

# HIGHLIGHTS



TOTAL ASSETS  
ZWG 1.361m



DEPOSITS  
ZWG 506m



EQUITY  
ZWG 501m



OPERATING INCOME  
ZWG 627m



Bank, Build & go Beyond

## 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 Zimbabwe 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 Borrowdale. 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.

#### Capitalisation and Liquidity

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.

#### Sustainability

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 11th of June 2024. They bring relevant experience and skills to the Board which will propel the Society to greater heights of success and excellence.

#### 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 hard-earned 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  
31 August 2024

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

#### Financial performance

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 key 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 beginning 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 non-performing 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 provider.

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.

#### Financial Inclusion

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.

#### Outlook

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's 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.

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 engagement with 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:

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

#### CREDIT COMMITTEE

The Committee consisted of two independent non-executive director and one non-executive director. The members are as follows;

Josephine Takundwa -Chairman (Independent NED)

Shingai I Mutumbwa -Member (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 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; and
- The evaluation of board members.

#### RISK AND COMPLIANCE COMMITTEE

The Risk and Compliance committee consisted of one Independent non-executive 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.



# We Are Growing To Serve You Better

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

Shop Number 2  
Bindura Commercial Centre  
1837 Artherstone Road  
Bindura

## UNAUDITED FINANCIAL STATEMENTS

For the half year ended 30 June 2024

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### STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE 2024

|                                     | Share capital |             | Shares Awaiting allotment | Revaluation Reserve | Accumulated surplus | Total         |
|-------------------------------------|---------------|-------------|---------------------------|---------------------|---------------------|---------------|
|                                     | ZWG           | ZWG         | ZWG                       | ZWG                 | ZWG                 | ZWG           |
| <b>2024</b>                         |               |             |                           |                     |                     |               |
| <b>Balance as at 1 January 2024</b> | 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     |
| <b>Balance as at 30 June 2024</b>   | 13 690 043    | 119 860 478 | 152 085 155               | 29 751 732          | 185 636 549         | 501 023 957   |
| <b>2023</b>                         |               |             |                           |                     |                     |               |
| <b>Balance as at 1 January 2023</b> | 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   |
| <b>Balance as at 30 June 2023</b>   | 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<br>30 June 2024<br>ZWG | Unaudited<br>30 June 2023<br>ZWG |
|---|----------------------------------|----------------------------------|
| <b>Cashflows from operating activities</b>                      |                                  |                                  |
| Profit before tax   | (147 648 597)                    | 473 001 158                      |
| <b>Adjusted for:</b>  |                                  |                                  |
| Depreciation  | 6 752 360                        | 2 316 281                        |
| Amortisation 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)                     |
| <b>Net cashflows from operating cashflows</b>                   | (218 831 545)                    | 696 521 081                      |
| <b>Cashflows from investing activities</b>                      |                                  |                                  |
| 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)                        |
| <b>Net cashflows from investing activities</b>                  | 55 000 910                       | (286 472 286)                    |
| <b>Cashflows from financing activities</b>                      |                                  |                                  |
| Borrowings  | (20 291)                         | -                                |
| Lease payments  | (5 422 755)                      | (849 595)                        |
| <b>Net cashflows from financing activities</b>                  | (5 443 046)                      | (849 595)                        |
| <b>Net Increase/decrease in cash and cash equivalents</b>       | (169 273 681)                    | (409 199 200)                    |
| <b>Effects of changes in inflation</b>                          | 3 658 770                        | (438 664 778)                    |
| <b>Cash &amp; cash equivalents at the beginning of the year</b> | 402 132 686                      | 280 623 961                      |
| <b>Cash &amp; cash equivalents at the end of the year</b>       | 236 517 775                      | 251 158 383                      |
| <b>Comprises of:</b>  |                                  |                                  |
| 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                      | 251 158 383                      |

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

- 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
  - 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 24:31), the Building Societies Act (Chapter 24:02) and sections of the Banking Act (Chapter 24:20) applicable to Building Society.
  - Functional and Presentation Currency**  
The financial statements are presented in Zimbabwe Gold (ZWG), which is the Society's functional and presentation currency.

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-Apr | 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 March CPI.

