

TOTAL ASSETS **ZWG 1.361m** 



**DEPOSITS ZWG 506m** 



**EOUITY ZWG 501m** 



**OPERATING INCOME ZWG 627m** 



# **UNAUDITED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 JUNE 2024**



Housing & Mortgages



NBS Capital



Corporate & Institutional Banking



Micro Finance



Retail & SME Banking



Structured Finance

#### **BOARD CHAIRMAN'S STATEMENT** For the period ended 30 June 2024

#### Introduction

I present to you the National Building Society's (NBS) financial statements for the half year ending 30 June 2024.

#### Operating Environment

Global economic recovery continues to be slow due to the increased geopolitical conflicts in the Middle East and the continuing Russia-Ukraine war which has disrupted trade flow and triggered sharp increases in commodity prices, causing food and fuel price hikes. Whilst global GDP growth for 2024 is expected to remain at 3.2%, the Zimbabwean economy is expected to grow by 3.3%.

Despite the negative external shocks, the Zimbabwean economy continued to show resilience as increased remittances and foreign currency inflows continue to strengthen the economy and in turn support the growth of domestic trade and services. Whilst the first few months of 2024 were marked by significant inflationary pressures, decisive measures from the Government to introduce the Zimbabbwe Gold (ZWG) have been instrumental in creating much needed currency stability which in turn has contributed to a more stable and conducive economic environment with H1 blended inflation closing at 35.7%.

#### Housing Delivery

NBS launched the construction of Phase 1 of its project in Glaudina, Harare where a total of two out of nine blocks of residential flat units are under construction. The Society also partnered with its shareholder, the National Social Security Authority (NSSA) to dispose residential stands in Glaudina and Borrrowdale. In addition, the Society is servicing residential stands at Batanai in Chinhoyi. These will come onto the market in the third quarter of the year. The completion of one, two and seven roomed low cost housing units in Dzivarasekwa during the period under review ensured that the Society lived up to its mandate of providing affordable housing and contribute positively to the national housing stock

As at 30 June 2024, the capital adequacy and liquidity ratios were above the regulatory minimum at 15% and 30%, respectively. The Society's Core capital was stable at USD24m up from USD22.4m recorded in Dec 2023, which was well above the RBZ's regulatory minimum capital threshold of USD20m.

The Society has made sustainability a strategic priority and continues to embrace and embed sustainability across all its activities. The Society's sustainability agenda is underpinned by three pillars: Impact on the Environment, Impact on Social Performance and Impact on Governance and Corporate performance. The Society has identified the key issues that underpin each of these pillars and how these issues impact the attainment of Sustainable Development Goals (SDGs). A sustainability materiality assessment was undertaken which identified the most strategically relevant issues for the Society from a Sustainability perspective. These are the areas that the business will track and manage periodically to enhance and measure its sustainability footprint.

## Outlook

As NBS we are very optimistic about the economy's growth prospects in the second half of 2024 on the back of the stability ushered in by the structured currency. As the ZWG continues to hold its value and inflation trends downwards, NBS stands ready to continually seek opportunities that promote financial inclusion and the provision of quality housing for all citizens, in line with the country's National Development Strategy 1 (2021-2025).

#### Directorate

The Society welcomed Mrs Sithokozile Mrewa and Mrs Molly Dingani to the Board of Directors on the 11h of June 2024. They bring relevant experience and skills to the Board which will propel the Society to greater heights of success

#### Stakeholder Appreciation

In closing, I wish to express my sincere gratitude to our various stakeholders which are Government Ministries, our shareholder NSSA, and, most significantly, our loyal customers and staff. The relationship with our customers continues to be of central importance as they honour and trust the Society with their hardearned money. We remain committed to delivering market leading products, services, and solutions.

Finally, as I appreciate the Society's dedicated employees for their hard work, loyalty and commitment to the brand, I urge them to work even harder during the coming period.

S.I MUTUMBWA Board Chairman

#### MANAGING DIRECTOR'S STATEMENT For the period ended 30 June 2024

## Financial performance

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The Society's financial performance has continued to steadily grow. Net interest income for the period was ZWG31.4m, up 130% over the comparable period in the prior year. The growth was largely attributable to a tight control over cost of funds. Operating expenses reduced from ZWG146m to ZWG104m as kev cost metrics that were previously negatively impacted by forex premiums stabilised post conversion to ZWG. The comprehensive deficit of ZWG149.7m was driven by market conditions in the period leading up to the currency conversion and the inherent assumptions on conversion factors utilised in calculating the numbers. However, we are confident that with the currency stability that the ZWG has ushered in, the negative impact of the hyperinflation experienced at the begining of the year will be addressed.

The Society translated the current year and prior year comparative statements in accordance with the requirements of the International Financial Reporting Standards "IAS 21 The Effects of Changes in Foreign Exchange Rates", which prescribes the treatment of currency conversion. However, the financial statement numbers for the two periods are not entirely comparable due to the limitations and distortions brought about by the currency conversion that occurred during the period.

Asset quality was maintained within the desired target levels, with a nonperforming loans ratio of 1.47% vs a benchmark of 5% whilst impairment costs reduced by 71% from ZWG 26.4m to ZWG 7.4m.

The cost to income ratio was 17% for the half year in line with the Society's target of 30%. This reflected the growth in our revenue and the concurrent efforts to maintain a tight grip on costs, allowing spending only in areas that create value for our stakeholders

The Society increased its wallet share of USD denominated assets and liabilities in line with the currency shift in the market.

#### Strategic Agenda

The Society continued to implement its key strategic initiatives to ensure that it can "Bank, Build and go Beyond." In 2024 the Society launched its microfinance subsidiary, Lenderspark Finance, a standalone entity targeted at meeting the financial needs of individuals and small businesses that are unable to access funding from traditional banking channels. The Society also expanded its physical footprint through the opening of the Bindura branch cementing the Society's commitment presence in Mashonaland Central position as a key financial service

To this end, the Society continued to focus on growing the mortgage book through various tailor-made products and initiatives from conventional mortgages, to rent to buy models as well as provision of micro mortgages. This essentially has been made possible through the Society leveraging on its various housing projects.

The Bank also forged key partnerships that enabled NBS to roll out additional products and solutions. This ensures that our customers who are in areas not covered by our branch network can access basic banking services, leveraging on the scale and reach of our agent network. This not only leads to further financial inclusion of the masses, but also fosters faster delivery of the Bank's services to our various customers

# **Digital Transformation and Core Banking System Upgrade**The Bank continued to benefit from its focus on increasing digital payments

with impressive growth across most areas during the first half of 2024. The Society commenced the implementation of its core banking system upgrade with a dedicated project team working tirelessly to deliver this key enabler within the targeted timelines. The strategic intent of this upgrade is not only to reduce the cost-to-serve but to also bring transactional convenience through seamless integrations and enhanced service delivery through our digital touch points.

Aligned with the multi-currency framework within the economy, the Bank rolled out its dual-currency Debit Card and more multi-currency POS machines. This revolutionary development enabled both the POS gadget as well as the card to have capability to seamlessly handle both USD and ZWG transactions.

The Society is looking forward to completing its signature Glaudina Flats development with a significant number of units already presold. The Society hopes to finalise and implement some housing partnerships both in Harare as well as in Bulawayo whose implementation will positively enhance the Society' second year financial performance.

We are very optimistic that in the second half of the year, the numerous key economic measures adopted by our Government will produce a conducive operating environment with abundant opportunities, in line with vision 2030.

#### Appreciation

Stakeholder engagement has been critical during the period and the Society enjoyed the benefit of strong relationships with Government Ministries, the regulators and our shareholder NSSA, whom I would like to thank for their continued belief and support. My gratitude also goes out to the Board, which has always offered valuable counsel.

My gratitude also goes to our staff and management who have shown a great level of commitment to the attainment and delivery of the NBS strategic agenda.

Lastly, I remain eternally grateful to our invaluable customers for conducting their business with the Society. NBS will continue to strive to be the preferred housing and financial services partner for you as we Bank, Build and go Beyond together.

Marry. S. MAHLANGU

Managing Director

31 August 2024

#### CORPORATE GOVERNANCE STATEMENT For the period ended 30 June 2024

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 2024, 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].

Recognising the pivotal role of an effective Board of Directors, the Board places utmost importance on its composition and functions. Active engagemen our Shareholders is a key priority for the Board, with regular meetings held to solicit and consider the Shareholders' perspectives and feedback. This two-way communication ensures that the Board remains responsive and aligned with the interests of our Shareholders

#### THE BOARD ROLES AND RESPONSIBILITIES

The position of the Board Committees as of 30 June 2024 was as follows;

#### AUDIT COMMITTEE

The Audit Committee comprised of two independent non-executive directors. The members are as follows:

Pauline Chapendama- Chairman (Independent NED) David Mutemachani -Member (Independent NED)

However, the composition of this Committee has since been regularised with the appointment to the Committee, of Mrs Molly Dingani as an additional independent non-executive member in July 2024.

