Unaudited Financial Statements

metbank
Registered Commercial Bank
stronger together!

For The Half Year Ended 30 June 2012

Chairman's Statement

I am pleased to report that during the six months ended 30 June 2012 Metbank Limited has once again delivered satisfactory results to its stakeholders. We have, most importantly, continued with the transformation of our Bank making it more visible, easier to do business with and more focused on building deeper relationships with our customers.

Operating Environment
The Zimbabwean economy, though subdued, is slowly but steadily improving in spite of the turbulence in the global economy. The introduction of the multi-currency regime ushered a new environment which year after year has created unique opportunities for the economy. Inflation has remained and continues to be relatively low, confined to the 5% range year on year. The economy is expected to grow by 5.6% in the year to December 2012. However, due to the missed crop production targets in respect of tobacco and maize, growth targets for the economy have been dampened. Tobacco was initially estimated to reach 150 million kilograms but is now seen topping only 130 million kilograms, while maize could total just under one million tonnes instead of 1.5 million tonnes. Other factors expected to weigh on the economy include power outages, tight liquidity conditions, slowing foreign direct investment, stagnant employment growth and dwindling donor support. In addition the economic growth concerns in United States of America, Euro Zone's continued liquidity crunch, sovereign debt crisis and fiscal austerity measures in our vital export markets for our commodities are some external factors expected to adversely affect the growth of our economy.

The financial sector in Zimbabwe has to a greater extent remained sound despite isolated vulnerabilities due to non-systematic risks and activities. However, since the introduction of the multi currency system in 2009 the Central Bank has largely remained under capitalized. We believe that restoration of The Reserve Bank of Zimbabwe's (RBZ) financial status to play its role as the lender of last resort during times of liquidity crisis will instil confidence among banks and the banking public.

The political and economic outlook for the country remains beset by the polarized positions in the Government of National Unity. We maintain our view that policy consistency and political consensus that support the developmental needs of the nation will shape the future of our economy. Dialogue, compromise and collaborative association between government, political parties, civic society and business community are the key fundamentals that will enable us to move Zimbabwe forward and attain a prosperous economy.

Banking Operations
In the half year under review the Bank completed the establishment of six branches in Masvingo, Manicaland, Midlands and Matebeleland provinces. Attracting new clients is a very important part of our strategy. Given the number of small businesses, public institutions and civil servants in our franchise these branches represent a truly extraordinary opportunity to grow our business.

During the six months to June 2012 the Bank secured a total of $22 million from PTA Bank and Afrexim Bank for on-lending to sub-borrowers in various productive sectors of the economy. Qualifying companies which include SMEs have found the terms of these lines of credit appropriate to finance their capital expenditure and working capital requirements given that loan tenures range from 6 months to 3 years. As the Bank plays its part in restoring confidence and strengthening our economy we are encouraged by our clients' commitment to efficiently utilize the availed concessionary funds to boost operational and productive capacities of their companies.

Over the past 3 years we have overhauled the design of our products and service delivery channels. Emphasis has been placed on the following attributes on our products; choice, convenience and value. Apart from traditional banking products we have given more focus to e-banking with particular emphasis on mobile banking and internet banking as well as pre-paid Visa cards. Our customers have responded positively. Average deposit balances across our retail and wholesale banking portfolios have grown appreciably and we also continue to see significant growth in our card business.

We totally believe that e-banking will help the Bank to offer convenience to our customers, reign in on costs and increase revenue. Our strategy on e-banking is hinged on the understanding that it supports efficient financial services as critical banking operations are automated. With e-banking self-service and anytime-access to accounts in both the banked and unbanked markets becomes a reality.

Financial Performance
It is gratifying to report that the Bank attained satisfactory results. For the six months ended 30 June 2012 the Bank registered a pre-tax profit of $1.9million up from $1.8million achieved in the comparative period last year.

Non funded income increased by 50.4% to reach $4.99million, a result of the increase in number of accounts, higher transactions volumes due to branch expansion initiatives, increased usage of the Bank's technology offerings and improved trading income. As a result of our unrelenting focus on cost control, total operational expenditure for the six months amounted to $7.6million. We believe that cost optimisation and value creation frees funds for us to invest in other key areas of our operations.

Total assets rose by 44% to reach $184million. The Bank will continue to grow its balance sheet while at the same time ensuring that the quality of the loan book is not compromised. Management is fully cognisant of the challenges arising from lending in an environment where liquidity challenges continue to afflict the economy with foreign capital inflows trickling in albeit at a slower rate than the demand for credit. In the circumstances a highly selective approach to lending will be pursued until the market liquidity fundamentals improve.

The Bank's capital and liquidity position remained very strong as at 30 June, 2012. Total shareholders' equity was $44.5million representing 24% of half-year end assets of $184million. As at 30 June 2012 liquid assets amounted to $43.8million. I am therefore pleased to report that the Bank is both liquid and adequately capitalized in conformity with the regulatory authority's minimum requirements applicable to commercial banks.