- 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<br>30 June 2024<br>ZWG | Audited<br>31 December 2023<br>ZWG |
|---|----------------------------------|------------------------------------|
| <b>5 Cash and Cash equivalents</b>                      |                                  |                                    |
| 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                        |
| <b>5.1 Reserve Bank of Zimbabwe</b>                     |                                  |                                    |
| Interbank placements                                    | 109 395 540                      | 186 716 782                        |
| Bank balances   | 65 114 966                       | 56 978 474                         |
|   | 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                          |
| <b>Net carrying amount of cash and cash equivalents</b> | 236 429 398                      | 401 996 960                        |
| <b>6 Investment Securities held at amortised cost</b>   |                                  |                                    |
| Treasury bills  | 159 372 840                      | 225 875 076                        |
| Stage 1 - ECL allowance                                 | (419 081)                        | (590 607)                          |
| <b>Net carrying amount</b>                              | 158 953 759                      | 225 284 469                        |
| <b>Maturity Analysis - Gross</b>                        |                                  |                                    |
| 3 months to 6 months                                    | 19 439 585                       | -                                  |
| 12 months to 24 months                                  | 139 933 255                      | 225 875 076                        |
|   | 159 372 840                      | 225 875 076                        |
| <b>7 Other Assets and prepayments</b>                   |                                  |                                    |
| 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                         |

# UNAUDITED FINANCIAL STATEMENTS

For the half year ended 30 June 2024

Bank, Build & go Beyond

# LIKE YOU NEVER LEFT

Your home awaits you!  
Re-activate your dormant account, transact and enjoy improved banking services



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

|  | Unaudited<br>30 June 2024<br>ZWG | Audited<br>31 December 2023<br>ZWG |
|--|----------------------------------|------------------------------------|
| <b>8 Inventory work in progress</b>                  |                                  |                                    |
| <b>Finished units</b>                                |                                  |                                    |
| Dzivarasekwa   | 9 566 016                        | 9 527 677                          |
| Sunset Villa   | 24 842 360                       | 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                         |
| <br>   |                                  |                                    |
| 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                         |
| <b>9 Capital Work In Progress</b>                    |                                  |                                    |
| Opening balance                                      | -                                | 466 826                            |
| Additions  | 5 619 020                        | 10 190 241                         |
| Transfer to property and equipment                   | -                                | (10 657 067)                       |
| <b>Closing balance</b>                               | 5 619 020                        | -                                  |
| <b>10 Loans and advances</b>                         |                                  |                                    |
| 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                                       | 146 963 044                      | 172 543 728                        |
| Gross loans and advances                             | 498 545 031                      | 658 724 328                        |
| <br>   |                                  |                                    |
| Impairment provision                                 | (9 667 255)                      | (24 464 633)                       |
| <b>Net loans and advances</b>                        | 488 877 776                      | 634 259 695                        |
| <b>10.1 Maturity Analysis</b>                        |                                  |                                    |
| 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                                    | -                                | 175 743 076                        |
|  | 498 545 031                      | 658 724 328                        |
| <b>10.2 Loan impairment allowance</b>                |                                  |                                    |
| <b>Exposure to credit - gross loans and advances</b> |                                  |                                    |
| Loans and advances subject to Stage 1                | 423 842 632                      | 606 499 264                        |
| Loans and advances subject to Stage 2                | 69 867 575                       | 42 751 948                         |
| Loans and advances subject to Stage 3                | 4 834 824                        | 9 473 117                          |
| <b>Gross loans and advances</b>                      | 498 545 031                      | 658 724 329                        |
| <br>   |                                  |                                    |
| <b>Loan Impairment Charge</b>                        |                                  |                                    |
| Stage 1  | 2 875 100                        | 3 213 073                          |
| Stage 2  | 1 479 925                        | 6 583 820                          |
| Stage 3  | 5 312 230                        | 14 667 741                         |
| <b>Gross impairment loss</b>                         | 9 667 255                        | 24 464 634                         |
| <br>   |                                  |                                    |
| <b>Net loans and advances</b>                        | 488 877 776                      | 634 259 695                        |
| <br>   |                                  |                                    |
| Impairment allowances                                |                                  |                                    |
| Portfolio impairment                                 | 7 088 177                        | 12 202 029                         |
| Specific impairment                                  | 2 579 078                        | 12 262 605                         |
| <b>Gross impairment</b>                              | 9 667 255                        | 24 464 634                         |
| <b>10.3 Impairment provision</b>                     |                                  |                                    |
| 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)                       |
| <b>Closing balance</b>                               | 9 667 255                        | 24 464 634                         |

