930,762	-	19,000,000
Other transactions				
Rent expense to NSSA	7,506,881	2,194,205	7,026,506	1,818,077
22.3 Balances with related parties				
Term deposit with NSSA	29,100,000	-	29,100,000	-
Term deposit with NICOZ	-	1,922,985	-	1,593,349
Term deposit with FML	443,094	586,844	443,094	486,248
Term deposit with FLAM	-	181,965	-	150,773
Transaction deposits with NSSA	579,676,447	250,599,601	579,676,447	207,642,137
Transactional deposits ZIMRE	-	352,329	-	291,933
Balance owed to NSSA	26,761,746	53,008,037	26,761,746	43,921,467
Interbank borrowing placement with FBC	-	3,620,647	-	3,000,000
Loans to executive staff of NBS	27,771,762	18,240,922	27,771,762	15,114,086
22.4 Credit Risk exposure				
The table below summarizes the Society's exposure to credit risk				
Cash and cash equivalents	875,757,405	429,066,869	875,757,406	355,516,774
Investment securities	80,744,631	33,511,637	80,744,631	27,767,115
Loans and advances	1,156,398,008	599,779,723	1,156,398,008	496,966,193
	2,112,900,044	1,062,358,229	2,112,900,045	880,250,082
22.5 Aging analysis of past due but not impaired loans and advances (special mention loans):				
1 to 3 months	113,636,077	33,209,122	113,636,077	27,516,457

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Unaudited Financial Results

for the period ended 30 June 2021

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021 (continued)

	INFLATION ADJUSTED		HISTORICAL	
	30 June 2021 ZWL	31 Dec 2020 ZWL	30 June 2021 ZWL	31 Dec 2020 ZWL
23 Credit quality per class of financial assets (gross)				
Pass	1,015,011,172	556,886,563	1,015,011,172	461,425,778
Special mention	113,636,077	33,209,122	113,636,077	27,516,457
Substandard	7,565,999	744,195	7,565,999	616,626
Doubtful	1,604,857	1,591,217	1,604,857	1,318,453
Loss	18,579,903	7,348,625	18,579,903	6,088,933
Total	1,156,398,008	599,779,722	1,156,398,008	496,966,247

23.1 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.

23.2 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.