- 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 one non-executive director. The members are as follows; Pauline Chapendama- Chairman (Independent NED)

David Mutemachani -Member (Independent NED) Betty Nyereyegona -Member (NED) Its terms of reference include:

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

To ensure that the lending processes and the loan portfolio conforms to

- 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 two independent non-executive director and one

Josephine Takundwa -Chairman (Independent NED) Shingai I Mutumbwa -Member (Independent NED)

Philip Hamadziripi -Member (NED)

non-executive director. The members are as follows

Its terms of reference include To approve applications that do not expose the Society to undue credit

- 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
- 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

## HUMAN RESOURCES AND NOMINATIONS COMMITTEE

The Committee comprised of three independent non-executive directors and three non-executive directors. The members are as follows; David Mutemachani-Chairman (Independent NED)

Shingai I Mutumbwa-Member (Independent NED) Josephine Takundwa -Member (Independent NED) Grace Mathe -Member (NED)

Betty Nyereyegona- Member (NED) Philip Hamadziripi -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;
- The evaluation of board members

#### RISK AND COMPLIANCE COMMITTEE

The Risk and Compliance committee consisted of one Independent nonexecutive director and two non-executive directors. The members are as follows;

Pauline Chapendama - Chairman (Independent NED) Betty Nyereyegona -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.

#### 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 are as follows;

David Mutemachani -Chairman (Independent NED) Shingai I Mutumbwa -Member (Independent NED) Josephine Takundwa -Member (Independent NED) Philip Hamadziripi -Member (NED) Grace Mathe- Member (NED) Managing Director -Member (Executive)

Finance Director-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.
- Directors: S I Mutumbwa (Chairman), D Mutemachani, Dr. B Nyereyegona (Ms), P M Hamadziripi, S Mahlangu (Managing Director), M Mahachi (Ms)(Finance Director), P Chapendama (Mrs), G Mathe (Ms), J Takundwa (Mrs), S Mrewa (Mrs), M Dingani (Mrs)

For the half year ended 30 June 2024

Link both your ZWG and USD accounts and transact conveniently with just one debit card!

ONE DEBIT CARD,

TWO CURRENCIES



Bank, Build & go Beyond



#### Housing & Mortgages



NBS Capital



Corporate & Institutional Banking



Micro Finance



Retail & SME Banking



Structured Finance

#### ICT, DIGITALISATION, AND INNOVATION COMMITTEE

The ICT, Digitalisation and Innovation Committee consisted of two Independent non-executive directors, three nonexecutive directors and two executive directors. The members are as follows;

David Mutemachani -Chairman (Independent NED) Pauline Chapendama-Member (Independent NED) Betty Nyereyegona -Member (NED) Philip Hamadziripi-Member (NED) Grace Mathe-Member (NED) Managing Director-Member (Executive) Finance Director-Member (Executive)

- 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 Bank.

#### INTEGRITY COMMITTEE

The Integrity Committee consisted of four Independent non-executive directors, and three non-executive directors. The members are as follows;

Shinoai I Mutumbwa -Chairman (Independent NFD) Pauline Chapendama-Member (Independent NED) David Mutemachani -Member (Independent NED)
Josephine Takundwa-Member (Independent NED) Betty Nyereyegona -Member (NED) Philip Hamadziripi-Member (NED) Grace Mathe-Member (NFD)

The Committee's terms of reference include:

- To act as a corruption prevention tool to tackle weaknesses in governance within the Society.
- The Committee is tasked with taking measures to prevent corruption within the Society's sphere of control, through streamlining corruption prevention best practices in liaison with the various divisions to instil good ethical practices in all employees and minimise the occurrence of corruption.

#### INTERNAL AUDIT

The Internal Audit department comorises 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 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 AND COMMITTEE ATTENDANCE

Membership and attendance for the period to June 2024 is as noted below:

## Main Board'

NAME	TOTAL MEETINGS	PRESENT	ABSENT
Shingai Mutumbwa (INED)	1	1	Nil
David Mutemachani (INED)	1	1	Nil
Pauline Chapendama (INED)	1	1	Nil
Betty Nyereyegona (NED)	1	1	Nil
Grace Mathe (NED)	1	1	Nil
Phillip Hamadziripi (NED)	1	1	Nil
Josephine Takundwa (INED)	1	1	Nil
Sithokozile Mrewa ** (INED)	1	1	Nil
Molly Dingani** (INED)	1	LOA	LOA
Mukai Mahachi (ED)	1	1	Nil
Sifiso Mahlangu (ED)	1	1	Nil

- INED Independent Non Executive Director
- NED Non Executive Director ED - Executive Director

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- LOA Leave of Absense granted The second quarter Main Board meeting was held on
- 11 July 2024.
- Sithokozile Mrewa and Molly Dingani were appointed to the board on the  $11^{\text{th}}$  of June 2024.They attended various committee meetings as part of their board induction process. The board committees were reconstituted after 30 June 2024.

#### **Audit Committee**

NAME	TOTAL MEETINGS	PRESENT	ABSENT
David Mutemachani	2	2	Nil
Pauline Chapendama	2	2	Nil
Sithokozile Mrewa**	1	1	Nil

#### Credit Committee

NAME	TOTAL MEETINGS	PRESENT	ABSENT
Josephine Takundwa	3	3	Nil
Shingai Mutumbwa	3	3	Nil
Philip Hamadziripi	3	3	Nil
Sithokozile Mrewa**	1	1	Nil

#### Loans Review Meeting

NAME	TOTAL MEETINGS	PRESENT	ABSENT
Pauline Chapendama	2	2	Nil
Betty Nyereyegona	2	2	Nil
David Mutemachani	2	2	Nil
Sithokozile Mrewa**	1	1	Nil

#### Risk and Compliance Committee

NAME	TOTAL MEETINGS	PRESENT	ABSENT
Pauline Chapendama	2	2	Nil
Betty Nyereyegona	2	2	Nil
Grace Mathe	2	2	Nil

#### **Human Resources and Nomination Committee**

NAME	TOTAL MEETINGS		
David Mutemachani	3	3	Nil
Shingai Mutumbwa	3	3	Nil
Josephine Takundwa	3	2	1
Grace Mathe	3	2	1
Betty Nyereyegona	3	2	1
Philip Hamadziripi	3	3	Nil
Pauline Chapendama*	I	1	Nil
Sithokozile Mrewa**	1	1	Nil

Pauline Chapendama attended the 16 May 2024 meeting by invitation

### ICT, Digitalisation, and Innovation Committee

NAME	TOTAL MEETINGS		ABSENT
David Mutemachani	2	2	Nil
Pauline Chapendama	2	2	Nil
Betty Nyereyegona	2	2	Nil
Philip Hamadziripi	2	2	Nil
Grace Mathe	2	2	Nil
Sithokozile Mrewa**	1	1	Nil
Mukai Mahachi	2	2	Nil
Sifiso Mahlangu	2	2	Nil

## Finance, Housing Projects and Strategy Committee

NAME	TOTAL MEETINGS	PRESENT	ABSENT
David Mutemachani	2	2	Nil
Shingai Mutumbwa	2	2	Nil
Josephine Takundwa	2	2	Nil
Philip Hamadziripi	2	2	Nil
Grace Mathe	2	2	Nil
Mukai Mahachi	2	2	Nil
Sifiso Mahlangu	2	2	Nil
Sithokozile Mrewa**	1	1	Nil
Molly Dingani**	1	1	Nil
Pauline Chapendama*	1	1	Nil

Pauline Chapendama attended the 20 March 2024 meeting by invitation

#### Integrity Committee

TOTAL MEETINGS	PRESENT	ABSENT
2	2	Nil
1	1	Nil
1	1	Nil
	2 2 2 2 2 2 2 2 2	MEETINGS           2         2           2         2           2         2           2         2           2         2           2         2           2         2           2         2           2         2           2         2

#### **BOARD CHANGES**

There were two changes to the Board during the period under review. The Society appointed two Non-Executive Directors to the Board namely:

- 1. Mrs Molly Dingani (appointed on 11 June 2024)
- 2. Mrs Sithokozile Mrewa (appointed on 11 June 2024).

#### **COMPLIANCE STATEMENT**

As of June 2024, the Society continued to demonstrate strong compliance with regulatory requirements, with the majority of key metrics meeting the expected standards.

The following were the major compliance highlights as of 30 June 2024,

- The Society appointed Mr Sifiso Mahlangu as the substantive Managing Director effective 1st of July 2024.
- Following the appointment of two additional Independent Non-Executive Directors the Society regularised the 2. Composition of the Board Audit Committee.
- Appointment of Board member with ICT skills is underway and the Society is awaiting nomination of a suitable candidate through its principals.
- 4. The Society was not compliant with the net open position and single currency exposure to capital limits of 20% and 10%, respectively. This position is being driven by the growth of USD denominated assets in line with the Society's thrust to grow its USD asset base for value preservation and generation of USD income. The Society was granted an exemption to exceed the single currency and aggregate foreign currency limits up to 31 December 2024.
- The Reserve Bank of Zimbabwe cautioned the Society for the late submission of the BSD return for Q4 of 2023.

