

ABRIDGED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022



Bank, Build & go Beyond

HIGHLIGHTS	Profitability	Liquidity	Deposits	Mortgages
Inflation adjusted	Up 143% to ZWL 3.22 bn	52% (above 30% RBZ threshold)	Up 108% to ZWL 29.2 bn	600 houses delivered and ZWL 5 bn mortgages booked

CHAIRMAN'S STATEMENT

For the year ended 31 December 2022

INTRODUCTION

The direction that any organisation takes is a result of the everyday decisions that are made by the people within that organisation. One of the most notable aspects about direction is simply that it can be changed!

As a State-Owned Entity, we are committed to aligning ourselves with Vision 2030. The NBS Vision from FY2023 and beyond is now to be the "Preferred provider of affordable housing and financial services by 2030." We have also re-focused our strategy beyond being solely renowned as a Building Society. We have embarked on a journey to become a one-stop-shop for financial services across different customer segments. As a result, we have reconfigured our Mission to read, "To provide inclusive and affordable housing and financial solutions for individuals, public and private sector." Lastly, we have adopted the tagline "Bank, Build and Go Beyond," which means that we are not only looking to bank the nation, but we are also aiming to build our communities and the people of Zimbabwe and to exceed their expectations.

Certainly, there were notable events in the macro environment. The Russia-Ukraine war did not spare the nation from its effects, especially given that the market was just recovering from the impact of the Covid-19 pandemic. The annual rate of inflation, as measured by the blended CPI increased from 24.9% in January 2022 to 105.5% in December 2022. In June 2022, the authorities took measures to contain the rapid inflation by tightening the monetary policy. Interest rates were increased to a minimum of 200% p.a. for corporates and 100% p.a. for individuals. Management took unprecedented steps to respond to the challenges in the operating environment that ensued. Whilst, prudent and difficult decisions had to be made to control costs, the results were positive on the Society's profitability and growth. The inflation adjusted profit increased by 143% between FY21 and FY22.

I also take this opportunity to acknowledge the various stakeholders of the Society for the supportive roles they have played to bring the Society thus far. I extend my sincere gratitude to our customers and employees, the Corporate Governance Unit in the Office of the President and Cabinet, the Ministry of Public Service, Labour and Social Welfare, the Ministry of National Housing and Social Amenities, National Social Security Authority, the Reserve Bank of Zimbabwe and the Procurement Regulatory Authority of Zimbabwe for their unwavering support.

Lastly, I take this opportunity to thank the outgoing Managing Director, Mr Tapera Mushoriwa who joined the Society in August 2022 and at the time of the publishing of the FY22 financials, had resigned to pursue other career opportunities. His appointment paved the way for a number of strategic initiatives which improved the course of the Society. On behalf of the Board of Directors, I would like to commend Tapera for his sterling work to rebrand and reposition the Society and I wish him the best in his new endeavours.

Mr Sifiso Mahlangu was appointed as Acting Managing Director with effect from the 26th of June 2023 and we wish him all the best as he steers the NBS ship. The Board remains committed to providing the requisite support to NBS and the NBS Management to ensure quality service delivery to all the customers.

S.I. MUTUMBWA
Board Chairman

31 August 2023

MANAGING DIRECTOR'S STATEMENT

For the year ended 31 December 2022

Introduction

Six years ago, National Social Security Authority ("NSSA") birthed a new investment, National Building Society ("NBS" also referred to as "the Society" or "the Bank"). The purpose of this venture was to promote the social security of the people of Zimbabwe by facilitating access to affordable housing and by generating positive returns for NSSA to fund pensioners pay-outs. We have taken it upon ourselves to take radical measures in order to live up to the reason why NBS was created.

The nation has a housing backlog of approximately 1.3 million units. In 2022, the Society contributed toward narrowing that gap by delivering 600 housing units under the Dzivarasekwa Housing Project. In addition, the Society achieved the regularisation of a land bank from which the Society expects to churn out serviced stands and completed housing units in the coming year. Several other projects are set to deliver additional houses and stands for the people of Zimbabwe in FY2023.

Our customers spoke about ease of accessibility of our services, and we listened! We are on a drive that will ensure that our services are made available to all people nationwide. Moreover, we are crafting products particularly accessible to the informal sector which has previously been shunned by traditional financial institutions. We have taken heed and are actively attending to the needs of our Corporate clients. NBS will be leaving no stone unturned! I particularly like the quote by Oprah Winfrey which says, "We can't become what we need to be by remaining what we are." Expectations are high for NBS because they should be and Management is dedicated to surpassing these. We are confident and thrilled with the new aura around our brand which will be augmented by our pipeline of products and services for FY2023 and beyond.

Our financial performance has responded positively to the initiatives that Management is pursuing. After reporting a liquidity ratio below the minimum prescribed threshold of 30% in June 2022, the Society has since shifted trajectory, closing the year with a liquidity ratio of 52%. Our inflation adjusted profitability increased from ZWL1.33 billion in FY2021 to ZWL3.22 billion in FY 2022. Our inflation adjusted deposits doubled between FY2021 and FY2022. Although the Society is operating in a VUCA environment, Management has taken cognisance of the fact that macroeconomic conditions are beyond our control. We have resolved to implement and accelerate initiatives that will make meaningful contribution not only to the Society's principals but to the nation in the prevailing operating environment.

I look forward to an exciting future with you as we Bank, Build and Go Beyond.

S. MAHLANGU
Acting Managing Director

31 August 2023

CORPORATE GOVERNANCE STATEMENT

For the year ended 31 December 2022

The Board is committed to high standards of Corporate Governance and believes that a sound governance structure engenders a successful company. For the year 2022, 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.

THE BOARD

Roles and responsibilities

The Board is responsible for giving strategic direction and ensuring that the Society maintains high standards of Corporate Governance in compliance with regulatory and best practice corporate governance requirements. The Board monitors compliance with policies, and achievements against objectives, including quarterly performance reporting and budget updates. Management makes presentations to the Board on business operations and projects within the Society. The Board has four scheduled meetings a year and holds ad-hoc meetings whenever necessary. During the meetings, the Managing Director gives explanations and motivations for business items where decisions are required. The Directors have unrestricted access to all the Society's information and records. The Board conducts regular ongoing assessments to evaluate the effectiveness of its procedures.

The Chairman, Vice Chairman and Managing Director
The offices of Chairman, Vice Chairman and Managing Director are held by different individuals. Those of Vice Chairman and Chairman of the Audit Committee are held by Non-Executive Directors. The Chairman is responsible for the conduct of the Board and ensures that Board discussions are conducted in such a way that all views are considered so that no individual director or

small group of Directors dominate proceedings. The Vice Chairman's role is to provide support and guidance to the Chairman and to deputise for the Chairman as required. The Managing Director has the overall responsibility for running the business on a day-to-day basis and chairs the Executive Committee Meetings. The roles and responsibilities of the Chairman, Vice Chairman and the Managing Director are clearly defined, separate and have been approved by the Board.

The Executive Directors and the Company Secretary are responsible for ensuring that detailed information is provided to Board members in advance of any scheduled or ad hoc Board meeting. Before decisions are made, consideration is given to the adequacy of information available to the Board and, if necessary, decisions are deferred if further information is required. There were two changes to the Board during the period under review. The Society appointed one Executive Director and one Non-Executive Director to the Board namely:

- Ms Grace Narucha Mathe (Non-Executive Director) appointed on 8 March 2022, and
- Mr Tapera Mushoriwa (Executive Director) appointed on 22 August 2022.

Dr, Engineer Christopher Mawere resigned from the Board on 30 June 2022. The Society would like to express its appreciation for the pivotal role that was played by Eng Mawere and wish him success in all his future endeavours.

In order to assist it in carrying out its mandate, the Board has the following committees:

BOARD COMMITTEES

Audit Committee

The Audit Committee comprised of three independent non-executive directors. The members are as follows: Edward Tome- Chairman (Independent NED) David Mutemachani -Member (Independent NED) Pauline Chapendama -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 two Independent non-executive directors and two non-executive directors. The members are as follows: Pauline Chapendama- Chairman (Independent NED) Edward Tome -Member (Independent NED) Betty Nyereyegona -Member (NED) Prudence Mutsvanga-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 timely manner.

Credit Committee

The Committee consisted of one Independent Non-Executive Director and one Non-Executive Director. Additional Independent Non-Executive Directors will be appointed to the Committee upon clearance of additional Independent Non-Executive Directors by the Reserve Bank of Zimbabwe. The members are as follows; Shingai. I. Mutumbwa -Chairman (Independent 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 two independent non-executive directors and three non-executive directors. An additional Independent non-executive director will be appointed to the Committee upon clearance of additional Independent non-executive Directors by the Reserve Bank of Zimbabwe. The members are as follows;

David Mutemachani -Chairman (Independent NED) Shingai I. Mutumbwa-Member (Independent NED) Betty Nyereyegona- Member (NED) Philip Hamadziripi -Member (NED) Grace Mathe-Member (NED)

The Committee is responsible for:

- Overseeing the overall human resources strategy;
- Developing policies on remuneration packages and benefits of 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 three non-executive directors. The members are as follows; Pauline Chapendama -Chairman (Independent NED) Edward Tome- Member (Independent NED) Betty Nyereyegona -Member (NED) Prudence Mutsvanga-Member (NED) Grace Mathe-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

The Society addressed key compliance issues which were outstanding in FY2021.