|  | Cash and cash<br>equivalents | Loans and<br>advances | Investment<br>securities | Total        |
|--|------------------------------|-----------------------|--------------------------|--------------|
| <b>2024</b>                              |                              |                       |                          |              |
| <b>Balance at beginning of year 2024</b> | 135 726                      | 24 464 634            | 590 607                  | 25 190 967   |
| Charge to profit and loss for the year   | 73 437                       | 6 974 395             | 354 072                  | 7 401 904    |
| Effects of changes in inflation          | (120 786)                    | (21 771 774)          | (525 598)                | (22 418 158) |
| <b>Balance at 30 June 2024</b>           | 88 377                       | 9 667 255             | 419 081                  | 10 174 713   |
| <br>                                     |                              |                       |                          |              |
| <b>2023</b>                              |                              |                       |                          |              |
| <b>Balance at beginning of year 2023</b> | 62 513                       | 13 647 059            | 12 584                   | 13 722 156   |
| Charge to profit and loss for the year   | 122 717                      | 21 624 678            | 587 988                  | 22 335 383   |
| Effects of changes in inflation          | (49 504)                     | (10 807 103)          | (9 965)                  | (10 866 572) |
| <b>Balance at 31 December 2023</b>       | 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<br>30 June 2024<br>ZWG | Audited<br>31 December 2023<br>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                            |
| <b>Net impairment charge to statement of profit and loss</b>              | 7 401 905                        | 22 335 383                         |
| <b>10.5 Sectoral Analysis</b>   |                                  |                                    |
| Corporates  | 41 383 412                       | 180 772 048                        |
| Individuals   | 457 161 619                      | 477 952 280                        |
|   | 498 545 031                      | 658 724 328                        |
| <b>11 Computer software</b>   |                                  |                                    |
| <b>Cost</b>   |                                  |                                    |
| <b>Opening balance</b>  | 12 729 923                       | 11 748 316                         |
| Additions   | 3 088 218                        | 981 607                            |
| <b>Closing balance</b>  | 15 818 141                       | 12 729 923                         |
| <br>  |                                  |                                    |
| <b>Amortisation</b>   |                                  |                                    |
| <b>Opening balance</b>  | 6 724 835                        | 4 256 655                          |
| Charge to income statement  | 1 272 992                        | 2 468 180                          |
| <b>Closing balance</b>  | 7 997 827                        | 6 724 835                          |
| <br>  |                                  |                                    |
| <b>Net book value</b>   | 7 820 314                        | 6 005 088                          |

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

|   | Unaudited<br>30 June 2024<br>ZWG | Audited<br>31 December 2023<br>ZWG |
|---|----------------------------------|------------------------------------|
| <b>12 Investment property</b>               |                                  |                                    |
| <b>Opening balance</b>                      | 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)                      |
| <b>Closing balance</b>                      | 246 030 304                      | 397 817 906                        |
| <b>13 Right of use asset</b>                |                                  |                                    |
| <b>Balance at the beginning of the year</b> | 47 948 729                       | 18 187 524                         |
| Additions                                   | 1 084 717                        | 1 041 823                          |
| Remeasurement gain                          | -                                | 28 719 382                         |
| <b>Closing Balance</b>                      | 49 033 446                       | 47 948 729                         |
| <br>  |                                  |                                    |
| <b>Accumulated Depreciation</b>             |                                  |                                    |
| <b>Balance at the beginning of the year</b> | 9 534 739                        | 4 431 785                          |
| Charge for the year                         | 244 627                          | 5 102 954                          |
| <b>Closing Balance</b>                      | 9 779 366                        | 9 534 739                          |
| <br>  |                                  |                                    |
| <b>Carrying amount</b>                      | 39 254 080                       | 38 413 990                         |
| <b>13.1 Lease liability</b>                 |                                  |                                    |
| <b>Opening balance</b>                      | 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                         |

### 14 Property and equipment

30 June 2024

|                                 | Leasehold<br>Improvements | Office<br>Equipment | Furniture<br>and<br>Fittings | Motor<br>Vehicles | Computer<br>Equipment | Total      |
|---------------------------------|---------------------------|---------------------|------------------------------|-------------------|-----------------------|------------|
| <b>Cost</b>                     |                           |                     |                              |                   |                       |            |
| <b>Opening balance</b>          | 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  |
| <b>Closing balance</b>          | 11 328 623                | 1 768 973           | 5 629 420                    | 31 651 078        | 24 291 121            | 74 669 215 |
| <br>                            |                           |                     |                              |                   |                       |            |
| <b>Accumulated depreciation</b> |                           |                     |                              |                   |                       |            |
| <b>Opening balance</b>          | 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  |
| <b>Closing balance</b>          | 3 947 959                 | 104 587             | 320 475                      | 3 245 036         | 3 765 859             | 11 383 916 |
| <br>                            |                           |                     |                              |                   |                       |            |
| <b>Net book value June 2024</b> | 7 380 664                 | 1 664 386           | 5 308 945                    | 28 406 042        | 20 525 262            | 63 285 299 |

