

CHAIRMAN'S STATEMENT

I take great pleasure in presenting the maiden published results for National Building Society (NBS) since opening its doors to the public on 18 May 2016. There has been positive sentiment towards NBS from all stakeholders and commitment from the Board and management, which saw the Society perform quite well in line with expectations despite challenges in the operating environment.

About National Building Society

National Building Society was set up by the National Social Security Authority (NSSA) through shareholding of the NSSA Pension & Other Benefits Scheme (60%) and the NSSA Accident Prevention & Workers Compensation Scheme (40%) to meet several objectives as follows; to facilitate and contribute to housing delivery, to provide affordable housing finance to the general public, to provide tangible benefits to NSSA contributors prior to retirement, to contribute to financial inclusion by extending banking services and financial products to the unbanked public and to enhance shareholder value. NBS seeks to contribute extensively in the affordable housing space by not only providing reasonably priced finance but by influencing the costs of housing development through the entire housing value chain. Through the interrogation of the housing development value chain, NBS finds relevance and is able to deliver on the mandate set before them.

Economic Overview

The operating environment continued to face challenges. Negative inflation rates averaging -1.56 % on a year on year basis and further Gross Domestic Product (GDP) growth downward revisions from 2.4% to 0.6% in 2016 were all indicators of inherent challenges in the economy. However in 2017 inflation is expected to trend upwards and average between 1% and 2% whilst the economy is forecast to grow by 1.7%.

The country continued to grapple with liquidity challenges characterised by foreign currency shortages which impacted on domestic productivity as well as the unavailability of cash in the market. The introduction of the bond notes to finance the export incentive in November 2016 which was meant to stimulate export receipts as well as diaspora remittances into the country had the additional impact of alleviating the cash shortages in the market. The introduction of Statutory Instrument 64 and enhanced controls on foreign exchange have also been instrumental in limiting the importation of non-essentials and ensuring that foreign currency is used in the productive sectors. The trade deficit which was \$2billion in 2016 is expected to improve to \$1.5billion in 2017.

The Society will continue to take heed of the ensuing economic environment and ensure that the business remains solid and contributes positively to all stakeholders.

Banking Sector Developments

The Reserve Bank of Zimbabwe reports that the banking sector has generally remained stable despite the challenging operating environment. Despite the cash shortages, the sector has managed to offer solutions to clients in the form of electronic and mobile banking. These alternative channels have enhanced financial inclusion as banking services are made more accessible and affordable. There is greater scope to bank the unbanked and to formalise the informal sector which is a key target segment for the Society.

Corporate Governance

Being a newly formed institution, NBS adheres to the Corporate Governance principles as spelt out in the Zimbabwe Code of Corporate Governance as well as direction given by the Reserve Bank of Zimbabwe.

Outlook

NBS has before it an opportunity to change people's lives positively and contribute to the growth of the economy. As such, the Society welcomes the challenge to deliver on the set objectives for 2017. NBS will engage in own developments and ride on partnerships with developers to ensure that targets are achieved. The Society realises that there is scope to influence the cost of housing developments downwards and ensure affordability for all Zimbabweans and will work diligently to do so.

Appreciation

On behalf of the Board, I wish to express my sincere appreciation to the various stakeholders that were instrumental in setting up this institution; National Social Security Authority (NSSA), the Ministry of Public Service, Labour and Social Welfare, The Ministry of Finance, The Reserve Bank of Zimbabwe, Industry Players, the Management and Staff of NBS and our customers all deserve our gratitude. We look forward to your continued support as we take this business forward.



N W Chiminya
Acting Chairman

MANAGING DIRECTOR'S REPORT

Pursuant to the review by the Reserve Bank on our readiness to commence banking business, National Building Society was granted an operating license in April 2016 and launched to the public on the 18th of May 2016. Since then, National Building Society has, through its focus on affordable housing, carved its own niche in the market. NBS has already become synonymous with the term 'Affordable Housing' and this is encouraging as it is the space in which stakeholder value will be delivered.

Business Performance

As at 31st December 2016, NBS' balance sheet size stood at \$57.1 million supported by capital funds, shareholder loans as well as customer deposits. In the seven months of operation in 2016, NBS mobilised deposits of \$19.4 million and disbursed \$25.0 million in loans, an indication of the positive view towards the Society. As anticipated in the business plan, NBS recorded a loss of \$3.0 million in 2016 and initial set up costs contributed significantly to the loss. Without overlooking the loss which was expected, we are generally pleased with the growth of the Society within such a short period of time and are encouraged of the outlook.

In pursuit of setting up a world class banking operation, NBS deployed a robust core banking system to ensure efficient processing of customer transactions. Additional investment was made in various other Information Communications Technology systems to ensure that relevant risks are identified and mitigated timeously. These systems compliment internal policies, processes and procedures to execute on our chosen strategy. NBS continues to drive through automation of processes as a lever to remain lean whilst delivering world class service.