Capitalisation

The Society closed FY2022 with Regulatory Capital of USD18.3m following the acquisition of properties from its shareholder NSSA. Capital preservation and revenue growth remain of strategic importance for the creation of sustainable shareholder value.

Appointment of an Acting Managing Director

Subsequent to the financial year end, the substantive Managing Director, Mr Tapera Mushoriwa resigned on the 13th of June 2023 and Mr Sifiso Mahlangu was appointed as Acting Managing Director.

Prudential Liquidity Position

The Society addressed liquidity challenges experienced in prior years and closed FY 2022 being fully compliant with the Prudential Liquidity Ratio now being above the required minimum regulatory threshold of 30%.

Overall, the Society was substantially compliant with the applicable laws and regulations governing its activities for the period to December 2022.

Publication of June 2023 Financials

The Society requested, and was granted, an exemption by the Reserve Bank of Zimbabwe to publish financial statements for the half year ended 30 June 2023 by 30 September 2023.

Finance, Housing Projects and Strategy Committee

The Committee is comprised of two independent non-executive directors, three non-executive directors and one executive director. The members are as follows; David Mutemachani -Chairman (Independent NED) Shingai I Mutumbwa -Member (Independent NED) Philip Hamadziripi -Member (NED) Prudence Mutsvanga -Member (NED) Grace Mathe-Member (NED) Tapera Mushoriwa -Member (ED)

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.

We offer CORPORATE BANKING services that prioritise your company's growth.

We are here to fuel your success!

ABRIDGED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

Bank, Build & go Beyond



Corporate Account



Diaspora Mortgage



Remittances



SME Loans



Individual Account Opening

ICT, Digitalisation and Innovation Committee

The Board ICT, Cybersecurity, & Digitalisation Committee is a Committee of the Board. The primary purpose of the Committee shall be to act on behalf of the Board in fulfilling the Board's oversight responsibility with respect to the Society's Information Technology use and protection, including but not limited to Data Governance, Privacy, Compliance, and Cybersecurity. The Committee also has the responsibility of overseeing the implementation of ICT, Cybersecurity, Digital Transformation and Digital Banking Innovation strategies within the Society. The members are as follows:

Edward Tome -Chairman (Independent NED)
David Mutemachani- Member (Independent NED)
Pauline Chapendama-Member (Independent NED)
Betty Nyereyegona -Member (NED)
Philip Hamadziripi-Member (NED)
Grace Mathe-Member (NED)
Tapera Mushoriwa-Member (ED)

The Committee's terms of reference include:

- To review and oversee the overall ICT Governance of the Society;
- To supervise the implementation of ICT, Digitalisation, and Innovation strategies, including Digital Banking initiatives of the Society.

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.

INDUCTION AND EVALUATION OF DIRECTORS

On appointment, new directors are briefed on their fiduciary duties and responsibilities by executive management. Visits to Society sites and operations are arranged to facilitate understanding of the Society's affairs. Directors are informed of any new relevant legislation and changing commercial risks that affect the Society.

Directors are entitled to seek independent professional advice at the Society's expense about the affairs of the Society and, where necessary, for the furtherance of their duties. The Board conducts regular ongoing assessments to evaluate the effectiveness of its procedures.

THE COMPANY SECRETARY

The Company Secretary is responsible to the Board as a whole and to Directors individually, for ensuring compliance with procedures and applicable statutes and regulations.

The Board has unlimited access to the Company Secretary, who advises the Board and its sub-Committees on issues including compliance with Society rules and procedures and statutory regulations.

The Company Secretary ensures that the proceedings and affairs of the Directorate, the Society itself and Shareholders, are properly administered. The Secretary assists in developing the annual Board plan and administers all statutory obligations of the Society.

BOARD ATTENDANCE

Membership and attendance for the period to December 2022 is as noted below:

Board Member	Main Board	Audit	Loans Review	Credit Review	HR & Nomination	Risk & Compliance	Finance, Housing Projects & Strategy	ICT, Digitalisation & Innovation
Number of Meetings held	8	4	4	4	4	4	4	3
Mushoriwa T (Managing Director)	2XXXXXX	-	-	-	-	-	2NN	2
Chaavure A (Finance Director)	5LGR	-	-	-	-	-	3R	2R
Mutumbwa S I (Chairman)	8	-	-	4	4	-	4	-
Tome E (Vice Chairman)	6LL	4	2LL	-	-	4	-	3
Mawere C	6RR	-	-	2RR	2RR	-	2RR	LRR
Nyereyegona B (Dr)	8	-	3L	-	4	4	-	3
Mutsvanga P (Mrs)	8	-	3L	-	-	2LL	3L	-
Hamadziripi P	8	-	-	4	4	-	4	3
Mutemachani D	8	4	-	-	4	-	4	3
Chapendama P (Mrs)	8	4	4	-	-	4	-	3
Mathe G (Ms)	7L	-	-	-	3N	3N	2NL	3

Key

L - Leave of absence granted
N - Not yet Committee Member
X - Not yet Board Member
G - Garden Leave
R - Resigned

BOARD AND DIRECTOR EVALUATION PROCESS

The Society evaluates the performance of the Board and Directors annually as required by the Reserve Bank of Zimbabwe (RBZ). Weaknesses and areas of concern are identified through this process. The areas of concern are discussed in the Board meetings with a view of coming up with remedial actions for identified weaknesses. The 2022 Board and Individual Director evaluation process was concluded at the beginning of 2023 and the evaluation report submitted to RBZ in line with set deadlines.

AUDITOR'S STATEMENT

This short form financial announcement derived from the audited inflation adjusted financial statements of National Building Society Limited for the financial year ended 31 December 2022, should be read together with the complete set of audited inflation adjusted financial statements of the Society, for the year ended 31 December 2022, which have been audited by Grant Thornton Chartered Accountants (Zimbabwe). The auditor's report was signed by Farai Chibisa, Registered Public Auditor 0547. A qualified opinion has been issued on the audited inflation adjusted financial statements of the Society, for the year then ended. The qualified opinion was issued regarding valuation of property and equipment, non-compliance with International Accounting Standard (IAS) 40 - Investment property, non-compliance with International Financial Reporting Standard (IFRS) 2 - Share-based payment, and inability to obtain sufficient appropriate audit evidence regarding settlement suspense account included in other liabilities.

The auditor's report includes a section on key audit matters outlining matters that, in the auditor's professional judgement, were of most significance in the audit of the inflation adjusted financial statements. These include interest and similar income, loans and advances, and adequacy of allowance for credit losses. The auditor's opinion is not modified in respect of these matters. The auditor's report has been made available to Management and the Directors of the Society.

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

		Inflation Adjusted		Historical Cost	
	Notes	2022 ZWL	2021 ZWL	2022 ZWL	2021 ZWL
ASSETS			Restated		Restated
Cash and cash equivalents	5	16 058 089 006	4 311 832 026	16 058 089 006	1 254 316 159
Investment securities held at amortised cost	6	213 579 130	851 083 309	213 579 130	247 580 968
Other assets and prepayments	7	896 052 615	481 152 784	835 078 136	139 967 816
Inventory	8	8 014 116 472	7 444 155 315	2 280 244 398	424 900 381
Work in progress	9	26 719 061	1 372 913	26 719 061	309 500
Loans and advances	10	16 761 629 638	9 559 886 228	16 761 629 638	2 780 980 266
Computer software	11	428 789 511	443 632 367	6 818 848	9 214 735
Investment property	12	9 979 502 292	458 719 143	8 843 651 596	133 441 848
Right of use asset	13	787 317 549	592 948 363	264 270 350	103 562 303
Property and equipment	14	2 076 410 821	597 739 550	1 956 238 485	131 802 486
Total assets		55 242 206 095	24 742 521 998	47 246 318 648	5 226 076 462
EQUITY AND LIABILITIES					
Liabilities					
Deposits	15	29 250 830 856	14 062 871 923	29 250 830 856	4 090 903 214
Borrowings	16	15 321 746	52 669 971	15 321 746	15 321 746
Lease liability	13.1	303 292 960	473 396 567	303 292 960	132 069 467
Other liabilities	17	3 901 348 291	1 097 702 760	3 901 348 291	319 322 808
Total liabilities		33 470 793 853	15 686 641 221	33 470 793 853	4 557 617 235
Shareholders' equity					
Share capital	18.1	783 557 170	783 557 170	5 089 296	5 089 296
Share premium	18.1	6 860 280 480	6 860 280 480	44 558 325	44 558 325
Shares awaiting allotment	18.1	8 704 677 600	-	8 704 677 600	-
Revaluation reserve	18.3	931 042 813	143 886 479	1 273 938 410	106 136 966
Accumulated surplus	18.2	4 491 854 179	1 268 156 648	3 747 261 164	512 674 640
Total Shareholder equity		21 771 412 242	9 055 880 777	13 775 524 795	668 459 227
Total liabilities and equity		55 242 206 095	24 742 521 998	47 246 318 648	5 226 076 462