# UNAUDITED FINANCIAL STATEMENTS

For the half year ended 30 June 2024

Bank, Build & go Beyond

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

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

| 31 December 2023                | Leasehold Improvements<br>ZWG | Office Equipment<br>ZWG | Furniture and Fittings<br>ZWG | Motor Vehicles<br>ZWG | Computer Equipment<br>ZWG | Total<br>ZWG      |
|---------------------------------|-------------------------------|-------------------------|-------------------------------|-----------------------|---------------------------|-------------------|
| <b>Cost</b>                     |                               |                         |                               |                       |                           |                   |
| 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         |
| <b>Closing balance</b>          | <b>9 421 246</b>              | <b>1 655 615</b>        | <b>5 227 147</b>              | <b>29 360 090</b>     | <b>21 676 726</b>         | <b>67 340 824</b> |
| <b>Accumulated depreciation</b> |                               |                         |                               |                       |                           |                   |
| 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)       |
| <b>Closing balance</b>          | <b>3 336 035</b>              | <b>13 329</b>           | <b>25 766</b>                 | <b>-</b>              | <b>1 256 426</b>          | <b>4 631 556</b>  |
| <b>Net book value 2023</b>      | <b>6 085 211</b>              | <b>1 642 286</b>        | <b>5 201 381</b>              | <b>29 360 090</b>     | <b>20 420 300</b>         | <b>62 709 268</b> |

| 15 | Deposits                           | Unaudited<br>30 June 2024<br>ZWG | Audited<br>31 December 2023<br>ZWG |
|----|------------------------------------|----------------------------------|------------------------------------|
|    | Transactional and savings deposits | 269 795 824                      | 442 798 944                        |
|    | Term deposits                      | 235 787 144                      | 514 630 185                        |
|    |                                    | <b>505 582 968</b>               | <b>957 429 129</b>                 |

| 15.1 | Deposits by source | Unaudited<br>30 June 2024<br>ZWG | Audited<br>31 December 2023<br>ZWG |
|------|--------------------|----------------------------------|------------------------------------|
|      | Corporates         | 235 787 144                      | 606 105 480                        |
|      | Individuals        | 269 795 824                      | 351 323 649                        |
|      |                    | <b>505 582 968</b>               | <b>957 429 129</b>                 |

| 15.2 | Maturity analysis    | Unaudited<br>30 June 2024<br>ZWG | Audited<br>31 December 2023<br>ZWG |
|------|----------------------|----------------------------------|------------------------------------|
|      | 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                        |
|      |                      | <b>505 582 968</b>               | <b>957 429 129</b>                 |

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

| 15.3 | Sectoral Analysis          | Unaudited<br>30 June 2024<br>ZWG | Audited<br>31 December 2023<br>ZWG |
|------|----------------------------|----------------------------------|------------------------------------|
|      | 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                        |
|      |                            | <b>505 582 968</b>               | <b>957 429 129</b>                 |

| 16 | Borrowings           | Unaudited<br>30 June 2024<br>ZWG | Audited<br>31 December 2023<br>ZWG |
|----|----------------------|----------------------------------|------------------------------------|
|    | Opening balances     | 20 291                           | 267 696                            |
|    | Repayment            | (20 291)                         | (49 899)                           |
|    | Effects of inflation | -                                | (197 506)                          |
|    |                      | <b>-</b>                         | <b>20 291</b>                      |
|    | Current liability    | -                                | 20 291                             |
|    |                      | <b>-</b>                         | <b>20 291</b>                      |

| 17 | Other liabilities | Unaudited<br>30 June 2024<br>ZWG | Audited<br>31 December 2023<br>ZWG |
|----|-------------------|----------------------------------|------------------------------------|
|    | 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                        |
|    |                   | <b>339 151 710</b>               | <b>277 401 414</b>                 |

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.

| 17.1 | Provisions                              | Unaudited<br>30 June 2024<br>ZWG | Audited<br>31 December 2023<br>ZWG |
|------|---|----------------------------------|------------------------------------|
|      | Balance at the beginning of the year    | 3 631 661                        | 2 196 930                          |
|      | Provisions made during the year         | 771 766                          | 8 264 788                          |
|      | Provisions paid during the year         | (427 424)                        | (5 090 309)                        |
|      | Effects of changes in inflation         | (3 231 918)                      | (1 739 748)                        |
|      | <b>Balance at the end of the period</b> | <b>744 085</b>                   | <b>3 631 661</b>                   |