Business Units

Retail – NBS Retail is the face of the organisation and is key in driving the customer acquisition, demand deposit mobilisation and lending activities. Our deposit mobilisation focus is driven by transaction, savings, subscription, and term deposit accounts. Whilst this provides entry to our facilities, core to our business operation is mortgages, which includes building, home improvement and outright purchase loans. In appreciation of the prevailing economic conditions, Company and Pension backed schemes are and will continue to be a key driver in the mortgages space as they enhance the capacity of individuals to afford and access mortgage finance. As a debt consolidation measure, the division also offers short term payroll based loans to support the mortgage loans. Our transactional banking capability includes Zimswitch enabled NBS Debit card, Real Time Gross Settlement, ZIPIT, SMS banking, debit/stop orders, bancassurance and shortly we will be rolling out Merchant Point of Sale facilities. Thus our product offering is intended to ensure that our clients can transact, save, borrow and insure.

Since our launch, NBS has established two branches situated in Harare and Bulawayo and has a fleet of 5 Automated Teller Machines to support service delivery. In an endeavour to further enhance the client service experience, we will be opening four additional branches during the course of 2017 in Chinhoyi, Gweru, Masvingo and Mutare. Agency banking will shortly be introduced, initially in NSSA offices countrywide and later the Society will engage other agents to provide low cost service beyond the traditional branch. NBS is aware that customers require easy and convenient access to financial services hence the drive to extend other alternative delivery channels such as mobile and electronic banking. We believe that this hybrid channel distribution model will position the Society to capture the growth within our chosen market as we continue to offer a broad range of financial products and services.

Treasury – This division is involved in actively building relationships and seeking funding to meet the Society's requirements. During 2016, the Division was active on the money market, taking customer deposits as well as investing on the interbank and in other fixed income securities. Despite the challenging economic environment and amidst various market perceptions, the division attracted and continues to attract deposits and was the major contributor to revenue

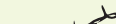
in 2016, in line with expectations. The Treasury Division has a robust Treasury Dealing System which assists in the effective and efficient management of all Treasury exposures.

Outlook

The Society is cognisant of the task ahead to provide affordable housing to all Zimbabweans and reduce the housing backlog in line with the ZIMASSET programme by contributing 100 000 new housing units over the 5-year period to 2021. In driving this initiative, the Society has initiated engagements with various partners in the housing value chain (land developers, contractors, building materials suppliers and construction professionals) to form collaborations that will result in delivery of affordable housing units. The Society will also undertake own developments on NSSA land banks in a bid to benefit the shareholder's assets. In 2017, the Society will undertake two developments in Chinhoyi and Harare where about 1600 new units will be delivered. The Society will work closely with funding partners to avail the necessary finance at acceptable prices and discussions are underway. Overall the Society is geared to meet the needs of its customers into the future and will respond with speed to the dynamic market conditions to ensure success.

Appreciation

I am pleased to take this opportunity to thank all stakeholders; our shareholders, the Board, Regulators, Government and our Customers for placing faith in my team and I, to deliver on this all important mandate. We are resolute in our actions to deliver on our commitment.



K Chitando
Managing Director

CORPORATE GOVERNANCE

The Board is committed to high standards of corporate governance and believes that a sound governance structure engenders a successful company. Throughout the year ended 31 December 2016 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 2015, the Building Societies Act [Chapter 24:02] and the Reserve Bank of Zimbabwe Corporate Governance Guidelines. The Society has also fully embraced the principles and standards as enunciated by Zimbabwe Code on Corporate Governance and King III Report of Corporate Governance.

NBS' Board recognises the critical importance of having an effective Board of Directors. The Board also places the highest importance on active engagement with its shareholders. Meetings are held regularly with shareholders and the Board takes account of shareholders' views.

The Board

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

Board Changes

There were a number of changes to the Board during the period under review. Sibusisiwe Precious Bango, Rose Mavima, Gamaliel Mhofu Bwanya, and Chikuni Mutiswa resigned from the Board with effect from 12 July 2016, 27 October 2016, 11 November 2016 and 10 January 2017, respectively, to pursue other interests. Two additional non-executive directors were also appointed to the Board with effect from 27 October 2016 namely, Kurauwone Ndakashaya Francis Chihota and Stanley Kudenga. Mr Chihota is a Real Estate expert and Mr Kudenga is an Investment Banker.

Membership and attendance for the period to December 2016 is as noted below:

Director	Main Board	Audit	Risk and Compliance	Loans Review	Credit	Finance and Strategy	Human Resources and Nominations	Housing Projects
N.W. Chiminya * (Acting Chairman)	√ √ √ √	n/a	√ n/a* n/a* n/a	√ n/a* n/a*√	n/a	n/a	n/a	n/a* n/a*√√
P. Sibiyā (Mrs) (Deputy Chairman)	√ √ √ √	√√ n/a*√	n/a	√ n/a* n/a*√	n/a	n/a	n/a	n/a* n/a*√√
K. Chitando (Managing Director)	√ √ √ √	n/a	n/a	n/a	n/a* n/a*√	n/a	n/a	n/a* n/a*√√
E. Chitanda (Mrs) ** (Finance Director)	---√	n/a	n/a	n/a	n/a	---√	n/a	n/a
S.P. Bango (Mrs) R	√ √ R* R*	√ √ n/a* R*	n/a	n/a	n/a	n/a	√ √ n/a* R	n/a
J. Ncube (Mrs)	√ √ √ √	n/a	√ n/a* n/a*√	n/a	n/a	n/a	√√ n/a*A	n/a* n/a*AA
K.D. Mnangagwa	√ √ √ √	n/a	--n/a*√	n/a	n/a* n/a* n/a*√	√ n/a* n/a*√	n/a	n/a
T.M. Kambasha	√ √ √ √	n/a	n/a	n/a	n/a* n/a* n/a*√	√√ n/a* √	n/a	n/a
R. Mavima V (Mrs) R*	√ √ R* R*	n/a	√ n/a* n/a*R	n/a	n/a	n/a	n/a	n/a
B. Madzivire	√ √ √ √	√√ n/a*√	n/a	-n/a*n/a*√	n/a	n/a	n/a	n/a
S. Kudenga **	---√	--n/a*√	n/a	n/a	n/a	n/a	--n/a*√	n/a
K. Chihota **	---√	n/a	n/a	n/a	--n/a*A	n/a	---√	---√
C. Mutiswa	---√	n/a	--n/a*√	n/a	n/a	-n/a*n/a*√	n/a	n/a
G. M. Bwanya R**	√ √ √ √	n/a	n/a	n/a	n/a	√√ n/a* A	√√ n/a* √	n/a* n/a*√√

Key

-	Member had not been appointed	√	Member attended meeting
*	Appointed 18 November 2016	**	Appointed 27 October 2016
R	Resigned 12 July 2016	R*	Resigned 27 October 2016
R**	Resigned 11 November 2016	A	Absent
n/a	Not applicable	n/a*	Board committee meeting not held in the quarter/s

AUDITOR'S STATEMENT

These financial results should be read in conjunction with the complete set of financial statements for the year ended 31 December 2016, which have been audited by KPMG Chartered Accountants (Zimbabwe) who have issued an unmodified audit opinion thereon and have included a section of key audit matters in the report.

The auditor's report on these financial results is available for inspection at the Society's registered office.

Audited Financial Results

FOR THE YEAR ENDED 31 DECEMBER 2016

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2016

	Note	31 Dec 2016 US\$	31 Dec 2015 US\$
Assets			
Cash and cash equivalents	4	16 938 190	5 051 281
Investment securities	5	7 648 497	-
Other assets	6	1 298 855	686 727
Loans and advances	7	25 036 103	139 184
Intangible assets	8	2 996 682	-
Property and equipment	9	3 138 858	81 964
Total assets		57 057 185	5 959 156
Equity and Liabilities			
Liabilities			
Deposits	10	19 355 798	-
Borrowings	11	15 518 665	-
Other liabilities	12	966 151	220 852
Total liabilities		35 840 614	220 852
Equity			
Share capital	13	5 040 000	5 003 093
Share premium	13	19 960 000	1 543 298
Accumulated deficit	13	(3 783 429)	(808 087)
Total equity		21 216 571	5 738 304
Total equity and liabilities		57 057 185	5 959 156

STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	Full year to 31 Dec 2016 US\$	Four months to 31 Dec 2015 US\$
Interest income	16	1 336 185	38 697
Interest expense	16	(194 462)	-
Net interest income		1 141 723	38 697
Charge for impairment	7	(265 555)	-
		876 168	38 697
Non funded income	17	539 865	310
Total operating income for the year		1 416 033	39 007
Operating expenses	18	(4 391 375)	(847 094)
Net deficit for the year		(2 975 342)	(808 087)

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2016

	Share capital US\$	Share premium US\$	Accumulated deficit US\$	Total equity US\$
2016				
Balance as at 1 January 2016	5 003 093	1 543 298	(808 087)	5 738 304
Net deficit for the year	-	-	(2 975 342)	(2 975 342)
Transactions with owners of the Society				
Issue of new shares	36 907	18 416 702	-	18 453 609
Balance as at 31 December 2016	5 040 000	19 960 000	(3 783 429)	21 216 571
2015				
Balance as at 1 September 2015	-	-	-	-
Deficit for the four months	-	-	(808 087)	(808 087)
Transactions with owners of the Society				
Issue of new shares	5 003 093	1 543 298	-	6 546 391
Balance as at 31 December 2015	5 003 093	1 543 298	(808 087)	5 738 304

STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 31 DECEMBER 2016

	31 Dec 2016 US\$	31 Dec 2015 US\$
Cashflows from operating activities		
Deficit for the period	(2 975 342)	(808 087)
Adjusted for:		
Depreciation on property and equipment	282 225	4 229
Amortisation of intangible assets	65 720	19
Impairment loss	-	2 281
Loan impairment	265 555	-
Increase in other assets	(612 128)	(686 727)
Increase in loans and advances	(25 162 474)	(139 184)
Increase in deposits	19 355 798	-
Increase in other liabilities	745 299	220 852
Net cash outflows from operating activities	(8 035 347)	(1 406 617)
Cashflows from investing activities		
Purchase of property and equipment	(3 339 119)	(86 193)
Purchase of investment securities	(7 648 497)	-
Purchase of intangible assets	(1 072 902)	(2 300)
Net cash outflows from investing activities	(12 060 518)	(88 493)
Cashflows from financing activities		
Issue of new shares	16 464 109	6 546 391
Borrowings	15 518 665	-
Net cash inflows from financing activities	31 982 774	6 546 391
Net increase in cash and cash equivalents	11 886 909	5 051 281
Cash & cash equivalents at the beginning of the year	5 051 281	-
Cash & cash equivalents at the end of the year	16 938 190	5 051 281
Comprises of:		
Cash on hand	536 881	29
Local banks and Reserve Bank of Zimbabwe	16 401 309	5 051 252
	16 938 190	5 051 281

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

1 Reporting entity
National Building Society is a registered Building Society in terms of the Zimbabwe Building Societies Act (Chapter 24:02).

The registered office of the Society is 14th Floor, Social Security Centre, Corner Julius Nyerere Way and Sam Nujoma Street, Harare, Zimbabwe.

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

3 Accounting policies
The 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.

3.1 Basis of preparation
Statement of compliance
The financial results are prepared from statutory records that are maintained under the historical cost convention except for money market placements which are carried at fair value.

The information contained in these financial results does not contain all the disclosures required by International Financial Reporting Standards, the Companies Act (Chapter 24:03) and the Building Societies Act (Chapter 24:02) and the applicable sections in the Banking Act (Chapter 24:20) of Zimbabwe, which are disclosed in the full annual financial statements from which these financial results were derived. For a better understanding of the Society's financial position, its financial performance and cash flows for the year, these financial results should be read in conjunction with the audited annual financial statements.

3.2 Approval of financial statements
The financial results were approved by the Board on 15 March 2017.

3.3 Functional and presentation currency
The financial results are presented in United States dollars, which is the Society's functional and presentation currency.

3.4 Use of estimates and judgments
The preparation of financial statements in conformity with IFRS, requires management to make judgements, 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.

The areas involving critical accounting estimates and judgements include:

- That the Society will continue operating as a going-concern into the future, being able to generate or access resources to meet both regulatory and operational capital requirements.
- Determination of the fair value of financial instruments with significant unobservable inputs.
- Recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of resources.
- Impairment of financial instruments: key assumptions used in estimating recoverable cash flows.
- Useful lives and residual values of property and equipment and intangible assets.
- Deferral of earnings on loan products using the effective interest rate method.

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

4 Cash and cash equivalents

	31 Dec 2016 US\$	31 Dec 2015 US\$
Cash	536 881	29
Bank	198 661	51 252
Interbank placements	13 762 315	5 000 000
Reserve Bank of Zimbabwe	2 440 333	-
	16 938 190	5 051 281

During the year the Central Bank, through Exchange Control Operational Guide 8 (ECOGAD8), introduced prioritisation criteria which has to be followed when making foreign payments for customers. After prioritisation, foreign payments are then made subject to availability of bank balances with foreign correspondent banks, resulting in possible delay of payment of telegraphic transfers. However, no delay is expected in the settlement of local transactions through the Real Time Gross Settlement system. As at 31 December 2016, the Society had a back log of US\$50 452 in outstanding payments to its suppliers.

Included in cash and cash equivalents are bond notes which the Reserve Bank Of Zimbabwe began issuing gradually into the economy in November 2016 to help ease the shortage of physical cash in the country. The bond notes have been included under cash and cash equivalents and are pegged at an exchange rate of 1:1 with the US\$.

5 Investment securities

	31 Dec 2016 US\$	31 Dec 2015 US\$
Treasury bills - held to maturity	7 648 497	-

The Society purchased treasury bills from the secondary market. These treasury bills have coupon rates ranging from 2% to 5% with maturity periods ranging from 0.5 years to 2.5 years.

Maturity analysis	31 Dec 2016 US\$	31 Dec 2015 US\$
Less than 1 month	-	-
1 month to 3 months	442 748	-
3 months to 6 months	955 407	-
6 months to 1 year	358 047	-
1 year to 5 years	5 892 295	-
	7 648 497	-

Fair value hierarchy
The table below analyses the assets measured at fair value at the end of the reporting period by the level in the fair value hierarchy.

	Level 1	Level 2	Level 3	Total
As at 31 December 2016				
Treasury bills	-	-	7 648 497	7 648 497

Inputs for financial instruments classified as level 3 are derived from the money market with ruling interest being the observable input. There have been no transfers of financial instruments across levels.