23.3 Interest Rate Repricing Gap Analysis

Inflation Adjusted

	Less than 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 years and above	Non interest bearing	Total
Jun-21 Assets								
Cash and cash equivalents	865,277,288	-	-	-	-	-	10,468,618	875,745,906
Investment securities	-	-	823,929	79,734,619	-	-	80,558,548	80,558,548
Loans and advances	201,624,618	31,524,270	27,215,948	42,347,619	68,414,056	744,832,083	-	1,115,958,594
Other assets	-	-	-	-	-	-	163,474,573	163,474,573
Inventory WIP	-	-	-	-	-	-	1,287,940,065	1,287,940,065
Computer Software	-	-	-	-	-	-	95,581,662	95,581,662
Right of use asset	-	-	-	-	49,246,698	-	-	49,246,698
Property and equipment	-	-	-	-	-	-	142,752,533	142,752,533
Total assets	1,066,901,906	31,524,270	28,039,877	122,082,238	117,660,754	744,832,083	1,700,217,451	3,811,258,579
Liabilities								
Deposits	1,318,856,886	32,050,981	25,057,810	140,000	15,156,037	318,260,636	-	1,709,522,350
Borrowings	-	-	-	-	-	26,761,746	-	26,761,746
Other liabilities	-	-	-	-	-	-	339,038,270	339,038,270
Equity & Reserves	-	-	-	-	-	-	1,735,936,213	1,735,936,213
Total liabilities	1,318,856,886	32,050,981	25,057,810	140,000	15,156,037	345,022,382	2,074,974,483	3,811,258,579
Periodic gap	(251,954,980)	(526,711)	2,982,067	121,942,238	102,504,717	399,809,701	(374,757,032)	-
Cumulative gap	(251,954,980)	(252,481,691)	(249,499,624)	(127,557,386)	(25,052,669)	374,757,032	-	-
Dec-20 Assets								
Cash and cash equivalents	389,997,510	-	-	-	-	-	39,052,705	429,050,215
Investment securities	-	-	31,821,296	669,939	941,368	-	-	33,432,603
Loans and advances	73,219,407	20,617,116	498,130	100,615,277	64,961,095	325,148,509	-	585,059,534
Other assets and prepayments	-	-	-	-	-	-	52,101,699	52,101,699
Inventory work in progress	-	-	-	-	-	-	1,327,625,046	1,327,625,046
Computer Software	-	-	-	-	-	-	99,769,390	99,769,390
Right of use asset	-	-	-	-	-	-	49,246,698	49,246,698
Property and equipment	-	-	-	-	-	-	136,389,963	136,389,963
Total assets	463,216,917	20,617,116	32,319,426	101,285,216	65,902,463	325,148,509	1,704,185,501	2,712,675,148
Liabilities								
Deposits	640,251,723	7,491,112	2,856,390	15,554,418	100,602,331	88,646,768	-	855,402,742
Borrowings	-	-	-	-	53,008,037	-	-	53,008,037
Lease Liability	-	-	-	40,217,657	-	-	-	40,217,657
Other liabilities	-	-	-	-	-	-	36,633,315	36,633,315
Equity & Reserves	-	-	-	-	-	-	1,727,413,397	1,727,413,397
Total liabilities	640,251,723	7,491,112	2,856,390	55,772,075	153,610,368	88,646,768	1,764,046,712	2,712,675,148
Periodic gap	(177,034,806)	13,126,004	29,463,036	45,513,141	(87,707,905)	236,501,741	(59,861,211)	-
Cumulative gap	(177,034,806)	(163,908,802)	(134,445,766)	(88,932,625)	(176,640,530)	59,861,211	-	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021 (continued)

Interest Rate Repricing Gap Analysis

Historical

	Less than 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 years and above	Non interest bearing	Total
Jun-21 Assets								
Cash and cash equivalents	865,277,288	-	-	-	-	-	10,468,618	875,745,906
Investment securities	-	-	823,929	79,734,619	-	-	-	80,588,548
Loans and advances	201,624,618	31,524,270	27,215,948	42,347,619	68,414,056	744,832,083	-	1,115,958,594
Other assets	-	-	-	-	-	-	163,474,573	163,474,573
Inventory WIP	-	-	-	-	-	-	1,287,940,065	1,287,940,065
Computer Software	-	-	-	-	-	-	95,581,662	95,581,662
Right of use asset	-	-	-	-	31,869,317	-	-	31,869,317
Property and equipment	-	-	-	-	-	-	96,521,740	96,521,740
Total assets	1,066,901,906	31,524,270	28,039,877	122,082,238	100,283,373	744,832,083	337,928,409	2,431,592,156
Liabilities								
Deposits	1,318,856,886	32,050,981	25,057,810	140,000	15,156,037	318,260,636	-	1,709,522,350
Borrowings	-	-	-	-	-	26,761,746	-	26,761,746
Other liabilities	-	-	-	-	-	-	339,038,270	339,038,270
Equity & Reserves	-	-	-	-	-	-	356,269,790	356,269,790
Total liabilities	1,318,856,886	32,050,981	25,057,810	140,000	15,156,037	345,022,382	695,308,060	2,431,592,156
Periodic gap	(251,954,980)	(526,711)	2,982,067	121,942,238	85,127,336	399,809,701	(357,379,651)	-
Cumulative gap	(251,954,980)	(252,481,691)	(249,499,624)	(127,557,386)	(42,430,050)	357,379,651	-	-
Dec-20 Assets								
Cash and cash equivalents	323,144,634	-	-	-	-	-	32,358,340	355,502,974
Investment securities	-	-	26,366,530	555,099	780,000	-	-	27,701,629
Loans and advances	60,668,230	17,082,957	412,742	83,367,934	53,825,547	269,411,963	-	484,769,373
Other assets and prepayments	-	-	-	-	-	-	43,170,492	43,170,492
Inventory work in progress	-	-	-	-	-	-	54,560,756	54,560,756
Computer Software	-	-	-	-	-	-	3,648,430	3,648,430
Equipment and property	-	-	-	-	-	-	81,134,950	81,134,950
Right of use asset	-	-	-	-	-	-	31,869,317	31,869,317
Total assets	383,812,864	17,082,957	26,779,272	83,923,033	54,605,547	269,411,963	246,742,285	1,082,357,921
Liabilities								
Deposits	530,500,589	6,206,995	2,366,752	12,888,099	83,357,208	73,451,052	-	708,770,695
Borrowings	-	-	-	-	-	43,921,467	-	43,921,467
Lease Liability	-	-	-	33,323,597	-	-	-	33,323,597
Other liabilities	-	-	-	-	-	-	30,353,677	30,353,677
Equity & Reserves	-	-	-	-	-	-	265,988,485	265,988,485
Total liabilities	530,500,589	6,206,995	2,366,752	46,211,696	83,357,208	117,372,519	296,342,162	1,082,357,921
Periodic gap	(146,687,725)	10,875,962	24,412,520	37,711,337	(28,751,661)	152,039,444	(49,599,877)	-
Cumulative gap	(146,687,725)	(135,811,763)	(111,399,243)	(73,687,906)	(102,439,567)	49,599,877	-	-