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022

		Inflation Adjusted		Historical Cost	
	Note	2022 ZWL	2021 ZWL	2022 ZWL	2021 ZWL
Interest income	20	5 767 310 622	1 580 468 935	3 677 461 892	385 284 669
Interest expense	21	(2 733 632 945)	(406 799 436)	(2 223 982 918)	(104 460 398)
Net interest income		3 033 677 677	1 173 669 499	1 453 478 974	280 824 271
Charge for impairment	10.3	(707 529 312)	(225 471 792)	(707 529 312)	(65 589 965)
		2 326 148 365	948 197 707	745 949 662	215 234 306
Non funded income	22	14 613 589 667	3 704 713 935	8 607 011 378	906 100 132
Total operating income for the year		16 939 738 032	4 652 911 642	9 352 961 040	1 121 334 438
Operating expenses	23	(6 862 537 580)	(3 192 159 664)	(5 331 605 257)	(718 430 486)
Loss on net monetary position		(6 041 464 185)	(127 260 620)	-	-
Surplus before tax		4 035 736 267	1 333 491 358	4 021 355 783	402 903 952
Income tax expense	24	(812 038 736)	(4 333 602)	(786 769 259)	(1 219 950)
Surplus for the year		3 223 697 531	1 329 157 756	3 234 586 524	401 684 002
Other comprehensive income					
Items that will not be reclassified to profit and loss					
Revaluation of plant and equipment		787 156 334	(89 118 416)	1 167 801 444	27 786 740
Total comprehensive income for the year		4 010 853 865	1 240 039 340	4 402 388 168	429 470 742

Block by Block Let's build communities together

ABRIDGED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 2022

Bank, Build & go Beyond



Corporate Account



Diaspora Mortgage



Remittances



SME Loans



Individual Account Opening

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2022

	INFLATION ADJUSTED					Total ZWL
	Share capital ZWL	Share premium ZWL	Shares awaiting allotment ZWL	Revaluation Reserve ZWL	Accumulated surplus ZWL	
Year ended 31 December 2021						
Balance as at 1 January 2021	783 557 170	6 860 280 480	-	233 004 895	31 813 980	7 908 656 525
Surplus for the year	-	-	-	-	1 329 157 756	1 329 157 756
Dividend	-	-	-	-	(92 815 088)	(92 815 088)
Revaluation of property and equipment	-	-	-	(89 118 416)	-	(89 118 416)
Balance as at 31 December 2021	783 557 170	6 860 280 480	-	143 886 479	1 268 156 648	9 055 880 777
Year ended 31 December 2022						
Balance as at 1 January 2022	783 557 170	6 860 280 480	-	143 886 479	1 268 156 648	9 055 880 777
Surplus for the year	-	-	-	-	3 223 697 531	3 223 697 531
Shares awaiting allotment	-	-	8 704 677 600	-	-	8 704 677 600
Revaluation of property and equipment	-	-	-	787 156 334	-	787 156 334
Balance as at 31 December 2022	783 557 170	6 860 280 480	8 704 677 600	931 042 813	4 491 854 179	21 771 412 242
	HISTORICAL COST					
	Share capital ZWL	Share premium ZWL	Shares awaiting allotment ZWL	Revaluation Reserve ZWL	Accumulated surplus ZWL	Total ZWL
Year ended 31 December 2021						
Balance as at 1 January 2021	5 089 296	44 558 325	-	78 350 226	137 990 638	265 988 485
Surplus for the year	-	-	-	-	401 684 002	401 684 002
Revaluation of property and equipment	-	-	-	27 786 740	-	27 786 740
Dividend paid	-	-	-	-	(27 000 000)	(27 000 000)
Balance as at 31 December 2021	5 089 296	44 558 325	-	106 136 966	512 674 640	668 459 227
Year ended 31 December 2022						
Balance as at 1 January 2021	5 089 296	44 558 325	-	106 136 966	512 674 640	668 459 227
Surplus for the year	-	-	-	-	3 234 586 524	3 234 586 524
Shares awaiting allotment	-	-	8 704 677 600	-	-	8 704 677 600
Revaluation of property and equipment	-	-	-	1 167 801 444	-	1 167 801 444
Balance as at 31 December 2022	5 089 296	44 558 325	8 704 677 600	1 273 938 410	3 747 261 164	13 775 524 795

STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	Inflation Adjusted		Historical Cost	
		2022 ZWL	2021 ZWL	2022 ZWL	2021 ZWL
Cash flows from operating activities					
Surplus before tax		4 035 736 267	1 333 491 358	4 021 355 783	402 903 952
Adjusted for:					
Depreciation	14	150 072 333	142 394 611	60 339 800	32 609 532
Amortisation of software	11	14 842 856	44 828 104	2 395 887	344 683
Right of use asset depreciation	13	77 921 845	112 002 115	14 399 241	25 248 981
Loss on net monetary position		(6 041 464 185)	(127 260 620)	-	-
Unrealised exchange gains		(4 275 998 065)	(9 976 518)	(3 340 234 472)	3 132 657
Fair value of investment property		-	(441 090 495)	-	(128 313 657)
Loss/ (Profit) on asset disposal		-	(7 244 709)	-	(6 342)
Charge for impairment	10.3	707 529 312	225 471 792	707 529 312	65 589 965
Interest expense on lease liability		66 093 809	105 082 301	36 393 489	24 095 614
Net interest income		(3 033 677 677)	(1 173 669 499)	(1 453 478 974)	(280 824 271)
Operating cashflows before changes in operating assets		(8 298 943 505)	204 028 440	48 700 066	144 781 114
Changes in net operating assets and liabilities					
Increase in other assets and prepayments		(414 899 831)	(228 177 300)	(695 110 320)	(93 081 565)
Increase in inventory		(1 386 066 706)	(1 384 860 573)	(1 860 876 164)	(375 777 316)
(Increase)/decrease in WIP		(25 346 148)	1 063 936	(26 409 561)	309 500
Increase in loans and advances		(7 905 694 758)	(7 565 847 763)	(14 684 779 868)	(2 472 176 395)
Increase in deposits		19 492 418 479	10 146 561 858	28 528 623 597	3 382 132 519
Increase in other liabilities		2 803 645 531	929 983 648	3 582 025 483	387 476 862
Net cash from working capital changes		4 265 113 062	2 102 752 245	14 892 173 231	973 664 719
Interest received		5 767 310 622	1 580 468 935	3 677 461 892	385 284 669
Interest paid		(2 733 632 945)	(406 799 436)	(2 223 982 918)	(104 460 398)
Income tax paid		(812 038 736)	(4 333 602)	(786 769 259)	(1 219 950)
Net cashflow from operating activities		6 486 752 003	3 272 088 142	15 558 882 946	1 253 269 040

STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

Notes	Inflation Adjusted		Historical Cost	
	2022 ZWL	2021 ZWL	2022 ZWL	2021 ZWL
Cashflows from investing activities				
Purchase of property and equipment	14 (841 587 270)	(210 057 618)	(716 974 355)	(56 385 758)
Maturities of investment in securities	637 504 179	-	34 180 987	-
Purchase of investment securities	-	(699 516 304)	-	(219 879 339)
Proceeds from disposal of assets	-	12 487 050	-	901 768
Purchase of computer software	-	(31 683 978)	-	(5 910 988)
Net cashflows from investing activities	(204 083 091)	(928 770 850)	(682 793 369)	(281 274 317)
Cashflows from financing activities				
Dividend paid	-	(92 815 088)	-	(27 000 000)
Repayment of borrowings	-	(190 017 947)	-	(28 599 721)
Lease payments	(68 738 765)	(60 439 181)	(68 738 765)	(17 581 817)
Net cashflows from financing activities	(68 738 765)	(343 272 216)	(68 738 766)	(73 181 538)
Net Increase in cash and cash equivalents	6 213 930 147	2 000 045 076	14 807 350 811	898 813 185
Effects of changes in inflation	5 535 094 797	347 456 475	-	-
Cash & cash equivalents at the beginning of the year	4 311 832 026	1 964 330 475	1 254 316 159	355 502 974
Cash & cash equivalents at the end of the year	16 061 666 970	4 311 832 026	16 061 666 970	1 254 316 159
Comprises of:				
Cash on hand	40 080 489	171 159 788	40 080 489	49 790 550
Foreign bank balances	922 882 771	449 270 041	922 882 771	130 693 095
Banks and money market	15 098 703 710	3 691 402 197	15 098 703 710	1 073 832 514
Total cash and cash equivalents	16 061 666 970	4 311 832 026	16 061 666 970	1 254 316 159

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

- Nature of Business**
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.
- Basis of preparation**
 - Basis of accounting**
The principal business of the Society is that of providing mortgage finance including deposit acceptance and investing activities.
 - Accounting Policy**
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
 - 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). The financial statements are prepared from statutory records that are maintained under the historical cost convention. The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and in a manner required by the Companies and Other Business Entities Act (Chapter 24:31), the Building Society Act (Chapter 24:02) of Zimbabwe and sections of the Banking Act (Chapter 24:20) applicable to Building Societies.
 - Functional and Presentation Currency**
The financial statements are presented in Zimbabwe Dollars (Zwl), which is the Society's functional and presentation currency.
 - 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.