| 18   | Equity and Reserves                           | Unaudited<br>30 June 2024<br>ZWG | Audited<br>31 December 2023<br>ZWG |
|------|---|----------------------------------|------------------------------------|
| 18.1 | <b>Share Movement</b>                         |                                  |                                    |
|      | Authorised ordinary shares                    | 400 204                          | 400 204                            |
|      | Issued and fully paid ordinary shares         | (203 676)                        | (203 676)                          |
|      | <b>Unissued ordinary shares</b>               | <b>196 528</b>                   | <b>196 528</b>                     |
|      | <b>Issued share capital and share premium</b> |                                  |                                    |
|      | 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 | <b>Revaluation reserve</b>                    |                                  |                                    |
|      | Opening balance                               | 29 751 732                       | 16 266 856                         |
|      | Movement for the year                         | -                                | 13 484 876                         |
|      | <b>Closing balance</b>                        | <b>29 751 732</b>                | <b>29 751 732</b>                  |
| 18.3 | <b>Accumulated surplus</b>                    |                                  |                                    |
|      | Opening balance                               | 329 613 784                      | 78 480 115                         |
|      | Profit/(loss) for the period                  | (149 723 341)                    | 251 133 669                        |
|      | Dividend declared                             | 5 746 106                        | -                                  |
|      | <b>Closing balance</b>                        | <b>185 636 549</b>               | <b>329 613 784</b>                 |

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

|                              | Amortised<br>Cost<br>ZWG | Carrying<br>amount<br>ZWG |
|------------------------------|--------------------------|---------------------------|
| <b>30 June 2024</b>          |                          |                           |
| <b>Financial assets</b>      |                          |                           |
| 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               |
| <b>Total</b>                 | <b>884 260 933</b>       | <b>884 260 933</b>        |
| <b>Financial liabilities</b> |                          |                           |
| Deposits                     | 505 582 968              | 505 582 968               |
| <b>Audited 31 Dec 2023</b>   |                          |                           |
| <b>Financial assets</b>      |                          |                           |
| 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               |
| <b>Total</b>                 | <b>1 262 267 457</b>     | <b>1 262 267 457</b>      |
| <b>Financial liabilities</b> |                          |                           |
| Deposits                     | 957 429 129              | 957 429 129               |
| Borrowings                   | 20 291                   | 20 291                    |
| <b>Total</b>                 | <b>957 449 420</b>       | <b>957 449 420</b>        |

## 19.2 FINANCIAL INSTRUMENTS NOT MEASURED AT FAIR VALUE

|                              | Level 2<br>ZWG     | Level 3<br>ZWG     | Total fair<br>value<br>ZWG | Total carrying<br>amount<br>ZWG |
|------------------------------|--------------------|--------------------|----------------------------|---------------------------------|
| <b>30 June 2024</b>          |                    |                    |                            |                                 |
| <b>Financial assets</b>      |                    |                    |                            |                                 |
| 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                     |
| <b>Total</b>                 | <b>660 280 585</b> | <b>223 980 348</b> | <b>884 260 933</b>         | <b>884 260 933</b>              |
| <b>Financial liabilities</b> |                    |                    |                            |                                 |
| Deposits                     | 505 582 968        | -                  | 505 582 968                | 505 582 968                     |
| <b>31 December 2023</b>      |                    |                    |                            |                                 |
| <b>Financial assets</b>      |                    |                    |                            |                                 |
| 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                     |
| <b>Total</b>                 | <b>979 413 907</b> | <b>282 262 943</b> | <b>1 261 676 850</b>       | <b>1 261 676 850</b>            |
| <b>Financial liabilities</b> |                    |                    |                            |                                 |
| Deposits                     | 957 429 129        | -                  | 957 429 129                | 957 429 129                     |
| Borrowings                   | -                  | 20 291             | 20 291                     | 20 291                          |
| <b>Total</b>                 | <b>957 429 129</b> | <b>20 291</b>      | <b>957 449 420</b>         | <b>957 449 420</b>              |

# 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

#### 19.3 FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

|                         | Level 2<br>ZWG     | Level 3<br>ZWG     | Total fair<br>value<br>ZWG | Total carrying<br>amount<br>ZWG |
|-------------------------|--------------------|--------------------|----------------------------|---------------------------------|
| <b>30 June 2024</b>     |                    |                    |                            |                                 |
| <b>Financial assets</b> |                    |                    |                            |                                 |
| 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                     |
| <b>Total</b>            | <b>660 280 585</b> | <b>223 980 348</b> | <b>884 260 933</b>         | <b>884 260 933</b>              |

|                              |                    |          |                    |                    |
|------------------------------|--------------------|----------|--------------------|--------------------|
| <b>Financial liabilities</b> |                    |          |                    |                    |
| <b>Deposits</b>              | <b>505 582 968</b> | <b>-</b> | <b>505 582 968</b> | <b>505 582 968</b> |