Audited Financial Results

FOR THE YEAR ENDED 31 DECEMBER 2016

	31 Dec 2016 US\$	31 Dec 2015 US\$
6 Other assets		
Prepayments	382 885	660 653
Receivables due from related parties	322 948	-
Collateral deposits	288 464	-
Interest accrued	188 699	8 560
Other assets	115 859	17 514
	<u>1 298 855</u>	<u>686 727</u>

	31 Dec 2016 US\$	31 Dec 2015 US\$
7 Loans and advances		
Retail loans	6 222 496	139 184
Mortgage loans	19 079 162	-
Gross loans and advances	<u>25 301 658</u>	<u>139 184</u>
Impairment provision	(265 555)	-
	<u>25 036 103</u>	<u>139 184</u>

	31 Dec 2016 US\$	31 Dec 2015 US\$
7.1 Maturity analysis		
Less than 1 month	191 004	-
1 month to 3 months	813	-
3 months to 6 months	4 976	1 800
6 months to 1 year	142 243	-
1 year to 5 years	5 621 471	137 384
More than 5 years	19 341 151	-
	<u>25 301 658</u>	<u>139 184</u>

Maturity analysis is based on the remaining period from 31 December 2016 to contractual maturity.

	31 Dec 2016 US\$	31 Dec 2015 US\$
7.2 Impairment allowances		
Opening balance	-	-
Charge to profit and loss	265 555	-
Closing balance	<u>265 555</u>	<u>-</u>
Comprising:		
Portfolio impairment	265 555	-

	31 Dec 2016 US\$	31 Dec 2015 US\$
7.3 Sectoral analysis		
Private	25 301 658	139 184

	31 Dec 2016 US\$	31 Dec 2015 US\$
8 Intangible assets		
Movement in intangible assets:		
Opening cost	-	-
Additions	3 062 402	2 300
Impairment	-	(2 281)
Amortisation charge	(65 720)	(19)
Closing balance	<u>2 996 682</u>	<u>-</u>

Intangible assets are carried at cost less accumulated amortisation charge. The intangible assets, which comprise computer software, are amortised over an estimated useful life of 15 years.

	Leasehold Improvements	Office Equipment	Furniture and Fittings	Motor Vehicles	Computer Equipment	Total
9 Property and equipment						
Cost						
Opening balance	-	2 311	32 532	-	51 350	86 193
Additions	1 216 126	106 932	143 902	160 656	1 711 503	3 339 119
Closing balance	<u>1 216 126</u>	<u>109 243</u>	<u>176 434</u>	<u>160 656</u>	<u>1 762 853</u>	<u>3 425 312</u>
Accumulated depreciation						
Opening balance	-	47	924	-	3 258	4 229
Charge for the year	68 436	7 742	14 816	22 729	168 502	282 225
Closing balance	<u>68 436</u>	<u>7 789</u>	<u>15 740</u>	<u>22 729</u>	<u>171 760</u>	<u>286 454</u>
Net book value 2016	<u>1 147 690</u>	<u>101 454</u>	<u>160 694</u>	<u>137 927</u>	<u>1 591 093</u>	<u>3 138 858</u>
Net book value 2015	<u>-</u>	<u>2 264</u>	<u>31 608</u>	<u>-</u>	<u>48 092</u>	<u>81 964</u>

No items of property and equipment were pledged as collateral as at 31 December 2016.

	31 Dec 2016 US\$	31 Dec 2015 US\$
10 Deposits		
Transactional and savings deposits	4 005 578	-
Term deposits	11 000 220	-
Interbank deposits	4 350 000	-
	<u>19 355 798</u>	<u>-</u>

Also refer to note 4, which explains cash and cash equivalents.

	31 Dec 2016 US\$	31 Dec 2015 US\$
10.1 Maturity analysis		
Less than 1 month	11 653 696	-
1 month to 3 months	2 750 424	-
3 months to 6 months	-	-
6 months to 1 year	720 000	-
1 year to 5 years	-	-
More than 5 years	4 231 678	-
	<u>19 355 798</u>	<u>-</u>

Maturity analysis is based on the remaining period from 31 December 2016 to contractual maturity.

	31 Dec 2016 US\$	Percentage composition	31 Dec 2015 US\$
10.2 Sectoral analysis			
Private	2 289 475	11.83%	-
Manufacturing	330	0.00%	-
Transport and distribution	1 533	0.01%	-
Energy and minerals	81	0.00%	-
Financial services	16 569 604	85.61%	-
Construction and property	356 808	1.84%	-
Trade and services	137 967	0.71%	-
	<u>19 355 798</u>	<u>100.00%</u>	<u>-</u>

	31 Dec 2016 US\$	31 Dec 2015 US\$
11 Borrowings		
Shareholder loan	15 518 665	-
Current liability	620 920	-
Non current liability	14 897 745	-
	<u>15 518 665</u>	<u>-</u>

Terms and repayment schedule:

	Currency	Nominal interest rate	Year of maturity	Carrying amount	
				2016	2015
Shareholder loan unsecured	USD	1.75%	2033	15 518 665	-

The Society obtained a loan from its shareholders at a nominal interest rate of 1.75% per annum repayable bi-annually over 16 years to be utilised under predetermined terms and conditions.