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FOR THE YEAR ENDED DECEMBER 2022

Bank, Build & go Beyond



Corporate Account



Diaspora Mortgage



Remittances



SME Loans



Individual Account Opening

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

	Audited Inflation Adjusted		Historical Cost	
	2022 ZWL	2021 ZWL	2022 ZWL	2021 ZWL
5 CASH AND CASH EQUIVALENTS				
Balance with the RBZ	13 060 913 036	3 502 961 848	13 060 913 036	1 019 015 032
Interbank placements	1 529 591 675	-	1 529 591 675	-
Balances with other banks	1 431 081 770	637 710 390	1 431 081 770	185 510 577
Cash on hand	40 080 489	171 159 788	40 080 489	49 790 550
	16 061 666 970	4 311 832 026	16 061 666 970	1 254 316 159
Reserve Bank of Zimbabwe	13 060 913 036	3 502 961 848	13 060 913 036	1 019 015 032
Interbank placements	1 529 591 675	-	1 529 591 675	-
Bank balances	1 431 081 770	637 710 390	1 431 081 770	185 510 577
	16 021 586 481	4 140 672 238	16 021 586 481	1 204 525 609
Stage 1 -ECL allowance	(3 577 964)	-	(3 577 964)	-
Cash on hand	40 080 489	171 159 788	40 080 489	49 790 550
Net carrying amounts of cash and cash equivalents	16 058 089 006	4 311 832 026	16 058 089 006	1 254 316 159

6 INVESTMENT SECURITIES HELD AT ARMOTISED COST

	Inflation Adjusted		Historical Cost	
	2022 ZWL	2021 ZWL	2022 ZWL	2021 ZWL
Treasury bills	214 299 382	852 943 406	214 299 382	248 122 072
Less: Stage 1 ECL allowance	(720 252)	(1 860 097)	(720 252)	(541 104)
Net carrying amount	213 579 130	851 083 309	213 579 130	247 580 968
Maturity analysis - Gross				
Less than 1 month	-	-	-	-
1 month to 3 months	-	-	-	-
3 months to 6 months	-	848 353 875	-	246 786 973
6 months to 1 year	214 299 382	1 908 206	214 299 382	555 099
1 year to 5 years	-	2 681 325	-	780 000
Balance at the end of the year	214 299 382	852 943 406	214 299 382	248 122 072

7 OTHER ASSETS AND PREPAYMENTS

	Inflation Adjusted		Historical Cost	
	2022 ZWL	2021 ZWL	2022 ZWL	2021 ZWL
Interest accrued	245 556 745	68 539 075	245 556 745	19 938 084
Collateral deposits	301 562 238	255 707 128	301 562 238	74 385 454
Sundry assets	348 933 632	156 906 581	287 959 153	45 644 278
	896 052 615	481 152 784	835 078 136	139 967 816
Non current	301 562 238	255 707 131	301 562 238	74 385 455
Current	594 490 377	225 445 653	533 515 898	65 582 361
	896 052 615	481 152 784	835 078 136	139 967 816

8 INVENTORY*

	Inflation Adjusted		Historical Cost	
	2022 ZWL	2021 ZWL	2022 ZWL	2021 ZWL
Finished units				
Dzivirasekwa Housing Project	3 953 543 137	3 486 107 527	986 300 018	398 587 820
Merwede and Stoneridge Housing Development	734 960 520	727 077 545	6 398 134	5 122 639
	4 688 503 657	4 213 185 072	992 698 152	403 710 459
Work in progress				
Sunset Villa	1 745 114 074	-	1 268 638 381	-
Newmara housing development	1 569 838 784	1 569 838 784	8 247 908	8 247 908
Chinhoyi Housing Project	-	834 504 410	-	6 206 074
Glaudina Housing Project	816 105 549	815 879 914	5 532 148	5 306 513
Plumtree Project	10 659 957	10 747 135	10 659 957	1 429 427
Transfer to investment property	(816 105 549)	-	(5 532 148)	-
	8 014 116 472	7 444 155 315	2 280 244 398	424 900 381

* The comparative figures are restated. Refer to note 25.

	Inflation Adjusted		Historical Cost	
	2022 ZWL	2021 ZWL	2022 ZWL	2021 ZWL
9 CAPITAL WORK-IN-PROGRESS				
Opening balance	1 372 913	-	309 500	-
Additions	26 719 061	20 679 205	26 719 061	4 661 777
Transfer to property and equipment	(1 372 913)	(19 306 292)	(309 500)	(4 352 277)
Closing balance	26 719 061	1 372 913	26 719 061	309 500

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

	Inflation Adjusted		Historical Cost	
	2022 ZWL	2021 ZWL	2022 ZWL	2021 ZWL
10 LOANS AND ADVANCES				
Personal loans	6 116 297 331	5 140 086 577	6 116 297 331	1 495 256 219
Mortgage loans	9 717 319 678	4 685 611 827	9 717 319 678	1 363 049 069
Corporate lending	1 561 045 647	-	1 561 045 647	-
Other advances	148 064 204	-	148 064 204	-
Gross loans and advances	17 542 726 860	9 825 698 404	17 542 726 860	2 858 305 288
Impairment provision	(781 097 222)	(265 812 176)	(781 097 222)	(77 325 022)
Net loans and advances	16 761 629 638	9 559 886 228	16 761 629 638	2 780 980 266
10.1 Maturity analysis				
Less than 1 month	438 064 927	176 776 033	438 064 927	51 424 321
1 month to 3 months	53 424 664	417 980 209	53 424 664	121 590 852
3 months to 6 months	210 150 030	178 397 743	210 150 030	51 896 078
6 months to 1 year	1 839 629 086	1 438 522 332	1 839 629 086	418 467 555
1 year to 5 years	4 650 774 369	2 199 328 244	4 650 774 369	639 786 740
More than 5 years	10 350 683 784	5 414 693 843	10 350 683 784	1 575 139 742
	17 542 726 860	9 825 698 404	17 542 726 860	2 858 305 288

	Inflation Adjusted		Historical Cost	
	2022 ZWL	2021 ZWL	2022 ZWL	2021 ZWL
10.2 Loan impairment allowance				
Exposure to credit - gross loans and advances				
Loans and advances subject to stage 1	15 254 423 760	9 043 613 368	15 254 423 760	2 630 795 985
Loans and advances subject to stage 2	1 477 023 645	533 052 168	1 477 023 645	155 065 397
Loans and advances subject to stage 3	811 279 455	249 032 868	811 279 455	72 443 906
Gross loans and advances	17 542 726 860	9 825 698 404	17 542 726 860	2 858 305 288
Loan impairment charge				
Stage 1	112 737 569	109 219 018	112 737 569	31 771 920
Stage 2	439 994 757	86 541 148	439 994 757	25 174 904
Stage 3	228 364 896	70 052 010	228 364 896	20 378 198
Impairment loss	781 097 222	265 812 176	781 097 222	77 325 022
Net loans and advances	16 761 629 638	9 559 886 228	16 761 629 638	2 780 980 266
Impairment allowances				
Portfolio impairment	633 033 986	224 959 559	633 033 986	65 440 956
Specific impairment	148 063 236	40 852 617	148 063 236	11 884 066
Gross impairment loss	781 097 222	265 812 176	781 097 222	77 325 022
10.3 Impairment provision				
Opening balance	265 812 176	67 393 786	77 325 022	12 196 874
Charge in profit and loss	703 772 200	223 884 251	703 772 200	65 128 148
Effects of changes in inflation	(188 487 154)	(25 465 861)	-	-
Balance at the end of the year	781 097 222	265 812 176	781 097 222	77 325 022

ECL allowance movement

	Cash and cash equivalents ZWL	Loans and advances ZWL	Investment securities ZWL	Total ZWL
INFLATION ADJUSTED				
2022				
Balance at the beginning of the year 2022	-	265 812 176	1 860 097	267 672 273
Charge to profit and loss for the year	3 577 964	703 772 200	179 148	707 529 312
Effects of changes in inflation	-	(188 487 154)	(1 318 993)	(189 806 147)
Balance as at 31 December 2022	3 577 964	781 097 222	720 252	785 395 438
2021				
Balance at the beginning of the year 2021	76 252	67 393 786	361 848	67 831 886
Charge to profit and loss for the year	(47 439)	223 884 251	1 634 979	225 471 792
Effects of changes in inflation	(28 813)	(25 465 861)	(136 730)	(25 631 405)
Balance as at 31 December 2021	-	265 812 176	1 860 097	267 672 273