#### 31 December 2023

|                         | Level 2<br>ZWG     | Level 3<br>ZWG     | Total fair<br>value<br>ZWG | Total carrying<br>amount<br>ZWG |
|-------------------------|--------------------|--------------------|----------------------------|---------------------------------|
| <b>Financial assets</b> |                    |                    |                            |                                 |
| 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                     |
| <b>Total</b>            | <b>979 413 907</b> | <b>282 262 943</b> | <b>1 261 676 850</b>       | <b>1 261 676 850</b>            |

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

| 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 |                   | - 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. |

|   | Unaudited<br>30 June 2024<br>ZWG | Unaudited<br>30 June 2023<br>ZWG |
|---|----------------------------------|----------------------------------|
| <b>20 Interest</b>  |                                  |                                  |
| <b>Interest income</b>  |                                  |                                  |
| Loans and advances  | 36 802 401                       | 57 172 778                       |
| Money market placements                                       | 15 393 616                       | 35 842 355                       |
|   | 52 196 017                       | 93 015 133                       |
| <b>21 Interest expense</b>                                    |                                  |                                  |
| Money market deposits   | 20 817 580                       | 79 349 481                       |
| Borrowings  | 645                              | 4 281                            |
| Savings deposits  | 56                               | 25 079                           |
|   | 20 818 281                       | 79 378 841                       |
| <b>Net interest income</b>                                    | <b>31 377 736</b>                | <b>13 636 292</b>                |
| <b>22 Non funded income</b>                                   |                                  |                                  |
| 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                    |
| <b>23 Operating expenses</b>                                  |                                  |                                  |
| 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                      |
| <b>Remuneration of directors and key management personnel</b> |                                  |                                  |
| 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

|                                | Unaudited<br>30 June 2024<br>ZWG | Unaudited<br>30 June 2023<br>ZWG |
|--------------------------------|----------------------------------|----------------------------------|
| <b>23.1 Income Tax Expense</b> |                                  |                                  |
| Current income tax charge      | 2 074 744                        | 20 926 498                       |
| Deferred tax expense           | -                                | -                                |
|                                | 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 | Shareholder              |
| Zimre Holding Limited              | Common shareholder       |
| OK Zimbabwe Limited                | Common shareholder       |
| Rainbow Tourism Group Limited      | Common shareholder       |
| FBC Group                          | Common shareholder       |
| Directors                          | Key management personnel |

|  | Unaudited<br>30 June 2024 | Audited<br>31 December 2023 |
|--|---------------------------|-----------------------------|
| <b>24.2 Transactions with related parties</b>      |                           |                             |
| Interest on term deposits                          |                           |                             |
| NSSA   | 6 528 316                 | 26 971 685                  |
| FBC Group  | -                         | 9 433 556                   |
|  | 6 528 316                 | 36 405 241                  |
| <b>Deposits received</b>                           |                           |                             |
| NSSA   | 232 937 865               | 236 432 737                 |
| FBC Group  | -                         | 146 081 380                 |
|  | 232 937 865               | 382 514 117                 |
| <b>24.3 Balances with related parties</b>          |                           |                             |
| Term deposit with NSSA                             | 162 512 619               | 163 930 594                 |
| Transaction deposits with NSSA                     | 6 454 094                 | 5 514 305                   |
| Transactional deposits with Zimre Holdings Limited | 316 445                   | 43 179                      |
| Term deposit First Mutual Life Group               | -                         | -                           |
| Transactional deposits with Nicos Diamond          | 256 170                   | 116 056                     |
| Term deposits FBC Bank                             | -                         | -                           |
| Loans to directors, key management and employees   | -                         | 91 315 615                  |
|  | 169 539 328               | 260 919 749                 |

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

|                               | Unaudited<br>30 June 2024 | Audited<br>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)                   |
| Effects of inflation          | (46 147 571)              | -                           |
| <b>Closing Balance</b>        | <b>5 109 095</b>          | <b>47 928 856</b>           |

#### 25 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

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 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.

# 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

### 25.1.2 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.

### 25.1.3 Non-performing loans and advances

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

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

### 25.1.4 Credit Risk exposure

|                           | Unaudited<br>30 June 2024<br>ZWG | Audited<br>31 December 2023<br>ZWG |
|---------------------------|----------------------------------|------------------------------------|
| Cash and cash equivalents | 236 517 775                      | 402 132 686                        |
| Investment securities     | 159 372 840                      | 225 875 075                        |
| Loans and advances        | 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.