	31 Dec 2016 US\$	31 Dec 2015 US\$
12 Other liabilities		
Deferred income	221 899	-
Interest accrued	88 293	-
Other liabilities	655 959	220 852
	<u>966 151</u>	<u>220 852</u>

Deferred income are loan origination fees that are received in advance and recognised using the effective interest rate method over the average life of the underlying asset.

	31 Dec 2016 Number of shares	31 Dec 2015 Number of shares
13 Equity and Reserves		
13.1 Share Capital		
Authorised ordinary shares	1 000 000 000	1 000 000 000

Issued and fully paid ordinary shares

	31 Dec 2016 Number of shares	31 Dec 2015 Number of shares
Issued and fully paid ordinary shares	504 000 034	500 309 278

Unissued ordinary shares

	31 Dec 2016 Number of shares	31 Dec 2015 Number of shares
Unissued ordinary shares	495 999 966	499 690 722

Share movement

	Number of Shares	Share Capital (US\$)	Share Premium (US\$)	Total (US\$)
Opening balance	500 309 278	5 003 093	1 543 298	6 546 391
Issue of new shares	3 690 756	36 907	18 416 702	18 453 609
Closing balance	<u>504 000 034</u>	<u>5 040 000</u>	<u>19 960 000</u>	<u>25 000 000</u>

	31 Dec 2016 US\$	31 Dec 2015 US\$
13.2 Accumulated deficit		
Opening balance	(808 087)	-
Deficit for the period	(2 975 342)	(808 087)
Closing balance	<u>(3 783 429)</u>	<u>(808 087)</u>

14 Capital Management

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

14.1 Capital Adequacy

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

	31 Dec 2016 US\$	31 Dec 2015 US\$
Risk weighted assets	29 222 733	-
Qualifying capital	20 893 623	5 738 304
Tier 1		
Share capital	5 040 000	5 003 093
Share premium	19 960 000	1 543 298
Accumulated deficit	(3 783 429)	(808 087)
Exposure to insiders	(322 948)	-
Core capital	<u>20 893 623</u>	<u>5 738 304</u>
Capital adequacy	<u>71.5%</u>	<u>n/a</u>

Regulatory capital, consists of Tier 1 capital which comprises share capital, share premium and accumulated deficit.

As at 31 December 2016, the Society was compliant with the minimum regulatory capital prescription of \$20 million as set by the Reserve Bank of Zimbabwe.

	31 Dec 2016 US\$	31 Dec 2015 US\$
14.2 Capital commitments		
Authorised and contracted for	-	550 000
Authorised but not yet contracted for	4 261 943	10 354 486
	<u>4 261 943</u>	<u>10 904 486</u>

All capital commitments will be funded from the Society's own resources.

15 Categories of Financial Instruments

	Fair value through profit and loss	Loans receivables at amortised cost	Held to maturity at amortised cost	Total carrying amount
31 December 2016				
Financial assets				
Cash and cash equivalents	16 938 190	-	-	16 938 190
Investment securities	-	-	7 648 497	7 648 497
Other assets	-	1 298 855	-	1 298 855
Loans and advances	-	25 036 103	-	25 036 103
Total	16 938 190	26 334 958	7 648 497	50 921 645
Financial liabilities				
Deposits	4 005 578	-	15 350 220	19 355 798
Other liabilities	-	966 151	-	966 151
Borrowings	-	15 518 665	-	15 518 665
Total	4 005 578	16 484 816	15 350 220	35 840 614
31 December 2015				
Cash and cash equivalents	5 051 281	-	-	5 051 281
Other assets	-	686 727	-	686 727
Loans and advances	-	139 184	-	139 184
Total	5 051 281	825 911	-	5 877 192
Financial liabilities				
Other liabilities	-	220 852	-	220 852

16 Interest income

	Full year to 31 Dec 2016 US\$	Four months to 31 Dec 2015 US\$
Investment securities and other short term placements	1 022 613	38 697
Loans and advances	313 572	-
Total interest income	1 336 185	38 697

Interest expense

Money market and term deposits	193 490	-
Savings deposits	972	-
Total interest expense	194 462	-

Net interest income

	1 141 723	38 697
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17 Non funded income

Net fee and commission income	535 334	-
Other operating income	4 531	310
	539 865	310

18 Operating expenses

Staff costs	2 042 851	249 789
Depreciation	282 225	4 229
Amortisation of intangible assets	65 720	19
Impairment of intangible assets	-	2 281
Other expenses	2 000 579	590 776
	4 391 375	847 094

Remuneration of directors and key management personnel

Fees for services as directors	130 288	101 811
Staff costs	1 182 251	236 439
	1 312 539	338 250

Operating leases

Society as lessee

The following is an analysis of expenses related to operating leases:

Non cancellable lease rentals are payable as follows:

Less than 1 year	189 168	-
Between 1 and 5 years	756 672	-
	945 840	-

The Society leases a number of buildings under operating leases. The buildings are mainly used by the Society for its various branches operations. The leases run for a period of 5 years with an option to renew the lease after the expiry date. During the year ended 31 December 2016, an amount of \$158 523, (December 2015: nil) was recognised as rental expense in the statement of comprehensive income