HISTORICAL COST

	Cash and cash equivalents ZWL	Loans and advances ZWL	Investment securities ZWL	Total ZWL
2022				
Balance at the beginning of year 2022	-	77 325 022	541 104	77 866 126
Charge to profit and loss for the year	3 577 964	703 772 200	179 148	707 529 312
Balance as at 31 December 2022	3 577 964	781 097 222	720 252	785 395 438
2021				
Balance at the beginning of year 2021	13 800	12 196 874	65 487	12 276 161
Charge to profit and loss for the year	(13 800)	65 128 148	475 617	65 589 965
Balance as at 31 December 2021	-	77 325 022	541 104	77 866 126



NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

	Inflation Adjusted		Historical Cost	
	2022 ZWL	2021 ZWL	2022 ZWL	2021 ZWL
Increase in loan impairment charge on loans and advances for the period	567 593 029	264 736 864	567 593 029	77 012 213
Impairment allowance on account balance in excess	136 179 171	(40 852 612)	136 179 171	(11 884 065)
Impairment charges on cash and cash equivalents and investment securities	3 757 112	1 587 540	3 757 112	461 817
Net impairment charge to statement of profit and loss	707 529 312	225 471 792	707 529 312	65 589 965

10.4 Sectoral analysis				
Corporates	1 616 027 298	2 068 275 169	1 616 027 298	601 663 272
Individuals	15 926 699 562	7 757 423 229	15 926 699 562	2 256 642 016
	17 542 726 860	9 825 698 398	17 542 726 860	2 858 305 288

	Inflation Adjusted		Historical Cost	
	2022 ZWL	2021 ZWL	2022 ZWL	2021 ZWL

11 COMPUTER SOFTWARE				
Opening balance	672 421 564	640 737 586	10 672 767	4 761 779
Additions	-	31 683 978	-	5 910 988
Closing balance	672 421 564	672 421 564	10 672 767	10 672 767
Amortisation				
Opening balance	228 789 197	183 961 093	1 458 032	1 113 349
Charge to income statement	14 842 856	44 828 104	2 395 887	344 683
Closing balance	243 632 053	228 789 197	3 853 919	1 458 032
Net book value	428 789 511	443 632 367	6 818 848	9 214 735

	Inflation Adjusted		Historical Cost	
	2022 ZWL	2021 ZWL	2022 ZWL	2021 ZWL

12 INVESTMENT PROPERTY				
Opening balance	458 719 143	-	133 441 848	-
Additions	8 704 677 600	17 628 648	8 704 677 600	5 128 191
Fair value adjustments	-	441 090 495	-	128 313 657
Transfer from inventory	816 105 549	-	5 532 148	-
Closing balance	9 979 502 292	458 719 143	8 843 651 596	133 441 848

	Inflation Adjusted		Historical Cost	
	2022 ZWL	2021 ZWL	2022 ZWL	2021 ZWL

13 RIGHT OF USE ASSET				
Balance at the beginning of the year	768 682 274	289 199 083	132 069 468	35 127 501
Additions	81 249 938	-	69 913 594	-
Re-measurement gain	191 041 093	479 483 191	105 193 694	96 941 967
Closing balance	1 040 973 305	768 682 274	307 176 756	132 069 468
Accumulated depreciation				
Balance at the beginning of the year	175 733 911	63 731 796	28 507 165	3 258 184
Charge for the year	77 921 845	112 002 115	14 399 241	25 248 981
Closing balance	253 655 756	175 733 911	42 906 406	28 507 165
Carrying amount at 31 December 2022	787 317 549	592 948 363	264 270 350	103 562 303

	Inflation Adjusted		Historical Cost	
	2022 ZWL	2021 ZWL	2022 ZWL	2021 ZWL

13.1 LEASE LIABILITY				
Opening balance	473 396 567	182 814 846	132 069 467	28 613 703
Additions	81 249 938	-	69 913 594	-
Remeasurement	191 041 093	479 483 191	105 193 694	96 941 967
Interest	66 093 809	105 082 301	36 393 489	24 095 614
Repayments	(68 738 765)	(60 439 181)	(68 738 765)	(17 581 817)
Exchange loss on lease liability	28 461 481	-	28 461 481	-
Effects of inflation	(468 211 163)	(233 544 590)	-	-
	303 292 960	473 396 567	303 292 960	132 069 467

	Inflation Adjusted		Historical Cost	
	2022 ZWL	2021 ZWL	2022 ZWL	2021 ZWL

13.2 Lease expense in profit or loss				
Lease interest expense	66 093 809	105 082 301	36 393 489	24 095 614
Depreciation	77 921 845	112 002 115	14 399 241	25 248 981
Expenses relating to short term lease	47 217 399	-	85 750 991	-
	191 233 053	217 084 416	136 543 721	49 344 595
Total cashflows relating to leases				
Cash payments for lease liability	68 738 765	60 439 181	68 738 765	17 581 817

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

	INFLATION ADJUSTED					Total ZWL
	Leasehold improvements ZWL	Office equipment ZWL	Furniture and fittings ZWL	Motor vehicles ZWL	Computer hardware ZWL	
14 PROPERTY AND EQUIPMENT						
Year ended 31 December 2022						
Cost						
Opening balance	309 671 745	36 080 803	47 290 655	40 991 488	321 581 031	755 615 722
Transfer from WIP and additions	1 704 323	34 192 524	12 558 970	524 179 400	268 952 053	841 587 270
Revaluation gain	-	(12 165 499)	43 953 655	421 804 054	214 470 586	668 062 796
Closing balance	311 376 068	58 107 828	103 803 280	986 974 942	805 003 670	2 265 265 788

Accumulated depreciation						
Opening balance	157 876 172	-	-	-	-	157 876 172
Charge for the year	30 978 795	4 972 535	5 425 584	17 257 721	91 437 698	150 072 333
Disposals	-	-	-	-	-	-
Revaluation	-	(4 972 535)	(5 425 584)	(17 257 721)	(91 437 698)	(119 093 538)
Closing balance	188 854 967	-	-	-	-	188 854 967
Net book value	122 521 101	58 107 828	103 803 280	986 974 942	805 003 670	2 076 410 821

Year ended 31 December 2021						
Cost						
Opening balance	309 671 745	50 728 905	54 182 678	60 831 817	275 931 178	751 346 323
Additions	-	12 989 227	3 583 958	-	193 484 433	210 057 618
Revaluation (loss)/gain	-	(27 637 329)	(10 475 981)	(14 597 964)	(147 834 580)	(200 545 854)
Disposals	-	-	-	(5 242 365)	-	(5 242 365)
Closing carrying amount	309 671 745	36 080 803	47 290 655	40 991 488	321 581 031	755 615 722

Accumulated depreciation						
Opening balance	126 908 999	-	-	-	-	126 908 999
Charge for the year	30 967 173	3 608 138	4 729 145	9 207 033	93 883 122	142 394 611
Disposals	-	-	-	-	-	-
Revaluation	-	(3 608 138)	(4 729 145)	(9 207 033)	(93 883 122)	(111 427 438)
Closing balance	157 876 172	-	-	-	-	157 876 172
Net book value	151 795 573	36 080 803	47 290 655	40 991 488	321 581 031	597 739 550

	HISTORICAL COST					Total ZWL
	Leasehold improvements ZWL	Office equipment ZWL	Furniture and fittings ZWL	Motor vehicles ZWL	Computer hardware ZWL	
Year ended 31 December 2022						
Cost						
Opening balance	3 245 775	10 495 941	13 756 898	11 924 464	93 790 591	133 213 669
Transfers from WIP/ additions	686 458	25 806 939	7 247 059	510 876 307	172 357 592	716 974 355
Disposals	-	-	-	-	-	-
Revaluation gain	-	21 804 948	82 799 323	464 174 171	538 855 487	1 107 633 929
Closing balance	3 932 233	58 107 828	103 803 280	986 974 942	805 003 670	1 957 821 953

Accumulated depreciation						
Opening balance	1 168 833	-	-	-	242 350	1 411 183
Charge for the year	414 635	4 987 560	4 347 213	9 435 857	41 154 535	60 339 800
Disposals	-	-	-	-	-	-
Revaluation	-	(4 987 560)	(4 347 213)	(9 435 857)	(41 396 885)	(60 167 515)
Closing balance	1 583 468	-	-	-	-	1 583 468
Net book value	2 348 765	58 107 828	103 803 280	986 974 942	805 003 670	1 956 238 485