#### STATEMENT OF FINANCIAL POSITION **AS AT 30 JUNE 2024**

	Note	Unaudited 30 June 2024	Audited 31 December 2023
Assets	14000	ZWG	ZWG
Cash and cash equivalents	5	236 429 398	401 996 960
Investment securities	6	158 953 759	225 284 469
Other assets and prepayments	7	44 368 794	74 459 059
Inventory	8	70 091 094	55 392 572
WIP	9	5 619 020	-
Loans and advances	10	488 877 776	634 259 695
Computer software	11	7 820 314	6 005 088
Investment property	12	246 030 304	397 817 906
Right of use Asset	13	39 254 080	38 413 990
Property, equipment	14	63 285 299	62 709 268
Total Assets		1 360 729 838	1 896 339 007
Equity and Liabilities			
Liabilities	45	505 500 060	057 400 400
Deposits	15	505 582 968	957 429 129
Borrowings	16	14.071.202	20 291
Lease liability	13.1	14 971 203	16 486 981
Other liabilities Total Liabilities	17	339 151 710 859 705 881	277 401 414 1 251 337 815
Shareholders' equity			
Share capital	18.1	13 690 043	13 690 043
Share premium	18.1	119 860 478	119 860 478
Shares awaiting allotment	18.1	152 085 155	152 085 155
Revaluation reserve	18.2	29 751 732	29 751 732
Accumulated surplus	18.3	185 636 549	329 613 784
Total Shareholder equity	10.5	501 023 957	645 001 192
Total liabilities and equity		1 360 729 838	1 896 339 007

Due to distortions arising from hyperinflation accounting applied in the prior year (2023) financial performance is not fully comparable across the two periods.

#### STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 JUNE 2024

	Note	Unaudited 30 June 2024	Unaudited 30 June 2023
		zwg	ZWG
Interest income	20	52 196 017	93 015 133
Interest expense	21	(20 818 281)	(79 378 841)
Net interest income		31 377 736	13 636 292
Charge for impairment	10	(7 401 904)	(26 388 661)
		23 975 832	(12 752 369)
Non funded income	22	602 760 491	1 070 401 855
Total operating income for the year		626 736 323	1 057 649 486
Operating expenses	23	(103 707 038)	(146 208 049)
Loss on monetary position		(670 677 882)	(438 440 279)
Deficit/surplus before tax		(147 648 597)	473 001 158
Income tax		(2 074 744)	(20 926 498)
Deficit/surplus for the year		(149 723 341)	452 074 660
Other comprehensive income		-	-
Comprehensive (deficit)/income for the year		(149 723 341)	452 074 660

For the half year ended 30 June 2024

Bank, Build & go Beyond

We are happy to announce the opening of our new branch in Bindura

**We Are Growing To Serve You Better** 



Shop Number 2 Bindura Commercial Centre 1837 Artherstone Road Bindura









Retail & SME Banking



Structured Finance

Housing & Mortgages



NBS Capital



Corporate & Institutional Banking



Micro Finance



# STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 30 JUNE 2024

	Share capital	Share premium	Shares Awaiting allotment	Revaluation Reserve	Accumulated surplus	Total
2024	ZWG	ZWG	ZWG	ZWG	ZWG	ZWG
Balance as at 1 January 2024	13 690 043	119 860 478	152 085 155	29 751 732	329 613 784	645 001 192
Profit for the year	-	-	-	-	(149 723 341)	(149 723 341)
Dividend declared	-	-	-	-	5 746 106	5 746 106
Balance as at 30 June 2024	13 690 043	119 860 478	152 085 155	29 751 732	185 636 549	501 023 957
2023						
Balance as at 1 January 2023	13 690 043	119 860 478	152 085 155	16 266 862	51 016 252	352 918 790
Profit for the year	-	-	-	-	452 074 660	452 074 660
Balance as at 30 June 2023	13 690 043	119 860 478	152 085 155	16 266 862	503 090 912	804 993 450

#### STATEMENT OF CASHFLOWS

FOR THE PERIOD ENDED 30 JUNE 2024

	Unaudited 30 June 2024 ZWG	Unaudited 30 June 2023 ZWG
Cashflows from operating activities	2113	2.110
Profit before tax	(147 648 597)	473 001 158
Adjusted for:		
Depreciation	6 752 360	2 316 281
Armotisation of software	1 272 992	40 246
Right of use asset depreciation	244 627	357 373
Loss on monetary position	670 677 882	438 440 279
Unrealised exchange gains	(123 469 719)	(208 952 735)
Fair value of investment property	(422 571 767)	(350 999 474)
Fair value on gold coins	1 537 714	-
Loss on asset disposal	-	206 719
Charge for impairment	7 401 904	26 388 661
Interest expense on lease liability	667 144	545 497
Net interest income	(31 377 736)	(13 636 292)
	(36 513 196)	367 707 713
Increase/(decrease) in other assets and prepayments	22 688 361	(3 034 032)
(Decrease)/increase in inventory	(131 102 686)	23 204 638
(Decrease)/increase in loans and advances	283 649 016	(167 085 021)
(Decrease)/increase in deposits	(451 846 161)	205 661 695
Increase in lease liability	3 906 977	53 140
(Decrease)/increase in other liabilities	61 083 152	277 303 154
	(248 134 537)	703 811 287
Interest received	52 196 017	93 015 133
Interest paid	(20 818 281)	(79 378 841)
Income tax paid	(2 074 744)	(20 926 498)
Net cashflows from operating cashflows	(218 831 545)	696 521 081
Cashflows from investing activities		
Purchase of property and equipment	(7 328 391)	(11 821 243)
Increase/(decrease) in investment securities	66 502 236	(272 847 007)
ROUA additions	(1 084 717)	(1 007 316)
Purchase of computer software	(3 088 218)	(796 720)
Net cashflows from investing activities	55 000 910	(286 472 286)
Cashflows from financing activities		
Borrowings	(20 291)	_
Lease payments	(5 422 755)	(849 595)
Net cashflows from financing activities	(5 443 046)	(849 595)
Net Increase/decrease in cash and cash equivalents	(169 273 681)	(409 199 200)
Effects of changes in inflation	3 658 770	(438 664 778)
Cash & cash equivalents at the beginning of the year	402 132 686	280 623 961
Cash & cash equivalents at the end of the year	236 517 775	251 158 383
Comprises of:		
Cash on hand	711 594	4 232 333
Foreign bank balances	61 264 471	18 615 968
Banks and money market	174 541 710	228 310 082
Total cash and cash equivalents	236 517 775	

#### NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2024

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

#### 2 Basis of preparation

#### 2.1 Basis of accounting

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

#### 2.2 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

#### 2.3 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. These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and in a manner required by the Companies and Other Business Act (Chapter 24:20) and sections of the Banking Act (Chapter 24:20) applicable to Building Societies Act (Chapter 24:20) and sections of the Banking Act (Chapter 24:20 ) applicable to Building Society.

#### Functional and Presentation Currency 2.4

The financial statements are presented in Zimbabwe Gold (ZWG), which is the Society's functional and

The Monetary Policy Statement (MPS) was pronounced on the 5th of April 2024 and ushered in a new currency, Zimbabwe Gold, ZWG. This was followed by the promulgation of Statutory Instrument 60 (SI 60 ) of 2024: SI 60 of 2024 states that the ZWG replaces the ZWL as the unit of account for all transactions. In the MPS, a rate of USD1:ZWL 30 674 was given as the United States Dollar (USD) exchange rate of the day. Further to that, the rate of ZWG1:ZWL 2 498.72 was given as being the rate to convert all balances in Zimbabwe Dollar (ZWL) to ZWG.

#### Application of IAS 29 (Financial Reporting in Hyperinflationary Economies)

Prior to 5 April 2024, the economy was hyperinflationary and IAS29 was applied to both the current and prior year numbers and the resultant numbers divided by the ZWG:ZWL rate of 1:2 498.72.

Following the promulgation of SI 60 of 2024 and the new currency ZWG, the indicative characteristics of hyperinflation per IAS29 paragraph (3) are not yet applicable to the Zimbabwean economy. Management will continue to assess the economy for indicators of hyper inflation.

Year	Month	CPI	Conversion Factor
2023	Jun	42 710.72	13.98
2023	Dec	65 703.45	9.08
2024	Jan	93 215.82	6.40
2024	Feb	258 942.08	2.31
2024	Mar	429 219.62	1.39
2024	05-Арг	596 915.72	1.00

The CPI for 5 April was inferred to factor in the depreciation in exchange rate by 39.07% for 1 to 5 April on the

#### 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.

		Unaudited 30 June 2024	Audited 31 December 2023
		ZWG	ZWG
	Cash and Cash equivalents		
	Balances with the RBZ	109 395 540	186 716 782
	Interbank placements	65 114 966	56 978 474
	Balances with banks	61 295 675	156 238 096
	Cash on hand	711 594	2 199 334
		236 517 775	402 132 686
1	Reserve Bank of Zimbabwe	109 395 540	186 716 782
	Interbank placements	65 114 966	56 978 474
	Bank balances	61 295 675	156 238 096
		235 806 181	399 933 352
	Stage 1 - ECL allowance	(88 377)	(135 726)
		235 717 804	399 797 626
	Cash on hand	711 594	2 199 334
	Net carrying amount of cash and cash equivalents	236 429 398	401 996 960
	Investment Securities held at armotised cost		
	Treasury bills	159 372 840	225 875 076
	Stage 1 - ECL allowance	(419 081)	(590 607)
	Net carrying amount	158 953 759	225 284 469
	Maturity Analysis - Gross		
	3 months to 6 months	19 439 585	_
	12 months to 24 months	139 933 255	225 875 076
	12 mond o C 2 mond o	159 372 840	225 875 076
		103 072 010	225 0, 5 0, 5
	Other Assets and prepayments		
	Interest accrued	10 029 577	17 252 287
	Collateral deposits	4 896 557	8 107 843
	Gold coins and tokens	1 959 976	27 879 096
	Sundry assets	27 482 684	21 219 833
		44 368 794	74 459 059
	Non-current	4 896 557	8 107 843
	Current	39 472 237	66 351 216
		44 368 794	74 459 059
			, , , , , , , , , , , ,