23.4 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.

23.5 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 to 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.

23.6 Liquidity Gap Analysis

Inflation Adjusted

	Less than 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 years and above	Total
Jun-21 Assets							
Cash and cash equivalents	875,745,906	-	-	-	-	-	875,745,906
Investment securities	-	-	823,929	79,734,619	-	-	80,588,548
Loans and advances	201,624,618	31,524,270	27,215,948	42,347,619	68,414,056	744,832,083	1,115,958,594
Other assets	-	-	-	-	-	-	163,474,573
Inventory WIP	-	-	-	-	-	-	1,287,940,065
Computer Software	-	-	-	-	-	-	95,581,662
Right of use asset	-	-	-	-	49,246,698	-	49,246,698
Property and equipment	-	-	-	-	-	-	142,752,533
Total assets	1,077,370,524	31,524,270	28,039,877	122,082,238	1,569,075,392	983,166,278	3,811,258,579
Liabilities							
Deposits	1,318,856,886	32,050,981	25,057,810	140,000	15,156,037	318,260,636	1,709,522,350
Borrowings	-	-	-	-	-	26,761,746	26,761,746
Other liabilities	-	-	-	339,038,270	-	-	339,038,270
Total liabilities	1,318,856,886	32,050,981	25,057,810	339,178,270	15,156,037	345,022,382	2,075,322,366
Periodic Gap	(241,486,362)	(526,711)	2,982,067	(217,096,032)	1,553,919,355	638,143,896	1,735,936,213
Cumulative Gap	(241,486,362)	(242,013,073)	(239,031,006)	(456,127,038)	1,097,792,317	1,735,936,213	-
Dec-20 Assets							
Cash and cash equivalents	429,050,215	-					

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Unaudited Financial Results for the period ended 30 June 2021

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021 (continued)