Cost						
Opening balance	2 028 484	9 180 877	9 805 937	11 009 294	49 937 805	81 962 397
Additions	1 217 291	2 864 682	707 432	-	51 596 353	56 385 758
Disposals	-	-	-	(1 145 012)	-	(1 145 012)
Revaluation (loss)/gain	-	(1 549 618)	3 243 529	2 060 182	(7 743 567)	(3 989 474)
Closing carrying amount	3 245 775	10 495 941	13 756 898	11 924 464	93 790 591	133 213 669
Accumulated depreciation						
Opening balance	827 451	-	-	-	-	827 451
Charge for the year	341 382	7 563 009	1 242 879	3 311 954	20 150 308	32 609 532
Disposals	-	-	-	-	(249 586)	(249 586)
Revaluation	-	(7 563 009)	(1 242 879)	(3 311 954)	(19 658 372)	(31 776 214)
Closing balance	1 168 833	-	-	-	242 350	1 411 183
Net book value	2 076 942	10 495 941	13 756 898	11 924 464	93 548 241	131 802 486

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Corporate Account



Diaspora Mortgage



Remittances



SME Loans



Individual Account Opening

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

19.1 FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

	Level 2 ZWL	Level 3 ZWL	Total fair value ZWL	Total carrying amount ZWL
Inflation Adjusted 31 December 2021				
Financial assets				
Cash on hand	171 159 788	-	171 159 788	171 159 788
Bank balances	4 140 672 238	-	4 140 672 238	4 140 672 238
Interbank placements	-	-	-	-
Investment securities	-	851 083 309	851 083 309	851 083 309
Loans and advances	9 559 886 228	-	9 559 886 228	9 559 886 228
Total	13 871 718 254	851 083 309	14 722 801 563	14 722 801 563
Financial liabilities				
Deposits	14 062 871 923	-	14 062 871 923	14 062 871 923
Borrowings	-	52 669 971	52 669 971	52 669 971
Total	14 062 871 923	52 669 971	14 115 541 894	14 115 541 894

19.2 FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

	Level 2 ZWL	Level 3 ZWL	Total fair value ZWL	Total carrying amount ZWL
Historical cost 31 December 2022				
Financial assets				
Cash on hand	40 080 489	-	40 080 489	40 080 489
Bank balances	14 491 994 806	-	14 491 994 806	14 491 994 806
Interbank placements	-	1 526 013 711	1 526 013 711	1 526 013 711
Investment securities	-	213 579 130	213 579 130	213 579 130
Loans and advances	16 761 629 638	-	16 761 629 638	16 761 629 638
Total	31 293 704 933	1 739 592 841	33 033 297 774	33 033 297 774
Financial liabilities				
Deposits	29 250 830 856	-	29 250 830 856	29 250 830 856
Borrowings	-	15 321 746	15 321 746	15 321 746
Total	29 250 830 856	15 321 746	29 266 152 602	29 266 152 602
31 December 2021				
Financial assets				
Cash on hand	49 790 550	-	49 790 550	49 790 550
Bank balances	1 204 525 609	-	1 204 525 609	1 204 525 609
Interbank placements	-	13 800	13 800	13 800
Investment securities	-	247 580 968	247 580 968	247 580 968
Loans and advances	2 780 980 264	-	2 780 980 264	2 780 980 264
Total	4 035 296 423	247 594 768	4 282 891 191	4 282 891 191
Financial liabilities				
Deposits	4 090 903 214	-	4 090 903 214	4 090 903 214
Borrowings	-	15 321 746	15 321 746	15 321 746
Total	4 090 903 214	15 321 746	4 106 224 960	4 106 224 960

19.3 FINANCIAL INSTRUMENTS NOT MEASURED AT FAIR VALUE

	Level 2 ZWL	Level 3 ZWL	Total fair value ZWL	Total carrying amount ZWL
Inflation Adjusted 31 December 2022				
Financial assets				
Cash on hand	40 080 489	-	40 080 489	40 080 489
Bank balances	14 491 994 806	-	14 491 994 806	14 491 994 806
Interbank placements	-	1 526 013 711	1 526 013 711	1 526 013 711
Investment securities	-	213 579 130	213 579 130	213 579 130
Loans and advances	16 761 629 638	-	16 761 629 638	16 761 629 638
Total	31 293 704 933	1 739 592 841	33 033 297 774	33 033 297 774
Financial liabilities				
Deposits	29 250 830 856	-	29 250 830 856	29 250 830 856
Borrowings	-	15 321 746	15 321 746	15 321 746
Total	29 250 830 856	15 321 746	29 266 152 602	29 266 152 602
31 December 2021				
Financial assets				
Cash on hand	49 790 550	-	49 790 550	49 790 550
Bank balances	1 204 525 609	-	1 204 525 609	1 204 525 609
Interbank placements	-	13 800	13 800	13 800
Investment securities	-	247 580 968	247 580 968	247 580 968
Loans and advances	2 780 980 264	-	2 780 980 264	2 780 980 264
Total	4 035 296 423	247 594 768	4 282 891 191	4 282 891 191
Financial liabilities				
Deposits	4 090 903 214	-	4 090 903 214	4 090 903 214
Borrowings	-	15 321 746	15 321 746	15 321 746
Total	4 090 903 214	15 321 746	4 106 224 960	4 106 224 960

The carrying amount of the financial instruments not measured at fair value approximates their fair value since the carrying amount is net of the expected credit losses disclosed in note 10.3. The table below indicates the valuation techniques used in measuring Level 3 fair values for investment securities and the significant unobservable.

Financial instrument valuation technique	Range of estimate	Interrelationship between significant unobservable inputs and fair value measurements
Investment Securities	5%-12%	- the estimated fair value would increase with an increase in projected cash flows or decrease with a decrease in projected cash flows.
Valuation technique	Discounted cash flow method,	- an increase in the loan tenure would lead to an increase in the projected cash flows, and a decrease in the loan tenure would lead to a decrease in the projected cash flows.
	Discounted cash flow method	

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

	Inflation Adjusted		Historical Cost	
	2022 ZWL	2021 ZWL	2022 ZWL	2021 ZWL
20 INTEREST INCOME				
Loans and advances	4 672 867 056	1 485 582 517	3 342 074 480	359 998 051
Money market placements	1 094 443 566	94 886 418	335 387 412	25 286 618
Total	5 767 310 622	1 580 468 935	3 677 461 892	385 284 669
21 INTEREST EXPENSE				
Money market placements	2 707 823 339	399 465 854	2 202 530 085	102 531 691
Borrowings	855 725	5 912 150	561 359	1 215 035
Savings deposits	24 953 881	1 421 432	20 891 474	713 672
Total	2 733 632 945	406 799 436	2 223 982 918	104 460 398
22 NON FUNDED INCOME				
Net commission and fee income	2 424 175 659	1 935 889 103	1 678 692 303	452 727 146
Property sales	4 004 550 856	-	3 388 743 189	-
Realised exchange gains	183 251 614	499 748 318	104 759 525	120 057 686
Unrealised exchange gains	4 275 998 065	9 976 518	3 340 234 472	3 132 657
* Fair value adjustment on investment property	-	441 090 495	-	128 313 657
Other operating income	3 725 613 473	818 009 501	94 581 889	201 868 986
Total	14 613 589 667	3 704 713 935	8 607 011 378	906 100 132

* The comparative figures are restated. Refer to note 25

	Inflation Adjusted		Historical Cost	
	2022 ZWL	2021 ZWL	2022 ZWL	2021 ZWL
23 OPERATING EXPENSES				
Staff costs	3 498 657 659	1 275 505 003	2 593 402 653	305 895 149
Defined contribution plan	35 774 790	29 377 283	36 949 655	6 916 955
Right of use asset depreciation	77 921 845	112 002 115	14 399 241	25 248 981
Depreciation of ppe	150 072 333	142 394 611	60 339 800	32 609 532
Amortisation of computer software	14 842 856	44 828 104	2 395 887	344 685
Other expenses	3 085 268 097	1 588 052 548	2 624 118 021	347 415 184
	6 862 537 580	3 192 159 664	5 331 605 257	718 430 486
Remuneration of directors and key management personnel				
Fees for services as directors	286 179 251	28 223 208	24 083 674	2 621 838
Short term benefits of executive staff	311 497 776	110 857 440	221 737 346	14 454 727
Post employment benefits	6 679 218	5 416 984	4 279 311	408 364
	604 356 245	144 497 632	250 100 331	17 484 929

Other expenses include subscriptions, travel expenses, legal and audit fees, printing and stationery, telecommunication expenses, lease expenses, cleaning, cost of sales and advertising and promotion expenses. 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 2022, an amount of ZWL 77 921 845 (2021 ZWL 32 581 524) was recognised as depreciation of Right of use asset under IFRS 16. Lease interest was determined to be ZWL 66 093 809 (2021 ZWL 1 908 580.)

	Inflation Adjusted		Historical Cost	
	2022 ZWL	2021 ZWL	2022 ZWL	2021 ZWL
24 Income tax expense				
Current income tax charge	812 038 736	4 333 602	786 769 259	1 219 950
Deferred tax expense	-	-	-	-
	812 038 736	4 333 602	786 769 259	1 219 950

In terms of the third schedule paragraph 2(c) of the Income Tax Act (Chapter 23:06), the Society is exempt from Income tax. The exemption only applies if the Society is providing services promulgated in their Articles of association. During the year, the Society sold properties from the Dzivarasekwa housing project and these attracted income tax in terms of section 8 of the Income Tax Act (Chapter 23:06).