19 Related party disclosures

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

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

National Social Security Authority
First Mutual Life Group
Social Security Center (Private) Limited

19.2 Transactions with other related parties

	Full year to 31 Dec 2016 US\$	Four months to 31 Dec 2015 US\$
Interest paid	20 794	-
Borrowings	15 518 665	-
Deposits received	4 015 488	-
Rent expense	134 828	-

19.3 Balances with related parties

Balances owed to NSSA	15 563 917	-
Balances owed from NSSA	322 948	-

19.4 Loans to directors, key management and employees

Loans to directors and key management

Included in loans and advances are loans to executive directors and key management:

Opening balance	137 384	-
Advances made during the year	629 095	137 384
Repayments during the year	(101 502)	-
Closing balance	664 977	137 384

Loans to employees

Included in loans and advances are loans to employees:

Opening balance	1 800	-
Advances made during the year	799 623	1 800
Repayments during the year	(79 599)	-
Closing balance	721 824	1 800

All loans to directors, key management, executives and employees were issued in line with provisions of the Society's approved staff loan policy and conditions of service.

19.5 Compensation to key management personnel of the Society

As required by IAS24: Related party Disclosures, the Board's view is that Non Executive, Executive Directors and Executive Management constitute the key management of the Society. Accordingly, key management remuneration is disclosed under note 18 of the financial results.

20 Risk management disclosure

The Society is exposed to a number of risks and manages them at various organizational levels.

20.1 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.

20.2 Credit risk management framework

Credit Risk is managed through a comprehensive processes of credit origination, credit approval, credit monitoring and credit review. There is full segregation of duties between credit origination and credit approval processes. The whole process has since been automated using the Credit Management System (CMS) to quicken the loan granting process.

All facilities are risk rated using a credit scoring model which is embedded in the CMS for quick decision making purposes regarding creditworthiness of prospective obligors. These clients are assessed against a range of both quantitative and qualitative factors.

The Society has been prudently maintaining an impairment allowance on its credit exposures to cushion itself from problematic loans.

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

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

20.3 Credit risk mitigation

To prevent possible default risk, the Society devised mitigatory measures that incorporate taking collateral and mortgages over residential properties. Credit insurance is also employed.

20.4 Non-performing loans and advances

As at 31 December 2016, the Society did not have any non-performing loans since it only opened in May 2016 and the initial batch of personal loans were only disbursed 3 months after inception. Thus portfolio impairment was concentrated on performing loans and advances to which the Society calculates general provisions.

20.5 Credit risk exposure

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

	31 Dec 2016	31 Dec 2015
Cash and cash equivalents	16 401 309	5 051 281
Investment securities	7 648 497	-
Loans and advances	25 573 673	139 184
	49 623 479	5 190 465

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.

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

1 to 3 months	31 Dec 16
	362 907

Past due but not impaired loans relate to loans in the special mention category. The Society does not have any past due and impaired loans as at 31 December 2016

20.7 Sectoral analysis of the Society's advances before and after taking into account collateral held is

	Gross maximum exposure at 31 Dec 2016	Net maximum exposure at 31 Dec 2016
Private	25 301 658	21 916 087

Collateral analysis

Mortgage bonds	31 Dec 16
	3 385 571

The Society holds collateral against loans and advances to customers in the form of mortgage bonds over property. Estimates of property fair values are based on the values of collateral assessed at the time of borrowing, and are regularly aligned with trends in the market in compliance with the Society's Credit Policy.

20.8 Credit quality per class of financial assets (gross)

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

	31 Dec 2016 US\$	31 Dec 2015 US\$
Pass	24 938 751	139 184
Special mention	362 907	-
	25 301 658	139 184

The Society does not have any non-performing loans as at 31 December 2016.

21 Market risk

The risk of losses because the fair value of the Society's assets, liabilities and off-balance-sheet items varies with changes in market prices. Market risks arise from open positions in interest and currency rates.

21.1 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 regularly against set benchmarks through the use of Daily Liquidity Update Report, weekly and monthly market risk dashboard and reports highlighting inherent market risk profile and key metrics including portfolio mix, liquidity gaps and stress testing scenarios to assess vulnerabilities to stressed situations. These are guided by NBS policies that have been approved by the board.