For the half year ended 30 June 2024

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#### **NOTES TO THE FINANCIAL STATEMENTS** FOR THE PERIOD ENDED 30 JUNE 2024

		Unaudited 30 June 2024 ZWG	Audited 31 December 2023 ZWG
8	Inventory work in progress		
	Finished units	0.566.016	0 527 677
	Dzivarasekwa Sunset Villa	9 566 016 24 842 360	9 527 677 24 549 948
	NBS Park and Stoneridge	13 536 138	13 536 138
	Transfer to investment property	-	(825 143)
	. , ,	47 944 514	46 788 620
	Newmara	6 286 272	5 707 706
	Glaudina	14 409 261	1 445 199
	Plumtree	1 451 047	1 451 047
		70 091 094	55 392 572
9	Capital Work In Progress		
	Opening balance	-	466 826
	Additions	5 619 020	10 190 241
	Transfer to property and equipment	-	(10 657 067)
	Closing balance	5 619 020	
10	Loans and advances		
	Personal loans, advances and overdrafts	107 995 261	91 862 284
	Mortgage loans	202 203 314	386 089 996
	Corporate loans	41 383 412	8 228 320
	Other advances Gross loans and advances	146 963 044 498 545 031	172 543 728 658 724 328
	Gross roaris ario advarices	490 545 051	056 724 326
	Impairment provision	(9 667 255)	(24 464 633)
	Net loans and advances	488 877 776	634 259 695
10.1	Maturity Analysis		
	Less than 1 month	11 109 884	30 914 023
	1 month to 3 months	82 942 500	47 599 051
	3 months to 6 months	54 804 565	58 795 540
	6 months to 1 year	86 369 775	209 581 651
	1 year to 5 years	263 318 307	136 090 987
	More than 5 years	498 545 031	175 743 076 658 724 328
		130 3 13 031	030 72 1 320
10.2	Loan impairment allowance		
	Exposure to credit - gross loans and advances	423 842 632	606 400 264
	Loans and advances subject to Stage 1  Loans and advances subject to Stage 2	69 867 575	606 499 264 42 751 948
	Loans and advances subject to Stage 3	4 834 824	9 473 117
	Gross loans and advances	498 545 031	658 724 329
	Loan Impairment Charge		
	Stage 1	2 875 100	3 213 073
	Stage 2	1 479 925	6 583 820
	Stage 3	5 312 230	14 667 741
	Gross impairment loss	9 667 255	24 464 634
	Net loans and advances	488 877 776	634 259 695
	The Issuis Sile Soldiness	100 077 770	03   233 033
	Impairment allowances		
	Portfolio impairment	7 088 177	12 202 029
	Specific impairment	2 579 078	12 262 605
	Gross impairment	9 667 255	24 464 634
10.3	Impairment provision		
	Opening balance	24 464 634	13 647 059
	Charge in profit and loss	6 974 395	21 624 678
	Effects of changes in inflation	(21 771 774)	(10 807 103)
	Closing balance	9 667 255	24 464 634

J. <del>4</del>	ECL allowance movement
	2024
	Balance at beginning of year 2024
	Charge to profit and loss for the year
	Effects of changes in inflation
	Balance at 30 June 2024
	2023

Cash and cash equivalents	Loans and advances	Investment securities	Total
135 726	24 464 634	590 607	25 190 967
73 437	6 974 395	354 072	7 401 904
(120 786)	(21 771 774)	(525 598)	(22 418 158)
88 377	9 667 255	419 081	10 174 713
62 513	13 647 059	12 584	13 722 156
122 717	21 624 678	587 988	22 335 383
(49 504)	(10 807 103)	(9 965)	(10 866 572)
135 726	24 464 634	590 607	25 190 967

#### NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2024

#### Change in ECL

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

		Unaudited 30 June 2024	Audited 31 December 2023
	lacrosco in losa impairment charge on losars and advances	ZWG	ZWG
	Increase in loan impairment charge on loans and advances for the period	5 745 412	9 900 410
	Impairment allowance on account balances in excess	1 228 983	11 724 268
	Impairment charges on cash and cash equivalents and		
	investment securities	427 510	710 705
	Net impairment charge to statement of profit and loss	7 401 905	22 335 383
10.5	Sectoral Analysis		
	Corporates	41 383 412	180 772 048
	Individuals	457 161 619	477 952 280
		498 545 031	658 724 328
11	Computer software		
	Cost		
	Opening balance	12 729 923	11 748 316
	Additions	3 088 218	981 607
	Closing balance	15 818 141	12 729 923
	Amortisation		
	Opening balance	6 724 835	4 256 655
	Charge to income statement	1 272 992	2 468 180
	Closing balance	7 997 827	6 724 835
	Net book value	7 820 314	6 005 088
		, 523 311	2 223 000

Included in computer software is the Society's core banking system, FBEQ.

		Unaudited 30 June 2024 ZWG	Audited 31 December 2023 ZWG
12	Investment property		
	Opening balance	397 817 906	174 358 396
	Fair valuation	422 571 767	746 317 069
	Transfer to inventory	-	(1 445 199)
	Transfer from inventory	-	825 143
	Effects of inflation	(574 359 369)	(522 237 503)
	Closing balance	246 030 304	397 817 906
13	Right of use asset		
	Balance at the beginning of the year	47 948 729	18 187 524
	Additions	1 084 717	1 041 823
	Remeasurement gain	-	28 719 382
	Closing Balance	49 033 446	47 948 729
	Accumulated Depreciation	0.524.720	4 424 705
	Balance at the beginning of the year	9 534 739	4 431 785
	Charge for the year	244 627	5 102 954
	Closing Balance	9 779 366	9 534 739
	Carrying amount	39 254 080	38 413 990
13.1	Lease liability		
	Opening balance	16 486 981	5 299 029
	Additions	1 084 717	1 041 823
	Remeasurement (modifications)	-	28 719 382
	Interest expense	667 144	2 784 256
	Repayments	(5 422 755)	(3 442 523)
	Exchange loss on lease liability	32 394 720	6 418 888
	Effects of Inflation	(30 239 604)	(24 333 874)
		14 971 203	16 486 981

30 June 2024

	Leasehold Improvements	Office Equipment	Furniture and Fittings	Motor Vehicles	Computer Equipment	Total
Cost						
Opening balance	9 421 246	1 655 615	5 227 147	29 360 090	21 676 726	67 340 824
Additions	1 907 377	113 358	402 273	2 290 988	2 614 395	7 328 391
Closing balance	11 328 623	1 768 973	5 629 420	31 651 078	24 291 121	74 669 215
Accumulated depreciation						
Opening balance	3 336 035	13 329	25 766	-	1 256 426	4 631 556
Charge for the year	611 924	91 258	294 709	3 245 036	2 509 433	6 752 360
Closing balance	3 947 959	104 587	320 475	3 245 036	3 765 859	11 383 916
Net book value June 2024	7 380 664	1 664 386	5 308 945	28 406 042	20 525 262	63 285 299

For the half year ended 30 June 2024

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#### NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2024

Housing & Mortgages

31 December 2023	Leasehold	Office	Furniture and	Motor	Computer	Total
31 December 2023						10101
_	Improvements	Equipment	Fittings	Vehicles	Equipment	
Cost	ZWG	ZWG	ZWG	ZWG	ZWG	ZWG
Opening balance	5 440 254	1 015 240	1 813 615	17 244 083	14 064 744	39 577 936
Additions	3 982 154	539 503	2 371 544	946 554	11 925 522	19 765 277
Revaluation gain	(1 162)	(5 424)	(7 166)	-	(29 364)	(43 116)
Disposal		106 296	1 049 154	11 169 453	(4 284 176)	8 040 727
Closing balance	9 421 246	1 655 615	5 227 147	29 360 090	21 676 726	67 340 824
Accumulated depreciation						
Opening balance	3 299 608	-	-	-	-	3 299 608
Charge for the year	39 549	401 988	352 841	1 795 373	4 197 816	6 787 567
Revaluation	(3 122)	(1 847)	(1 779)	-	(4 724)	(11 472)
Disposal		(386 812)	(325 296)	(1 795 373)	(2 936 666)	(5 444 147)
Closing balance	3 336 035	13 329	25 766	-	1 256 426	4 631 556
					·	
Net book value 2023	6 085 211	1 642 286	5 201 381	29 360 090	20 420 300	62 709 268

#### Deposits

		30 June 2024	31 December 2023
		ZWG	ZWG
	Transactional and savings deposits	269 795 824	442 798 944
	Term deposits	235 787 144	514 630 185
		505 582 968	957 429 129
5.1	Deposits by source		
	Corporates	235 787 144	606 105 480
	Individuals	269 795 824	351 323 649
		505 582 968	957 429 129
5.2	Maturity analysis		
	Less than 1 month	349 628 727	226 525 927
	1 month to 3 months	10 975 964	123 430 632
	3 months to 6 months	622 766	57 180 125
	6 months to 1 year	85 345 753	586 736
	1 year to 5 years	604 960	68 600 514
	More than 5 years	58 404 798	481 105 195

Maturity analysis is based on the remaining period from 30 June 2024 to contractual maturity

15.3	Sectoral Analysis		
	Individuals	152 084 563	288 004 541
	Manufacturing	834 947	1 581 150
	Transport and Distribution	806 432	1 527 151
	Energy and Minerals	50 317 213	95 286 369
	Financial Services	206 150 926	390 390 725
	Construction and Property	11 377 858	21 546 399
	Trade and Services	84 011 029	159 092 794
		505 582 968	957 429 129
16	Borrowings		
	Opening balances	20 291	267 696
	Repayment	(20 291)	(49 899)
	Effects of inflation	-	(197 506)
		-	20 291
	Current liability	-	20 291
		-	20 291

	30 June 2024 ZWG	31 December 2023 ZWG
Other liabilities	2.1.0	2110
Deferred income	2 275 591	9 034 085
Accrued interest	53 133	298 419
Provisions	744 085	3 631 661
Other liabilities	336 078 901	264 437 249
	339 151 710	277 401 414

Deferred income consist of loans origination fees that are received in advance and recognised using the effective interest rate method over the average life of the underlying asset. Other liabilities consist of transitory balances, trade payables and other payables.