25 Prior period corrections

During 2022, the Society discovered that it had erroneously classified an investment property as inventory in 2021. This occurred because the land so classified was part of a project that a contractor failed to deliver and offered tracts of land in settlement of the funds that had been paid for the project. As a consequence, inventory has been overstated and investment property understated. The errors have been corrected by restating the affected financial statement line items for the prior period. Below is a summary of the impacts on the Society's financial statements.

Statement of financial position	Impact of correction of error Inflation adjusted		
	As previously reported	Adjustments	As restated
As at 31 December 2021			
Inventory	7 461 783 963	(17 628 648)	7 444 155 315
Investment property	-	458 719 143	458 719 143
Other assets	16 839 647 540	-	16 839 647 540
Total assets	24 301 431 503	441 090 495	24 742 521 998
Share capital	783 557 170	-	783 557 170
Share premium	6 860 280 480	-	6 860 280 480
Revaluation reserve	143 886 479	-	143 886 479
Accumulated surplus	827 066 153	441 090 495	1 268 156 648
Total equity	8 614 790 282	441 090 495	9 055 880 777
Statement of other comprehensive income			
As at 31 December 2021			
Non funded income	3 263 623 440	441 090 495	3 704 713 935
Surplus for the year	888 067 261	441 090 495	1 329 157 756
		Historical cost	
Inventory	430 028 572	(5 128 191)	424 900 381
Investment property	-	133 441 848	133 441 848
Other assets	4 667 734 233	-	4 667 734 233
Total assets	5 097 762 805	128 313 657	5 226 076 462
Share capital			
Share premium	5 089 296	-	5 089 296
Revaluation reserve	44 558 325	-	44 558 325
Accumulated surplus	106 136 966	-	106 136 966
	384 360 983	128 313 657	512 674 640
Total equity	540 145 570	128 313 657	668 459 227

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 FOR THE YEAR ENDED DECEMBER 2022

Bank, Build & go Beyond



Corporate Account



Diaspora Mortgage



Remittances



SME Loans



Individual Account Opening

NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

25 Prior period corrections (continued)

	Impact of correction of error		
	As previously reported	Inflation adjusted Adjustments	As restated
Statement of other comprehensive income			
As at 31 December 2021			
Non funded income	777 786 475	128 313 657	906 100 132
Surplus for the year	273 370 345	128 313 657	401 684 002

26 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.

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

Name of related party	Nature of relationship
First Mutual Life Zimbabwe	Common shareholder
National Social Security Authority	Shareholder
Fidelity Life Assurance of Zimbabwe Limited	Common shareholder
Zimre Holdings Limited	Common shareholder
OK Zimbabwe	Common shareholder
FBC Building Society	Common shareholder

26.2 Transactions with related parties

	Inflation Adjusted		Historical Cost	
	2022 ZWL	2021 ZWL	2022 ZWL	2021 ZWL
Interest on term deposits				
NSSA	2 056 690 762	1 475 345	1 132 483 568	437 967
First Mutual Life	216 925	1 814 470	119 446	439 281
First Mutual Wealth	21 463	179 528	11 818	43 464
FBC	4 755 665	2 495 044	2 618 630	747 671
FBC Building Society	263 961 794	4 020 774	145 346 301	1 479 452
	2 325 646 609	9 985 161	1 280 579 763	3 147 835

Deposits received during the year

First Mutual Life Assurance Company	443 064	-	443 064	-
First Mutual Wealth	54 875	-	54 875	-
Fidelity Life Asset Management	-	388 063	-	151 012
NICOZ Diamond Insurance Limited	-	27 721 214	-	10 787 530
Rainbow Tourism Group Limited	-	-	-	-
NSSA	3 410 452 301	230 236 409	3 410 452 301	89 595 000
FBC	460 000 000	488 251 775	460 000 000	190 000 000
FBC Building Society	1 720 000 000	115 638 578	1 720 000 000	45 000 000
	5 590 950 240	862 236 039	5 590 950 240	335 533 542

Borrowings

Borrowings from NSSA	15 321 746	27 825 652	15 321 746	15 321 746
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Rent expense

Rent expense to NSSA	63 857 215	-	41 350 504	-
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26.3 Balances with related parties

	Inflation Adjusted		Historical Cost	
	2022 ZWL	2021 ZWL	2022 ZWL	2021 ZWL
Deposits				
Term deposit with NSSA	4 535 983 541	183 724 003	4 535 983 541	71 495 000
Transactional deposits with NSSA	1 294 195 120	4 103 925 984	1 294 195 120	1 597 016 082
Term deposit with Zimre Holdings Limited	562 510	2 995 968	562 510	1 165 861
Term deposit with First Mutual Life Group	66 693	141 014	66 693	54 875
Term deposit with NicozDiamond	-	7 034 655	-	2 737 490
Term deposit with FBC Bank	2 327 964 932	115 638 578	2 327 964 932	45 000 000
Term deposit with FBC Building Society	-	-	-	-
	8 158 772 796	4 722 478 138	8 158 772 796	1 837 721 628

26.4 Included in loans and advances are loans to executive directors and key management.

Opening balance	413 378 870	51 956 119	120 252 318	15 114 086
Advances made during the year	695 343 730	434 591 506	695 343 730	126 423 095
Repayments during the year	(357 563 677)	(73 168 755)	(357 563 677)	(21 284 863)
Closing balance	751 158 923	413 378 870	458 032 371	120 252 318

27 RISK MANAGEMENT

The Society is exposed to various types of risks including credit, interest rate, foreign exchange rate, liquidity, operational, legal, compliance, strategic and reputation risks. The key objective of the risk management framework at the Society is to ensure that these risks are measured, mitigated and monitored on an ongoing basis as guided by internal policies and procedures established to address such risks.

27.1 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 business.

NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

27.1.1 Credit risk management framework

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

The Society continues to prudently maintain an impairment allowance on its credit exposures to cushion itself from problematic exposures.

Undesirable characteristics within the credit portfolio that include concentration 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 applies credit risk stress testing methodologies which are generally meant to assess vulnerability from impact of changing economic conditions on asset quality, earnings performance and capital adequacy.

The Society, thus, manages its credit risk by adhering to credit policies and procedure manuals and monitors risk exposure against the set thresholds. These Credit policies are reviewed annually to align with developing trends in the market and business strategic objectives.

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

27.1.2 Credit risk mitigation

Where possible, the Society takes collateral as a secondary recourse to the borrower. The Society has 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 the Society.

27.1.3 Non-performing loans and advances

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

27.1.4 Credit risk exposure

	Inflation Adjusted		Historical Cost	
	2022 ZWL	2021 ZWL	2022 ZWL	2021 ZWL
Cash and cash equivalents	16 061 666 970	4 311 832 026	16 061 666 970	1 254 316 159
Investment securities	214 299 382	852 943 406	214 299 382	248 122 072
Loans and advances	17 542 726 860	9 825 698 404	17 542 726 860	2 858 305 288
Total	33 818 693 212	14 990 473 836	33 818 693 212	4 360 743 519

Where financial instruments are recorded at fair value, the amounts shown above represent the current credit risk exposure but not maximum risk exposure that could arise in the future as a result of changes in value.

27.1.5 Aging analysis of past due but not impaired loans and advances (Special mention loans)

	Inflation Adjusted		Historical Cost	
	2022 ZWL	2021 ZWL	2022 ZWL	2021 ZWL
1 to 3 months	1 477 023 645	533 052 166	1 477 023 645	155 065 397

Past due but not impaired loans relate to loans in the special mention category.

27.1.6 Sectoral analysis of the Society's advances before and after considering collateral held is:

	Inflation Adjusted		Historical Cost	
	2022 ZWL	2021 ZWL	2022 ZWL	2021 ZWL
Sector				
Private	1 477 023 645	533 052 166	1 477 023 645	2 858 305 288
Collateral analysis				
Mortgage loans	2 580 546 400	4 687 668 400	2 580 546 400	274 208 017

The Society holds collateral against loans and advances to customers in the form of mortgage bonds over property. Estimates of property fair values are based on the values of collateral assessed at the time of borrowing and are regularly aligned with trends in the market in compliance with the Society's Credit Policy. Issued mortgage loans constitute about 55% of the gross maximum exposure and of this, 28% were secured by mortgage bonds (2021:62%). In the event of default, the Society has the right to sell the property in order to recover the value of the mortgage.