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

|               | Unaudited<br>30 June 2024<br>ZWG | Audited<br>31 December 2023<br>ZWG |
|---------------|----------------------------------|------------------------------------|
| 1 to 3 months | 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<br>30 June 2024<br>ZWG | Audited<br>31 December 2023<br>ZWG |
|----------------------------|----------------------------------|------------------------------------|
| Private                    | 498 545 031                      | 658 724 329                        |
| <b>Collateral analysis</b> |                                  |                                    |
| Mortgage bonds             | 227 664 426                      | 386 089 996                        |

### 25.1.7 Credit quality per class of financial assets (gross)

|                 | Unaudited<br>30 June 2024<br>ZWG | Audited<br>31 December 2023<br>ZWG |
|-----------------|----------------------------------|------------------------------------|
| 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                         |
| <b>Total</b>    | 498 545 031                      | 658 724 329                        |

### 25.2 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

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

### 25.3 Interest rate risk

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<br>1 month<br>ZWG | 1 to 3<br>months<br>ZWG | 3 to 6<br>months<br>ZWG | 6 to 12<br>months<br>ZWG | 1 to 5<br>years<br>ZWG | 5 years<br>and above<br>ZWG | interest<br>bearing<br>ZWG | Total<br>ZWG  |
|------------------------------|-----------------------------|-------------------------|-------------------------|--------------------------|------------------------|-----------------------------|----------------------------|---------------|
| <b>Assets</b>                |                             |                         |                         |                          |                        |                             |                            |               |
| Cash and cash equivalents    | 65 114 966                  | -                       | -                       | -                        | -                      | -                           | 171 314 432                | 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    |
| <b>Total assets</b>          | 76 009 421                  | 81 334 167              | 53 741 853              | 84 694 984               | 158 953 759            | 258 212 317                 | 647 783 337                | 1 360 729 838 |
| <b>Liabilities</b>           |                             |                         |                         |                          |                        |                             |                            |               |
| Deposits                     | 358 907 386                 | 10 975 963              | 622 765                 | 85 345 754               | 49 731 100             | -                           | -                          | 505 582 968   |
| Lease Liability              | -                           | -                       | -                       | -                        | -                      | -                           | 14 971 203                 | 14 971 203    |
| Other liabilities            | -                           | -                       | -                       | -                        | -                      | -                           | 339 151 710                | 339 151 710   |
| Equity and reserves          | -                           | -                       | -                       | -                        | -                      | -                           | 501 023 957                | 501 023 957   |
| <b>Total liabilities</b>     | 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                 | -                          | -             |
| 31 December 2023             | Less than<br>1 month<br>ZWG | 1 to 3<br>months<br>ZWG | 3 to 6<br>months<br>ZWG | 6 to 12<br>months<br>ZWG | 1 to 5<br>years<br>ZWG | 5 years<br>and above<br>ZWG | interest<br>bearing<br>ZWG | Total<br>ZWG  |
| <b>Assets</b>                |                             |                         |                         |                          |                        |                             |                            |               |
| Cash and cash equivalents    | 56 842 748                  | -                       | -                       | -                        | -                      | -                           | 345 154 212                | 401 996 960   |
| Investment securities        | -                           | -                       | -                       | -                        | 225 284 469            | -                           | -                          | 225 284 469   |
| Loans and advances           | 30 914 023                  | 47 599 051              | 58 795 540              | 209 581 651              | 136 090 987            | 151 278 443                 | -                          | 634 259 695   |
| Other assets and 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    |
| <b>Total assets</b>          | 87 756 771                  | 47 599 051              | 58 795 540              | 209 581 651              | 361 375 456            | 151 278 443                 | 979 952 095                | 1 896 339 007 |
| <b>Liabilities</b>           |                             |                         |                         |                          |                        |                             |                            |               |
| Deposits                     | 226 525 927                 | 123 430 632             | 57 180 125              | 586 736                  | 68 600 514             | 481 105 195                 | -                          | 957 429 129   |
| Borrowings                   | -                           | -                       | 20 291                  | -                        | -                      | -                           | -                          | 20 291        |
| Lease liability              | -                           | -                       | -                       | -                        | -                      | -                           | 16 486 981                 | 16 486 981    |
| Other liabilities            | -                           | -                       | -                       | -                        | -                      | -                           | 277 401 414                | 277 401 414   |
| Equity and reserves          | -                           | -                       | -                       | -                        | -                      | -                           | 645 001 192                | 645 001 192   |
| <b>Total liabilities</b>     | 226 525 927                 | 123 430 632             | 57 200 416              | 586 736                  | 68 600 514             | 481 105 195                 | 938 889 587                | 1 896 339 007 |
| Periodic gap                 | (138 769 156)               | (75 831 581)            | 1 595 124               | 208 994 915              | 292 774 942            | (329 826 752)               | 41 062 508                 | -             |
| Cumulative gap               | (138 769 156)               | (214 600 737)           | (213 005 613)           | (4 010 698)              | 288 764 244            | (41 062 508)                | -                          | -             |