Provisions	<b>i</b>
Balance a	t the beginning of the year
<b>Provisions</b>	made during the year
Provisions	paid during the year
Effects of	changes in inflation
Balance a	t the end of the period

Unaudited 30 June 2024	Audited 31 December 2023
ZWG	ZWG
3 631 661	2 196 930
771 766	8 264 788
(427 424)	(5 090 309)
(3 231 918)	(1 739 748)
744 085	3 631 661

505 582 968

957 429 129

#### **NOTES TO THE FINANCIAL STATEMENTS** FOR THE PERIOD ENDED 30 JUNE 2024

18	Equity and Reserves	Unaudited 30 June 2024	Audited 31 December 2023
		ZWG	ZWG
18.1	Share Movement		
	Authorised ordinary shares	400 204	400 204
	Issued and fully paid ordinary shares	(203 676)	(203 676)
	Unissued ordinary shares	196 528	196 528
	Issued share capital and share premium		
	Ordinary Shares	13 690 043	13 690 043
	Share premium	119 860 478	119 860 478
	Shares awaiting allotment	152 085 155	152 085 155
18.2	Revaluation reserve		
	Opening balance	29 751 732	16 266 856
	Movement for the year	-	13 484 876
	Closing balance	29 751 732	29 751 732
18.3	Accumulated surplus		
	Opening balance	329 613 784	78 480 115
	Profit/(loss) for the period	(149 723 341)	251 133 669
	Dividend declared	5 746 106	_
	Closing balance	185 636 549	329 613 784
		·	

#### CATEGORIES OF FINANCIAL INSTRUMENTS FINANCIAL INSTRUMENTS MEASURED AT AMORTISED COST

	Amortised	Carrying
	Cost	amount
30 June 2024	ZWG	ZWG
Financial assets		
Cash on hand	711 594	711 594
Bank balances	170 691 215	170 691 215
Interbank placements	65 026 589	65 026 589
Investment securities	158 953 759	158 953 759
Loans and advances	488 877 776	488 877 776
Total	884 260 933	884 260 933
Financial liabilities		
Deposits	505 582 968	505 582 968
Audited 31 Dec 2023		
Financial assets		
Cash on hand	2 199 334	2 199 334
Bank balances	342 954 878	342 954 878
Interbank placements	56 978 474	56 978 474
Investment securities	225 875 076	225 875 076
Loans and advances	634 259 695	634 259 695
Total	1 262 267 457	1 262 267 457
Financial liabilities		
Deposits	957 429 129	957 429 129
Borrowings	20 291	20 291
Total	957 449 420	957 449 420

#### FINANCIAL INSTRUMENTS NOT MEASURED AT FAIR VALUE

- 711 594 - 170 691 215 89 65 026 589 69 158 953 759	711 594
- 170 691 215 39 65 026 589	
- 170 691 215 39 65 026 589	
89 65 026 589	170 691 215
9 158 953 750	65 026 589
,, 130 333 733	158 953 759
- 488 877 776	488 877 776
18 884 260 933	884 260 933
- 505 582 968	505 582 968
- 2 199 334	2 199 334
74 56 978 474	56 978 474
59 225 284 469	225 284 469
- 634 259 695	634 259 695
13 1 261 676 850	1 261 676 850
- 957 429 120	957 429 129
937 HZ3 1Z3	
91 20 291	20 291
=	- 2 199 334 - 342 954 878 74 56 978 474 59 225 284 469 - 634 259 695 43 1 261 676 850 - 957 429 129

For the half year ended 30 June 2024

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# NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2024

#### 9.3 FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

			Total fair	Total carrying
	Level 2	Level 3	value	amount
	ZWG	ZWG	ZWG	ZWG
30 June 2024				
Financial assets				
Cash on hand	711 594	-	711 594	711 594
Bank balances	170 691 215	-	170 691 215	170 691 215
Interbank placements	-	65 026 589	65 026 589	65 026 589
Investment securities	-	158 953 759	158 953 759	158 953 759
Loans and advances	488 877 776	-	488 877 776	488 877 776
Total	660 280 585	223 980 348	884 260 933	884 260 933
Financial liabilities				
Deposits	505 582 968		505 582 968	505 582 968
31 December 2023				
Financial assets				
Cash on hand	2 199 334	-	2 199 334	2 199 334
Bank balances	342 954 878	-	342 954 878	342 954 878
Interbank placements	-	56 978 474	56 978 474	56 978 474
Investment securities	-	225 284 469	225 284 469	225 284 469
Loans and advances	634 259 695	-	634 259 695	634 259 695
Total	979 413 907	282 262 943	1 261 676 850	1 261 676 850

31 December 2023	Level 2 ZWG	Level 3 ZWG	Total fair value ZWG	Total carrying amount ZWG
Financial liabilities				
Deposits	957 429 129	-	957 429 129	957 429 129
Borrowings		20 291	20 291	20 291
Total	957 429 129	20 291	957 449 420	957 449 420
	-			

Financial instrument valuation technique	Range of estimate	Interrelationship between significant unobservable inputs and fair value measurements
Instrument- 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		<ul> <li>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.</li> </ul>

		Unaudited	Unaudited
		30 June 2024	30 June 2023
20	Interest	ZWG	ZWG
20	Interest income		
	Loans and advances	36 802 401	57 172 778
	Money market placements	15 393 616	35 842 355
	rishey manet picterneries	52 196 017	93 015 133
21	Interest expense		
	Money market deposits	20 817 580	79 349 481
	Borrowings	645	4 281
	Savings deposits	56	25 079
		20 818 281	79 378 841
	Net interest income	31 377 736	13 636 292
22	Non funded income		
	Net commission and fee income	46 118 528	56 421 044
	Property sales	9 920 783	99 749 759
	Realised exchanged gains	483 952	5 349 637
	Unrealised exchanged gains	123 469 719	208 952 735
	Fair value adjustment on investment property	422 571 767	350 999 474
	Other operating income	195 742	348 929 206
		602 760 491	1 070 401 855
23	Operating expenses		
23	Staff Costs	65 721 360	59 421 100
	Defined Contribution plan	2 188 322	897 846
	Right of use depreciation	244 627	357 373
	Depreciation	6 752 360	2 316 281
	Amortisation of computer software	1 272 992	40 246
	Other expenses	27 527 377	83 175 203
	·	103 707 038	146 208 049
	Remuneration of directors and key management personnel		
	Fees for services as directors	416 569	515 869
	Short term benefits of executive staff	6 310 278	4 635 864
	Post employment benefits	190 137	105 448
		6 916 984	5 257 181

Other expenses include subscriptions, travel expenses, legal and audit fees, printing and stationery, telecommunication expenses, lease expenses, cleaning cost, cost of sales and advertising and promotion expenses. The Society leases a number of building under operating leases. The buildings are mainly used by the Society for its branches and the leases run for a period of 5 years with an option to renew the lease after the expiry date.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2024

# 23.1 Income Tax Expense Current income tax charge Deferred tax expense

Unaudited 30 June 2024 30 June 2023
ZWG ZWG
2 074 744 20 926 498
- - - - - - - 2 074 744 20 926 498

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 its Articles of Association. During the year, the Society sold properties from the existing housing projects and these attracted income tax in terms of section 8 of the Income Tax Act (Chapter 23:06).

#### 24 Related party disclosures

The Society is a wholly owned subsidiary of National Social Security Authority through its two funds Pension and Other Benefits and Accident Prevention and Workers Compensation.

The organisation has diverse business interests across various economic sectors.

A number of banking transactions are entered into with related parties in the normal course of business. These include loans, deposits and money market investments.