27.1.7 Credit quality per class of financial assets (gross)

The credit quality of financial assets is managed by the Society using internal credit ratings. The table below shows the credit quality by class of asset for the Society's loan book:

	Inflation Adjusted		Historical Cost	
	2022 ZWL	2021 ZWL	2022 ZWL	2021 ZWL
Pass	15 407 562 812	9 049 328 102	15 407 562 812	2 632 458 407
Special mention	1 477 023 645	533 052 166	1 477 023 645	155 065 397
Substandard	254 242 985	205 424 076	254 242 985	59 758 065
Doubtful	365 910 632	27 853 900	365 910 632	8 102 727
Loss	34 916 955	18 608 954	34 916 955	5 413 363
Total	17 539 657 029	9 834 267 198	17 539 657 029	2 860 797 959

27.2 Market risk

Market risk is defined as the risk of a loss resulting from the fluctuation of the market prices of financial instruments. The Society's transactions are mainly exposed to the following risk categories:

- Interest rate risk
- Foreign exchange risk

27.2.1 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. Management structures supported by ALCO are in place to identify, measure and monitor market risk on an ongoing basis against set benchmarks and through the use of daily, weekly and monthly risk 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 potential changes in individual market parameters on the value of the Society's positions. Stress testing is also used to show the market risk under extreme but plausible conditions. Documented stress scenarios are constructed regularly for key balance sheet drivers across all portfolios. These are guided by the relevant policies that have been approved by the Board.

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ABRIDGED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

Bank, Build & go Beyond



Corporate Account



Diaspora Mortgage



Remittances



SME Loans



Individual Account Opening

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

27.5.1 Liquidity gap analysis (continued)

Historical cost 2021	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
	ZWL	ZWL	ZWL	ZWL	ZWL	ZWL	ZWL
Assets							
Cash and cash equivalents	1 254 316 159	-	-	-	-	-	1 254 316 159
Investment securities	40 354 468	25 905 624	93 204 489	81 163 080	-	6 953 307	247 580 968
Loans and advances	51 424 321	121 590 852	51 896 078	418 467 555	639 786 740	1 497 814 720	2 780 980 266
Other assets and prepayments	-	-	-	-	139 967 816	-	139 967 816
Inventory	-	-	-	-	424 900 381	-	424 900 381
Work in progress	-	-	-	-	309 500	-	309 500
Computer software	-	-	-	-	-	9 214 735	9 214 735
Right of use asset	-	-	-	-	103 562 303	-	103 562 303
Investment property	-	-	-	-	-	133 441 848	133 441 848
Property and equipment	-	-	-	-	131 802 486	-	131 802 486
Total assets	1 346 094 948	147 496 476	145 100 567	499 630 635	1 440 329 226	1 647 424 610	5 226 076 462
Liabilities							
Deposits	2 968 435 301	18 069 823	20 150 000	21 670 937	521 666 304	540 910 849	4 090 903 214
Borrowings	-	-	-	-	15 321 746	-	15 321 746
Lease liability	-	-	-	-	132 069 467	-	132 069 467
Other liabilities	-	-	-	319 322 808	-	-	319 322 808
	2 968 435 301	18 069 823	20 150 000	340 993 745	669 057 517	540 910 849	4 557 617 235
Periodic gap	(1 622 340 353)	129 426 653	124 950 567	158 636 890	771 271 709	1 106 513 761	668 459 227
Cumulative gap	(1 622 340 353)	(1 492 913 700)	(1 367 963 133)	(1 209 326 243)	(438 054 534)	668 459 227	-

27.6 Operational Risk

Operational risk refers to the risk of loss resulting from inadequate or failed internal processes, people, systems or from external events.

The NBS Operational Risk Management Framework defines minimum expected standards and processes, responsibilities and governance structure for operational risk management practice across the Society. The Society has adopted the following classification of operational risk events for easy of monitoring and analysis of impact 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.

Key Risk indicators, Loss incident reporting framework and RCSA (Risk and Control Self Assessments) are being used across all risk centres 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.

27.7 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 and is primarily manifesting through:

- Contract risks;
- Claims by other parties on failed fiduciary responsibilities or failed obligations
- Changes in the law, which could magnify legal risk exposure.

Compliance and legal risk management framework of the Society ensures participation of all bank units in the identification, assessment, controlling, and monitoring of compliance and legal risks. All bank units are responsible and accountable for compliance and legal risk management in their respective contexts. The Society has a zero tolerance principle to which is part of the Board approved risk appetite framework.

27.8 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 not responsive to the external environment.

The Society has put in place structures and procedures to identify, measure and monitor strategic risk on a regular basis and effectiveness is evaluated against the Society's strategic objectives. In implementing the Society's strategy, the Board and Senior management determine and allocate financial and operating targets to departments. Monitoring of progress against the action plans is done on an ongoing basis and risk mitigation is applied accordingly.

27.9 Reputational risk

Reputational risk is the risk of loss due to the damage to the name of the institution. Such potential value destruction occurs in a situation of negative public opinion on an institution. 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.

In line with the Board approved reputational risk management policy, Society management has the primary responsibility for reputational risk identification, assessment, 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 dealt with as provided in the overall Enterprise-wide Risk Management framework of the Society.

27.10 Capital management

National Building Society adopted the Internal Capital Adequacy Assessment Policy (ICAAP) 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 meeting the expectations of those stakeholders i.e. shareholder, analysts, investors, clients and the general public who are interested in looking at the profitability of the Society vis-à-vis assumed levels of risk.

27.10.1 Capital adequacy

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

The Society's regulatory capital is managed by the Society and comprises three tiers:

- Tier 1 Capital: comprises contributed capital and accumulated profits.
- Tier 2 Capital: comprises impairment allowance and revaluation reserve.
- Tier 3 Capital: comprises operational and market risk capital.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

	31 December 2022 ZWL	31 December 2021 ZWL
Risk weighted assets		
Tier 1		
Share capital	5 089 296	5 089 296
Share premium	44 558 325	44 558 325
Shares awaiting allotment	8 704 677 600	-
Accumulated profit	3 747 261 166	512 674 640
Core capital	12 501 586 387	562 322 261
Tier 2		
Borrowings	15 321 746	15 321 746
Revaluation reserve	1 273 938 410	106 136 966
	1 289 260 156	121 458 712
Tier 3		
Capital allocated for operational risk	1 083 273 531	-
Tier 1 ratio	26	11
Tier 2 ratio	3	3
Tier 3 ratio	3	1
Capital Adequacy ratio	31%	15%

Regulatory capital consists solely of Tier 1 capital which comprises Share Capital, Share Premium Shares awaiting allotment, General Reserve and Accumulated Deficit/Surplus. Tier 2 capital consists of Loans from the Shareholder and Revaluation Reserve. Tier 3 Capital is capital allocated for operational risk.

	Inflation Adjusted 2022	2021	Historical Cost 2022	2 021 ZWL
CAPITAL COMMITMENTS				
Authorised but not yet contracted for	-	933 954 791	-	271 688 363

The Society's Board has authorised ZWL1.4 billion for the coming year. The Society plans to expand its land banks in its quest to deliver affordable housing.

The expenditure is to be funded by internal resources, equity and unitisation.

28 RATINGS

28.1 Reserve Bank of Zimbabwe ratings

The Reserve Bank of Zimbabwe conducted a risk based on-site examination of National Building Society from 14 March to 28 April 2023, utilising data as at 31 December 2022. The examination report was dated 31 March 2023.

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

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.

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

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ABRIDGED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 2022

Bank, Build & go Beyond



Corporate Account



Diaspora Mortgage



Remittances



SME Loans



Individual Account Opening

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

28.1 Reserve Bank of Zimbabwe ratings (continued)

"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 Society'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 Society'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.

28.2 External Credit Ratings

The Society subscribes to a global credit rating agency, Global Rating Company and the ratings for the past 5 years are shown below;

Year	Rating
2022	B long term rating
2021	B long term rating
2020	B long term rating
2019	B long term rating
2018	B long term rating

29 Going Concern

In December 2022, NSSA recapitalised the Society through transferring Land and Buildings amounting to USD12.7m to the Society. This brought the Society's Capital position to USD18.3m as at the 31st of December 2022. The Society's Liquidity ratio which was 49% on 31 December 2022 has also improved significantly in the current year and is currently above 68%.

Capital requirements

All Building Societies are required to comply with the Reserve Bank of Zimbabwe's new minimum Capital requirements of USD20m. The Reserve Bank of Zimbabwe extended the deadline for compliance with this requirement to 31 December 2023 due to the impact of COVID19. The Society has generated internal Capital of USD2.3m in the First Quarter of 2023, bringing its Capital to USD20.6m as at 31 March 2023.

The Society's financial plans and budgets for the current financial year outline plans to generate USD6.3m in Internal Capital to bring the Society's Capital position to USD 24.6m by the 31st of December 2023.

NBS Capital as at 31 December 2022

- USD 18.3m

Budgeted 2023 profits

- USD 6.3m

Forecasted Capital 31 December 2023

- USD 24.6m

Management believes that based on its financial plans and the commitments received from its Shareholder, NSSA, regarding support for ongoing housing projects, the use of the Going Concern assumption is correct.



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FOR THE YEAR ENDED DECEMBER 2022

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