21.2 Interest rate risk

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

21.2.1 Interest rate repricing gap analysis

	Less than 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 years and above	Non interest bearing	Total
2016								
Assets								
Cash and cash equivalents	10 462 315	3 300 000	-	-	-	-	3 175 875	16 938 190
Investment securities	-	442 748	955 407	358 047	5 892 295	-	-	7 648 497
Loans and advances	191 004	813	4 976	142 243	5 621 471	19 075 596	-	25 036 103
Other assets	-	-	-	-	-	-	1 298 855	1 298 855
Intangible assets	-	-	-	-	-	-	2 996 682	2 996 682
Property and equipment	-	-	-	-	-	-	3 138 858	3 138 858
Total assets	10 653 319	3 743 561	960 383	500 290	11 513 766	19 075 596	10 610 270	57 057 185
Liabilities								
Deposits	11 653 695	2 750 424	-	720 000	-	4 231 679	-	19 355 798
Borrowings	-	-	-	-	-	15 518 665	-	15 518 665
Other liabilities	-	-	-	-	-	-	966 151	966 151
Equity & Reserves	-	-	-	-	-	-	21 216 571	21 216 571
Total liabilities	11 653 695	2 750 424	-	720 000	-	19 750 344	22 182 722	57 057 185
Periodic gap	(1 000 376)	993 137	960 383	(219 710)	11 513 766	(674 748)	(11 572 452)	-
Cumulative gap	(1 000 376)	(7 239)	953 143	733 433	12 247 200	11 572 452	-	-
2015								
Assets								
Cash and cash equivalents	5 000 000	-	-	-	-	-	51 281	5 051 281
Loans and advances	-	1 800	-	-	137 384	-	-	139 184
Other assets	-	-	-	-	-	-	686 727	686 727
Property and equipment	-	-	-	-	-	-	81 964	81 964
Total assets	5 000 000	1 800	-	-	137 384	-	819 972	5 959 156
Liabilities								
Other liabilities	-	-	-	-	-	-	220 852	220 852
Equity & Reserves	-	-	-	-	-	-	5 738 304	5 738 304
Total liabilities	-	-	-	-	-	-	5 959 156	5 959 156
Periodic gap	5 000 000	1 800	5 001 800	5 001 800	137 384	-	(5 139 184)	-
Cumulative gap	5 000 000	5 001 800	5 001 800	5 001 800	5 139 184	5 139 184	-	-

21.3 Foreign Exchange Risk

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

21.4 Liquidity risk

This is the risk that the Society may fail to fund increases in assets and meet obligations as they come due, without incurring unacceptable losses. The Society is exposed to both funding liquidity risk and market liquidity risk. Funding liquidity risk is the risk that the society may not be able to meet its obligations as they fall due. This includes cash flow requirements. 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 limits in place to monitor levels of wholesale/retail funding, loans -to-deposit ratio, top depositor concentration and prudential liquidity ratio. As an integral part of its risk management, the Society stress tests its liquidity position on a regular basis to unearth underlying liquidity vulnerabilities.

21.4.1 Liquidity gap analysis December 2016

	Less than 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 years and above	Total
2016							
Assets							
Cash and cash equivalents	13 638 190	3 300 000	-	-	-	-	16 938 190
Investment securities	-	442 748	955 407	358 047	5 892 295	-	7 648 497
Loans and advances	191 004	813	4 976	142 243	5 621 471	19 075 596	25 036 103
Other assets	-	-	-	1 010 391	-	-	1 298 855
Total assets	13 829 194	3 743 561	960 383	1 510 681	11 513 766	19 364 060	50 921 645
Liabilities							
Deposits	11 653 695	2 750 424	-	720 000	-	4 231 679	19 355 798
Borrowings	-	-	-	-	-	15 518 665	15 518 665
Other liabilities	-	-	-	966 151	-	-	966 151
Total liabilities	11 653 695	2 750 424	-	1 686 151	-	19 750 344	35 840 614
Periodic gap	2 175 499	993 137	960 383	(175 470)	11 513 766	(386 284)	15 081 031
Cumulative gap	2 175 499	3 168 636	4 129 019	3 953 549	15 467 315	15 081 031	-
2015							
Assets							
Cash and cash equivalents	5 051 281	-	-	-	-	-	5 051 281
Loans and advances	-	1 800	-	-	137 384	-	139 184
Other assets	-	-	-	686 727	-	-	686 727
Total assets	5 051 281	1 800	-	686 727	137 384	-	5 877 192
Liabilities							
Other liabilities	-	-	-	220 852	-	-	220 852
Total liabilities	-	-	-	220 852	-	-	220 852
Periodic gap	5 051 281	1 800	-	465 875	137 384	-	5 656 340
Cumulative gap	5 051 281	5 053 081	5 053 081	5 518 956	5 656 340	5 656 340	-

22 Operational risk

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

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

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

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

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

23 Compliance and legal risk

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

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

The risks may expose the Society to loss of authorisation to operate and inability to enforce contracts. The Society's Legal department is responsible for the management of legal risk. To mitigate legal risks all agreements entered into by the Society are reviewed by the Legal Department.

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

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

24 Strategic risk

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

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

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

In implementing the Society's strategy, the Board and EXCO determine and allocate financial and operating targets to departments. Monitoring of progress against the action plans is done on a monthly basis and strategic risk mitigation is done through the formulation and implementation of operational plans. There are various ongoing strategy review meetings, incorporating departments and branches, with the Society's Managing Director providing leadership.

25 Reputational risk

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

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

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

26 Risk and credit ratings

26.1 Reserve Bank of Zimbabwe ratings

The Reserve Bank of Zimbabwe has not yet conducted an onsite examination of the Society to provide a detailed summary of the ratings by the regulatory authority.

26.2 External credit ratings

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

The current rating expires in November 2017.



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