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

National Social Security Authority
Zimre Holding Limited
Common shareholder
OK Zimbabwe Limited
Common shareholder
Rainbow Tourism Group Limited
Common shareholder
FBC Group
Common shareholder
Expected
Common shareholder
Expected
Common shareholder
Expected
Expect

# 24.2 Transactions with related parties Interest on term deposits

24.3

NSSA FBC Group

Deposits received

NSSA FBC Group Balances with related parties

Term deposit with NSSA
Transaction deposits with NSSA
Transactional deposits with Zimre Holdings Limited
Term deposit First Mutual Life Group
Transactional deposits with Nicoz Diamond
Term deposits FBC Bank
Loans to directors, key management and employees

30 June 2024	31 December 2023
6 528 316	26 971 685
-	9 433 556
6 528 316	36 405 241
232 937 865	236 432 737
-	146 081 380
232 937 865	382 514 117
162 512 619	163 930 594
6 454 094	5 514 305
316 445	43 179
-	-
256 170	116 056
-	-
_	91 315 615

169 539 328

260 919 749

## 1.4 Included in loans and advances are loans to executive directors and key management

Unaudited 30 June 2024 Audited 31 December 2023 Opening balance 47 928 856 33 411 220 Advances made during the year 3 442 106 15 123 692 Repayments during the year (114 296) (606 056) (46 147 571 Effects of inflation Closing Balance 5 109 095 47 928 856

#### 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.

#### 25.1 Credit risk

25

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.

### 25.1.1 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 Roard

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.

For the half year ended 30 June 2024

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#### NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2024

#### 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.

#### Non-performing loans and advances

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

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

#### 25.1.4 Credit Risk exposure

Cash and cash equivalents
Investment securities
Loans and advances

30 June 2024	31 December 2023		
ZWG	ZWG		
236 517 775	402 132 686		
159 372 840	225 875 075		
498 545 031	658 724 330		
894 435 646	1 286 732 091		

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

#### Aging analysis of past due but not impaired loans and advances (special mention loans):

1 to 3 months

30 June 2024	31 December 2023
ZWG	ZWG
69 932 363	42 751 948

#### 25.1.6 Sectorial analysis of the Society's advances before and after considering collateral held is as follows:

		Unaudited 30 June 2024	Audited 31 December 2023
		ZWG	ZWG
	Private	498 545 031	658 724 329
	Collateral analysis		
	Mortgage bonds	227 664 426	386 089 996
1.7	Credit quality per class of financial assets (gross)		
	Pass	423 842 632	592 105 321
	Special mention	69 932 363	42 810 195
	Substandard	4 479 471	9 083 997
	Doubtful	262 579	179 423
	Loss	27 986	14 545 393
	Total	498 545 031	658 724 329

25.1

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

## 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 risk drivers across all portfolios. These are guided by the relevant policies that have been approved by the Board.

This arises from the possibility that changes in interest rates will affect the current and future cash flows of the Society's interest bearing 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.

These are guided by the relevant NBS policies that have been approved by the Board.

#### NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2024

#### 25.3.1 Interest rate repricing gap analysis

30 June 2024	Less than 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 years and above	interest bearing	Total
	ZWG	ZWG	ZWG	ZWG	ZWG	ZWG	ZWG	ZWG
Assets								
Cash and cash equivalents	65 114 966	_	_	_	_	_	171 314 432	236 429 398
Investment securities	05 114 500	_	_	_	158 953 759	_	1/1314-132	158 953 759
Loans and advances	10 894 455	81 334 167	53 741 853	84 694 984	-	258 212 317	_	488 877 776
Other assets and	10 03 1 155	0.331.07	33711033	0.05.50.		250 2.2 5.7		100 077 770
prepayments	-	-	-	-	-	-	44 368 794	44 368 794
Inventory, work in								
progress	-	-	-	-	-	-	75 710 114	75 710 114
Computer software	-	-	-	-	-	-	7 820 314	7 820 314
Right of use asset	-	-	-	-	-	-	39 254 080	39 254 080
Investment property	-	-	-	-	-	-	246 030 304	246 030 304
Property and equipment		_			_	_	63 285 299	63 285 299
Total assets	76 009 421	81 334 167	53 741 853	84 694 984	158 953 759	258 212 317		
TOTAL ASSETS	76 009 421	01 334 107	33 /41 033	04 094 904	130 933 739	230 212 317	047 703 337	1 300 729 636
Liabilities								
Deposits	358 907 386	10 975 963	622 765	85 345 754	49 731 100	_	_	505 582 968
Lease Liability	-	10 373 303	022 705	-	13 731 100	_	14 971 203	14 971 203
Other liabilities	_	_	_	_	_	_	339 151 710	339 151 710
Equity and reserves	_	_	_	_	_	_	501 023 957	501 023 957
Total liabilities	358 907 386	10 975 963	622 765	85 345 754	49 731 100	_	855 146 870	1 360 729 838
Periodic gap	(282 897 965)	70 358 204	53 119 088	(650 770)	109 222 659	258 212 317	(207 363 533)	-
Cumulative gap	(282 897 965)	(212 539 761)	(159 420 673)	(160 071 443)	(50 848 784)	207 363 533	-	_
		, , , , ,	,		,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,			
	Less than	1 to 3	3 to 6	6 to 12	1 to 5	5 years	interest	
31 December 2023	Less than 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 years and above	interest bearing	Total
31 December 2023								Total ZWG
31 December 2023 Assets	1 month	months	months	months	years	and above	bearing	
Assets Cash and cash	1 month ZWG	months	months	months	years	and above	bearing ZWG	ZWG
Assets Cash and cash equivalents	1 month	months	months	months	years ZWG	and above	bearing	ZWG 401 996 960
Assets Cash and cash equivalents Investment securities	1 month ZWG 56 842 748	months ZWG - -	months ZWG - -	months ZWG	years ZWG - 225 284 469	and above ZWG	bearing ZWG 345 154 212 -	ZWG 401 996 960 225 284 469
Assets Cash and cash equivalents Investment securities Loans and advances	1 month ZWG	months	months	months	years ZWG	and above	bearing ZWG	ZWG 401 996 960
Assets Cash and cash equivalents Investment securities Loans and advances Other assets and	1 month ZWG 56 842 748	months ZWG - -	months ZWG - -	months ZWG	years ZWG - 225 284 469	and above ZWG	bearing ZWG 345 154 212 - -	401 996 960 225 284 469 634 259 695
Assets Cash and cash equivalents Investment securities Loans and advances Other assets and prepayments	1 month ZWG 56 842 748	months ZWG - -	months ZWG - -	months ZWG	years ZWG - 225 284 469	and above ZWG	bearing ZWG 345 154 212 -	ZWG 401 996 960 225 284 469
Assets Cash and cash equivalents Investment securities Loans and advances Other assets and	1 month ZWG 56 842 748	months ZWG - -	months ZWG	months ZWG	years ZWG - 225 284 469	and above ZWG	bearing ZWG 345 154 212 - -	401 996 960 225 284 469 634 259 695
Assets Cash and cash equivalents Investment securities Loans and advances Other assets and prepayments Inventory, work in	1 month ZWG 56 842 748	months ZWG - -	months ZWG	months ZWG	years ZWG - 225 284 469	and above ZWG	bearing ZWG 345 154 212 - - 74 459 059	401 996 960 225 284 469 634 259 695 74 459 059
Assets Cash and cash equivalents Investment securities Loans and advances Other assets and prepayments Inventory, work in progress	1 month ZWG 56 842 748	months ZWG - -	months ZWG	months ZWG	years ZWG - 225 284 469	and above ZWG	bearing ZWG 345 154 212 - - 74 459 059 55 392 572	401 996 960 225 284 469 634 259 695 74 459 059 55 392 572
Assets Cash and cash equivalents Investment securities Loans and advences Other assets and prepayments Inventory, work in progress Computer software	1 month ZWG 56 842 748	months ZWG - -	months ZWG	months ZWG	years ZWG - 225 284 469	and above ZWG	bearing ZWG 345 154 212 - - 74 459 059 55 392 572 6 005 088	401 996 960 225 284 469 634 259 695 74 459 059 55 392 572 6 005 088
Assets Cash and cash equivalents Investment securities Loans and advances Other assets and prepayments Inventory, work in progress Computer software Right of use asset	1 month ZWG 56 842 748	months ZWG - -	months ZWG	months ZWG	years ZWG - 225 284 469	and above ZWG	55 392 572 6 005 088 38 413 990 397 817 906	401 996 960 225 284 469 634 259 695 74 459 059 55 392 572 6 005 088 38 413 990 397 817 906
Assets Cash and cash equivalents Investment securities Loans and advances Other assets and prepayments Inventory, work in progress Computer software Right of use asset Investment property Property and equipment	1 month ZWG 56 842 748 - 30 914 023 - - - -	months 2WG - - 47 599 051 - - - -	months 2WG - - 58 795 540 - - - -	months ZWG - - 209 581 651 - - - -	years ZWG - 225 284 469 136 090 987 - - - -	and above ZWG  151 278 443	bearing ZWG 345 154 212 - - 74 459 059 55 392 572 6 005 088 38 413 990 397 817 906 62 709 268	401 996 960 225 284 469 634 259 695 74 459 059 55 392 572 6 005 088 38 413 990 397 817 906 62 709 268
Assets Cash and cash equivalents Investment securities Loans and advances Other assets and prepayments Inventory, work in progress Computer software Right of use asset Investment property Property and	1 month ZWG 56 842 748	months ZWG - -	months ZWG	months ZWG	years ZWG - 225 284 469	and above ZWG	55 392 572 6 005 088 38 413 990 397 817 906	401 996 960 225 284 469 634 259 695 74 459 059 55 392 572 6 005 088 38 413 990 397 817 906
Assets Cash and cash equivalents Investment securities Loans and advances Other assets and prepayments Investmotry, work in progress Computer software Right of use asset Investment property Property and equipment Total assets	1 month ZWG 56 842 748 - 30 914 023 - - - -	months 2WG - - 47 599 051 - - - -	months 2WG - - 58 795 540 - - - -	months ZWG - - 209 581 651 - - - -	years ZWG - 225 284 469 136 090 987 - - - -	and above ZWG  151 278 443	bearing ZWG 345 154 212 - - 74 459 059 55 392 572 6 005 088 38 413 990 397 817 906 62 709 268	401 996 960 225 284 469 634 259 695 74 459 059 55 392 572 6 005 088 38 413 990 397 817 906 62 709 268
Assets Cash and cash equivalents Investment securities Loans and advances Other assets and prepayments Inventory, work in progress Computer software Right of use asset investment property Property and equipment Total assets Liabilities	1 month ZWG 56 842 748 - 30 914 023 - - - - 87 756 771	months 2WG - 47 599 051 - - - - 47 599 051	months 2WG - - 58 795 540 - - - - - - - - - - - - - - - - - - -	months ZWG - 209 581 651 - - - - - 209 581 651	years ZWG - 225 284 469 136 090 987 - - - - - 361 375 456	and above ZWG	55 392 572 6 005 088 38 413 990 62 709 268 979 952 095	401 996 960 225 284 469 634 259 695 74 459 059 55 392 572 6 005 088 38 413 990 397 817 906 62 709 268 1 896 339 007
Assets Cash and cash equivalents Investment securities Loans and advances Other assets and prepayments Inventory, work in progress Computer software Right of use asset Investment property Property and equipment Total assets Liabilities Deposits	1 month ZWG 56 842 748 - 30 914 023 - - - -	months 2WG - - 47 599 051 - - - -	months 2WG - - 58 795 540 - - - - 58 795 540 57 180 125	months ZWG - - 209 581 651 - - - -	years ZWG - 225 284 469 136 090 987 - - - -	and above ZWG  151 278 443	bearing ZWG 345 154 212 - - 74 459 059 55 392 572 6 005 088 38 413 990 397 817 906 62 709 268	401 996 960 225 284 469 634 259 695 74 459 059 55 392 572 6 005 088 38 413 990 397 817 906 62 709 268 1 896 339 007
Assets Cash and cash equivalents Investment securities Loans and advances Other assets and prepayments Inventory, work in progress Computer software Right of use asset Investment property Property and equipment Total assets Liabilities Deposits Borrowings	1 month ZWG 56 842 748 - 30 914 023 - - - - 87 756 771	months 2WG - 47 599 051 - - - - 47 599 051	months 2WG - - 58 795 540 - - - - - - - - - - - - - - - - - - -	months ZWG - 209 581 651 - - - - - 209 581 651	years ZWG - 225 284 469 136 090 987 - - - - - 361 375 456	and above ZWG	bearing ZWG 345 154 212 - 74 459 059 55 392 572 6 005 088 38 413 990 397 817 906 62 709 268 979 952 095	401 996 960 225 284 469 634 259 695 74 459 059 55 392 572 6 005 088 38 413 990 397 817 906 62 709 268 1 896 339 007
Assets Cash and cash equivalents Investment securities Loans and advances Other assets and prepayments Inventory, work in progress Computer software Right of use asset Investment property Property and equipment Total assets Liabilities Deposits Borrowings Lease liability	1 month ZWG 56 842 748 - 30 914 023 - - - - 87 756 771	months 2WG - 47 599 051 - - - - 47 599 051	months 2WG - - 58 795 540 - - - - 58 795 540 57 180 125	months ZWG - 209 581 651 - - - - - 209 581 651	years ZWG - 225 284 469 136 090 987 - - - - - 361 375 456	and above ZWG	55 392 572 6 005 088 38 413 990 397 817 906 27 79 268 979 952 095	401 996 960 225 284 469 634 259 695 74 459 059 55 392 572 6 005 088 38 413 990 397 817 906 62 709 268 1 896 339 007
Assets Cash and cash equivalents Investment securities Loans and advances Other assets and prepayments Inventory, work in progress Computer software Right of use asset investment property Property and equipment Total assets Liabilities Deposits Borrowings Lease liability Other liabilities	1 month ZWG 56 842 748 - 30 914 023 - - - - 87 756 771	months 2WG - 47 599 051 - - - - 47 599 051	months 2WG - - 58 795 540 - - - - 58 795 540 57 180 125	months ZWG - 209 581 651 - - - - - 209 581 651	years ZWG - 225 284 469 136 090 987 - - - - - 361 375 456	and above ZWG	55 392 572 6 005 088 38 413 990 397 817 906 62 709 268 979 952 095	2WG 401 996 960 225 284 469 634 259 695 74 459 059 55 392 572 6 005 088 38 413 990 397 817 906 62 709 268 1 896 339 007 957 429 129 20 291 16 486 981 277 401 414
Assets Cash and cash equivalents Investment securities Loans and advances Other assets and prepayments Inventory, work in progress Computer software Right of use asset Investment property Property and equipment Total assets Liabilities Deposits Borrowings Lesse liability Other liabilities Equity and reserves	1 month 2WG  56 842 748 - 30 914 023 87 756 771  226 525 927	months 2WG - 47 599 051 - - - 47 599 051 123 430 632 - - -	months 2WG - 58 795 540 - - - 58 795 540 - 57 180 125 20 291 - -	months 2WG  209 581 651  209 581 651  586 736	years ZWG - 225 284 469 136 090 987 - - - - - - 361 375 456 - 68 600 514 - - -	and above ZWG	55 392 572 6 005 088 38 413 990 397 817 906 62 709 268 979 952 095	401 996 960 225 284 469 634 259 695 74 459 059 55 392 572 6 005 088 38 413 990 397 817 906 62 709 268 1 896 339 007 957 429 129 20 291 16 486 981 277 401 414 645 001 192
Assets Cash and cash equivalents Investment securities Loans and advances Other assets and prepayments Inventory, work in progress Computer software Right of use asset investment property Property and equipment Total assets Liabilities Deposits Borrowings Lease liability Other liabilities	1 month ZWG 56 842 748 - 30 914 023 - - - - 87 756 771	months 2WG - 47 599 051 - - - - 47 599 051	months 2WG - - 58 795 540 - - - - 58 795 540 57 180 125	months ZWG - 209 581 651 - - - - - 209 581 651	years ZWG - 225 284 469 136 090 987 - - - - - 361 375 456	and above ZWG	55 392 572 6 005 088 38 413 990 397 817 906 62 709 268 979 952 095	401 996 960 225 284 469 634 259 695 74 459 059 55 392 572 6 005 088 38 413 990 397 817 906 62 709 268 1 896 339 007 957 429 129 20 291 16 486 981 277 401 414
Assets Cash and cash equivalents Investment securities Loans and advances Other assets and prepayments Inventory, work in progress Computer software Right of use asset investment property Property and equipment Total assets Liabilities Deposits Borrowings Lease liability Other liabilities Equity and reserves Total liabilities	1 month 2WG  56 842 748 - 30 914 023 87 756 771  226 525 927 226 525 927	months 2WG  - 47 599 051  - 47 599 051  - 47 599 051  123 430 632  - 123 430 632	months ZWG	months ZWG	years ZWG  - 225 284 469 136 090 987  361 375 456  68 600 514  68 600 514	and above ZWG	55 392 572 6005 088 38 413 990 62 709 268 979 952 095 16 486 981 277 401 414 645 001 192 938 889 587	401 996 960 225 284 469 634 259 695 74 459 059 55 392 572 6 005 088 38 413 990 397 817 906 62 709 268 1 896 339 007 957 429 129 20 291 16 486 981 277 401 414 645 001 192
Assets Cash and cash equivalents Investment securities Loans and advances Other assets and prepayments Inventory, work in progress Computer software Right of use asset Investment property Property and equipment Total assets Liabilities Deposits Borrowings Lesse liability Other liabilities Equity and reserves	1 month 2WG  56 842 748 - 30 914 023 87 756 771  226 525 927	months 2WG - 47 599 051 - - - 47 599 051 123 430 632 - - -	months 2WG - 58 795 540 - - - 58 795 540 - 57 180 125 20 291 - -	months 2WG  209 581 651  209 581 651  586 736	years ZWG - 225 284 469 136 090 987 - - - - - - 361 375 456 - 68 600 514 - - -	and above ZWG	55 392 572 6 005 088 38 413 990 397 817 906 62 709 268 979 952 095	401 996 960 225 284 469 634 259 695 74 459 059 55 392 572 6 005 088 38 413 990 397 817 906 62 709 268 1 896 339 007 957 429 129 20 291 16 486 981 277 401 414 645 001 192

#### 26 Risk Management

#### 26.1 Foreign Exchange Risk

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

#### 26.2 Liquidity Risk

Liquidity risk 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 credit risk due to its involvement in lending

The Society is exposed to both funding liquidity risk and market liquidity risk. Funding liquidity risk is the risk that the Society may not be able to meet its obligations as they fall due. Market liquidity risk is the risk that the Society will be unable the sell its assets and settle positions, without incurring an unacceptable loss.

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 triggers in place for monitor the liquidity risk profile, thereby taking appropriate actions depending on the direction of indicators of judidity risk. As an integral part of its risk management, the Society applies stress testing methodologies to its liquidity risk profile on a regular basis to unearth underlying liquidity vulnerabilities.