## 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 business.

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

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 liquidity 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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For the half year ended 30 June 2024

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

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#### 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 policies and limits are put in place. The policies comprehensively define the bank's risk tolerance, responsibilities and accountabilities are effectively communicated.

##### Overall Composite Risk

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

**Moderate** - risk management systems appropriately mitigate inherent risk. For a given low risk area, significant weaknesses in the risk management systems may result in a moderate composite risk assessment. On the other hand, a strong risk management system may reduce the risk so that any potential financial loss from the activity would have only a moderate negative impact on the financial condition of the organization.

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

##### Direction of Overall Composite Risk

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

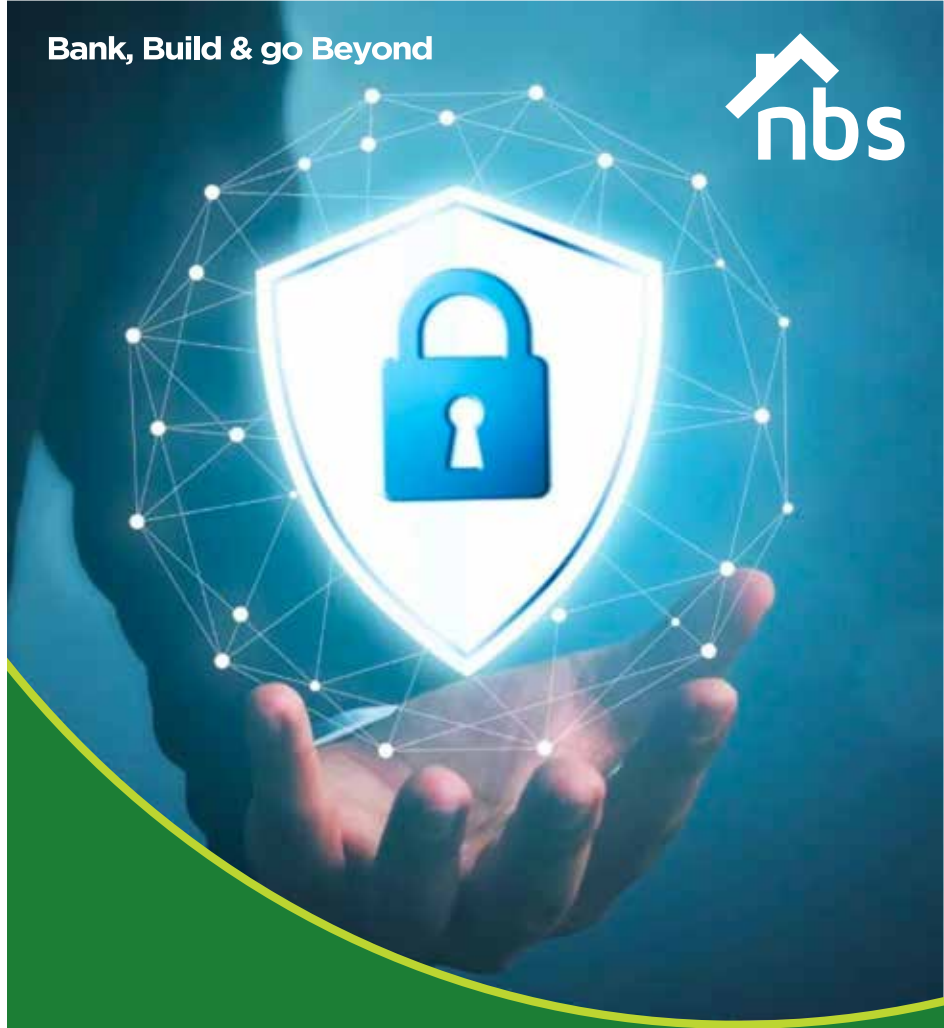
**Decreasing** - based on current information, risk is expected to decrease in the next twelve months.

**Stable** - based on the current information, risk is expected to be stable in the next twelve months.

##### 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.

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