Liquidity Gap Analysis

	Historical						Total
	Less than 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 years and above	
Jun-21 Assets							
Cash and cash equivalents	875,745,906	-	-	-	-	-	875,745,906
Investment securities	-	-	823,929	79,734,619	-	-	80,588,548
Loans and advances	201,624,618	31,524,270	27,215,948	42,347,619	68,414,056	744,832,083	1,115,958,594
Other assets	-	-	-	-	163,474,573	-	163,474,573
Inventory WIP	-	-	-	-	63,737,697	-	63,737,697
Computer Software	-	-	-	-	-	3,725,781	3,725,781
Right of use asset	-	-	-	-	31,869,317	-	31,869,317
Property and equipment	-	-	-	-	-	96,521,740	96,521,740
Total assets	1,077,370,524	31,524,270	28,039,877	122,082,238	327,495,643	845,079,604	2,431,592,156
Liabilities							
Deposits	1,318,856,886	32,050,981	25,057,810	140,000	15,156,037	318,260,636	1,709,522,350
Borrowings	-	-	-	-	-	26,761,746	26,761,746
Other liabilities	-	-	-	339,038,270	-	-	339,038,270
Total liabilities	1,318,856,886	32,050,981	25,057,810	339,178,270	15,156,037	345,022,382	2,075,322,367
Periodic Gap	(241,486,362)	(526,711)	2,998,067	(217,096,032)	312,339,606	500,057,222	356,269,790
Cumulative Gap	(241,486,362)	(242,013,073)	(239,031,006)	(456,127,038)	(143,787,432)	356,269,790	-

	Historical						Total
	Less than 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 years and above	
Dec-20 Assets							
Cash and cash equivalents	355,502,974	-	-	-	-	-	355,502,974
Investment securities	-	-	26,366,530	555,099	780,000	-	27,701,629
Loans and advances	60,668,230	17,082,957	412,742	83,367,934	53,825,547	269,411,963	484,769,373
Other assets and prepayments	-	-	-	-	43,170,492	-	43,170,492
Inventory work in progress	-	-	-	-	54,560,756	-	54,560,756
Computer Software	-	-	-	-	-	3,648,430	3,648,430
Right of use asset	-	-	-	-	31,869,317	-	31,869,317
Property and equipment	-	-	-	-	-	81,134,950	81,134,950
Total assets	416,171,204	17,082,957	26,779,272	83,923,033	184,206,112	354,195,343	1,082,357,921
Liabilities							
Deposits	530,500,589	6,206,995	2,366,751	12,888,099	83,357,208	73,451,052	708,770,695
Borrowings	-	-	-	-	43,921,467	-	43,921,467
Lease Liability	-	-	-	33,323,597	-	-	33,323,597
Other liabilities	-	-	-	30,353,677	-	-	30,353,677
Total liabilities	530,500,589	6,206,995	2,366,751	76,565,373	127,278,675	73,451,052	816,369,436
Periodic Gap	(114,329,385)	10,875,962	24,412,520	7,357,660	56,927,437	280,744,291	265,988,485
Cumulative Gap	(114,329,385)	(103,453,423)	(79,040,903)	(71,683,243)	(14,755,806)	265,988,485	-

23.7 Liquidity ratio

	INFLATION ADJUSTED		HISTORICAL	
	30 June 2021 ZWL	31 Dec 2020 ZWL	30 June 2021 ZWL	31 Dec 2020 ZWL
Total liquid assets	992,562,867	494,080,419	992,562,867	409,385,783
Total liabilities	2,075,322,367	932,253,712	2,075,322,367	772,447,969
Liquidity ratio	48%	53%	48%	53%
Minimum statutory level	30%	30%	30%	30%

23.8 Contingent liabilities

Mortgage commitments	65,897,648	34,910,902	65,897,648	28,926,520
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23.9 Performance Ratios

	INFLATION ADJUSTED		HISTORICAL	
	30 June 2021 ZWL	2020 ZWL	30 June 2021 ZWL	2020 ZWL
Cost to income ratio (%)	82%	88%	72%	39%
Return on assets (%)	0.2%	2%	4%	7%
Return on equity (%)	0.5%	3%	25%	27%
Non performing ratio	1.2%	1.5%	1.2%	1.5%

24 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.

25 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021 (continued)

25.1 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.

25.2 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.

26 RATINGS

26.1 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 2018, utilising data as at 31 December 2016. The report was updated as at 30 June 2018. 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

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 as at 30 June 2018 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 policies and limits are put in place. The policies comprehensively define the bank's risk tolerance, responsibilities and accountabilities are effectively communicated.

Overall composite risk

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

Moderate - risk management systems appropriately 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.

26.2 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.

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Unaudited Financial Results for the period ended 30 June 2021