# **UNAUDITED FINANCIAL STATEMENTS**

For the half year ended 30 June 2024

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# NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2024

#### 26.2.1 Liquidity gap analysis

30 June 2024	Less than 1 month	1 to 3 months	3to6 months	6to12 months	1to5 years	5years and above	Total
	ZWG	ZWG	ZWG	ZWG	ZWG	ZWG	ZWG
Assets							
Cash and cash equivalents	236 429 398	-	_	-	-	-	236 429 398
Investment securities	-	-	-	-	158 953 759	-	158 953 759
Loans and advances	10 894 455	81 334 167	53 741 853	84 694 984	-	258 212 317	488 877 776
Other assets and prepayments	-	-	-	44 368 794	-	-	44 368 794
Inventory, work in progress	_	-	_	-	75 710 114	-	75 710 114
Computer software	_	_	-	_	7 820 314	-	7 820 314
Right of use asset	-	-	-	-	39 254 080	-	39 254 080
Investment property	-	-	-	-	246 030 304	-	246 030 304
Property and equipment		-	_	-	63 285 299	-	63 285 299
Total assets	247 323 853	81 334 167	53 741 853	129 063 778	591 053 870	258 212 317	1 360 729 838
Liabilities							
Deposits	358 907 386	10 975 963	622 765	85 345 754	49 731 100	-	505 582 968
Borrowings	-	-	-	-	-	-	-
Lease Liability	-	-	-	-	14 971 203	-	14 971 203
Other liabilities		-	-	339 151 710	-	-	339 151 710
Total liabilities	358 907 386	10 975 963	622 765	424 497 464	64 702 303	-	859 705 881
Periodic gap	(111 583 533)	70 358 204	53 119 088	(295 433 686)	526 351 567	258 212 317	501 023 957
Cumulative gap	(111 583 533)	(41 225 329)	11 893 759	(283 539 927)	242 811 640	501 023 957	-

#### Liquidity gap analysis

31 December 2023	Less than 1month	1 to 3 months	3to6 months	6to12 months	1to5 years	5years andabove	Total
31 December 2023	ZWG	ZWG	ZWG	ZWG	ZWG	ZWG	ZWG
Assets							
Cash and cash equivalents	401 996 960	-	-	_	_	-	401 996 960
Investment securities	-	-	-	-	225 284 469	-	225 284 469
Loans and advances Other assets and	30 914 023	47 599 051	58 795 540	209 581 651	136 090 987	151 278 443	634 259 695
prepayments	-	-	-	74 459 059	-	-	74 459 059
Inventory, work in progress	-	-	-	-	55 392 572	-	55 392 572
Computer software	-	-	-	-	6 005 088	-	6 005 088
Right of use asset	-	-	-	-	38 413 990	-	38 413 990
Investment property	-	-	-	-	397 817 906	-	397 817 906
Property and equipment	_	-	-	-	62 709 268	-	62 709 268
Total assets	432 910 983	47 599 051	58 795 540	284 040 710	921 714 280	151 278 443	1896 339 007
Liabilities							
	226 525 927	123 430 632	57 180 125	586 736	68 600 514	481 105 195	957 429 129
Deposits	220 525 927	123 430 632	57 180 125		08 000 514	481 105 195	
Borrowings	-	-	-	20 291	16 406 001	-	20 291 16 486 981
Lease liability Other liabilities	-	-	-	- 277 401 414	16 486 981	-	277 401 414
	-	122 120 622				401 105 105	
Total liabilities	226 525 927	123 430 632	57 180 125	278 008 441	85 087 495	481 105 195	1 251 337 815
Doriodic coo	206 385 056	(7E 031 E01)	1 615 415	6 032 269	836 626 785	(220 026 752)	645 001 192
Periodic gap		(75 831 581)				(329 826 752)	045 001 192
Cumulative gap	206 385 056	130 553 475	132 168 890	138 201 159	974 827 944	645 001 192	-

## 26.2.2 Liquidity coverage ratio table

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HIGH-QUALITY LIQUID ASSETS	SUB-CATEGORY	TOTAL WEIGHTED VALUE (average)
	Level 1 Assets	247 428 416
	Level 2A Assets	-
	Level 2B Assets	-
	TOTAL HIGH-QUALITY LIQUID ASSETS (HQLA)	247 428 416
CASH OUTFLOWS		
	Retail deposits and deposits from small business customers, of which:	
	Stable deposits	803 162
	Less stable deposits	3 748 087
	Unsecured wholesale funding, of which:	41 962 385
	"Operational deposits (all counterparties) and deposits in networks of cooperative banking institutions"	-
	Non-operational deposits (all counterparties)	
	Unsecured debt	
	Secured wholesale funding	
	Additional requirements, of which:	
	Outflows related to derivative exposures and other collateral requirements	
	Outflows related to loss of funding on debt products	
	Credit and liquidity facilities	
	Other contractual funding obligations	
	Other contingent funding obligations	
	Additional cash outflows	44 168 169
	TOTAL CASH OUTFLOWS	90 681 803
CASH INFLOWS	Reverse repo and other secured lending transactions	
CASIT II II LOVIS	Amounts to be received from fully performing retail customers:	7 504 972
	Amounts to be received from fully performing retail costorners:  Amounts to be received from fully performing non-financial corporate customers:	2 908 647
	Credit or liquidity facilities provided to the reporting bank	2 300 0 11
	Operational deposits held at other financial institutions	
	Amounts to be received from financial institutions counterparties	37 950 430
	Other inflows by counterparty	3, 330 <del>1</del> 30
	Other contractual cash inflows	
	TOTAL CASH INFLOWS	48 364 048
	TOTAL HOLA	247 428 416
	TOTAL NET CASH OUTFLOWS	42 317 755
	LIQUIDITY COVERAGE RATIO (%)	585%

# NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2024

#### 26.3 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 centers 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.

#### 26.4 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  $% \left( 1\right) =\left( 1\right) \left( 1\right$
- 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.

#### 26.5 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 basis and risk mitigation is applied accordingly.

## 26.6 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.

#### 26.7 Capital management

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.

#### 26.8 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.

  The 2 Capital: comprises impairment allowance and revaluation reserve.
- Tier 3 Capital: comprises operational and market risk capital.

	Unaudited 30 June 2024 ZWG	Audited 31 December 2023 ZWG
Risk weighted assets	1 509 264 303	384 199 142
Tier 1 Share capital Share premium Shares awaiting allotment Accumulated profit	2 037 17 832 3 483 649 325 961 203	2 037 17 832 3 483 649 51 317 574
Core capital	329 464 721	54 821 092
<b>Tier 2</b> Borrowings Revaluation reserve	- 5 167 317 5 167 317	2 233 5 167 317 5 169 550
Core capital Tier 1 ratio Tier 2 ratio Tier 3 ratio	17.52% 0.34% 4.03%	9.00% 1.00% 6.00%

#### Capital adequacy ratio

Regulatory capital consists solely of Tier 1 capital which comprises share capital, share premium and shares awaiting allotment, general reserve and accumulated deficit/surplus. Tier 2 capital consists of loans from the shareholder. The Society did not have any tier 3 capital as at 30 June 2024.

### For the half year ended 30 June 2024

Bank, Build & go Beyond

## IN NEED OF A LOAN?

It's never been that simple!

- \*Personal Loans
- \*SME Loans
- \*Solar Loans





Housing & Mortgages



NBS Capital



Corporate & Institutional Banking



Micro Finance



Retail & SME Banking



Structured Finance

# NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2024

#### 27 Ratings

#### 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.

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

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

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

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

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

#### Overall Composite Risk

Low - would be assigned to low inherent risk areas. Moderate risk areas may be assigned a low composite risk

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

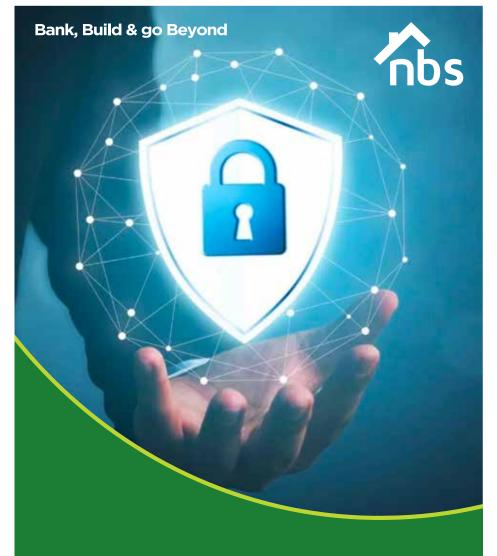
Increasing - based on the current information, risk is expected to increase in the next twelve months.

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.

#### External credit ratings

The Society subscribes to a global credit rating agency, Global Credit Rating Company and the rating for the year is B (2023: B), long term rating. The rating expires on 30 November 2024.



# Important security reminder

NBS Bank will never ask for your personal details, OTPs, or bank account information.

If you suspect any card cloning you can block your card by simply dialing \*202# then select option 9 then select Account Management to protect your account from hacking

Report all unathorised and suspicious inquiries at your nearest NBS Bank Branch or Call/ WhatsApp 0778 167 167 or 0772 565 555.

Stay Safe!



# TRANSACT WITH EASE USING ANY OF OUR DIGITAL BANKING CHANNELS

- NBS Dual Currency Debit Card
- ✓ Dial USSD Code \*202#
- NBS Transactor App
- ✓ NBS Online Banking

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