The Reserve Bank of Zimbabwe recently announced the increase in minimum capital for commercial banks from $12.5 million to $100 million. Banks are expected to comply with the prescribed minimum equity by 30 June 2014. I am happy to report that the shareholders of the Bank will comply with the new requirements before the stipulated deadline. For our part we have been advocating for higher capital thresholds and are indeed encouraged by measures taken by RBZ to stabilize the banking sector and ensure that the depositors' funds are safeguarded.

Risk Management
Effective risk management policies and procedures will continue to be pursued through Board approved committees namely Loans Review Committee, Asset and Liability Committee (ALCO), Credit Committee, Remuneration Committee and other Operational Risk Management Committees. The Bank has thus put in place a comprehensive risk management framework supported by well documented policies and procedures to assist in the management of all forms of risk exposures namely credit risk, market risk, liquidity risk, legal risk, compliance risk and other types of risks.

Corporate Social Responsibility
Over the past thirteen years Metbank has continuously shown its commitment, as a socially responsible corporate, by consistently investing towards the less privileged and the socially disadvantaged members of our community. The Bank has partnered with different charitable organizations, the government, sporting organizations, health institutions and educational institutions including primary and secondary schools, tertiary institutions and universities in an effort to alleviate poverty and enhance the wellbeing of our society in general. It is our inherent belief that if we resolutely strive to work together as a team; poverty reduction and a better quality of life ultimately becomes a reality.

Areas where the Bank has largely been active include construction and rehabilitation of community schools, provision of water through borehole drilling as well as provision of recognition awards to academically gifted students.

Our employees also continue to donate their time to their respective communities and we encourage them to take time for voluntary activities including training new farmers and engaging in environmental cleanliness programmes. Collectively our employees have devoted substantial man hours to these social responsibility programmes.

New Look Metbank
You will recall that the Bank has changed its name from Metropolitan Bank of Zimbabwe Limited to Metbank Limited with effect from 30 April 2012. The name and logo have now been gazetted and registered. The consequent rebranding exercise has started in earnest and is expected to be completed by 31 December, 2012.

In line with the rebranding exercise, the Bank embarked on extensive refurbishment work on the Head Office building at number 3 Central Avenue, Harare. The half a million dollar capital project which included the upgrading of risk and security management systems, the procurement of elevators and aluminium facade and refurbishment of the Central Avenue branch, was aimed at bringing the Bank's outlets and systems to ultra-modern standards. Plans are also underway to spruce up the appearance and ambiance outlook of other branches to match the standards set by our technical and equity partners.

Directorate
On 1 February, 2012 Belmont Njabulo Ndebele was appointed the Chief Operating Officer of the Bank. Mr Ndebele has over sixteen years of banking experience during which period he held various senior positions and also served on the boards of several companies before he joined Metbank. He has a Master of Science Degree in Economics and a Bachelor of Science Honours Degree in Economics from the University of Zimbabwe. He has attended various courses in Leadership, Strategy, Corporate Governance, Treasury, Trade and Structured Finance. Belmont will complement the existing executive management team as they take the Bank to new frontiers. We wish Mr Ndebele well in his new position.

Corporate Governance Statement
The Board is committed to high standards of corporate governance and believes that a sound governance structure engenders a successful company.Throughout the first half of 2012 the Bank has, in the Directors' opinion, complied fully with the tenets of good corporate governance.

Metbank's 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 currently comprises, in addition to the Chairman, five Executive and seven Non-Executive Directors and meets at least four times a year. The Non-Executive Directors bring judgement which is independent to that of management to Board deliberations. The Executive Directors have responsibility for day-to-day business operations.

The Board is responsible for the overall management, strategic direction, maintaining sound risk management and internal control systems, succession planning and performance of the Bank. It discharges its responsibilities through regularly scheduled meetings and ad hoc meetings, as may be required. The Board has formally reserved specific matters to itself for determination and approval which include strategic issues, the Bank's risk profile, the annual budget, changes in share capital, approval of the Bank's financial statements, approval of material contracts and succession planning for senior management. In addition, it reviews the Bank's internal controls and risk management policies and approves its Code of Ethics. It also monitors and evaluates the performance of the Bank as a whole, through engaging with the Chief Executive Officer, Chief Financial Officer and members of the Executive Team, as appropriate. Matters not formally reserved to the Board are delegated to Board Committees.

Board members receive detailed information from the Executive Directors, the Company Secretary, and other senior managers to enable them to discharge their responsibilities effectively. All Directors have access to employees in the Bank and to the advice and guidance of the Company Secretary and are encouraged to seek independent advice at the Bank's expense, where they feel it is appropriate. The Board is of the opinion that each of its members has the skills, knowledge, aptitude and experience to perform the functions required of a Commercial Bank.

The offices of Chairman, Vice Chairman and Chief Executive Officer are held by different individuals. Those of Chairman, Vice Chairman and Chairman of the Audit Committee are held by Non-Executive Directors. The Chairman is responsible for the conduct of the Board and ensures that Board discussions are conducted in such a way that all views are taken into account and so that no individual Director or small group of Directors dominates proceedings. The Vice Chairman's role is to provide support and guidance to the Chairman and to deputize for the Chairman as required. The Chief Executive Officer has the overall responsibility for running the business on a day-to-day basis and chairs the Executive Committee Meetings.

The roles and responsibilities of the Chairman, Vice Chairman and the Chief Executive Officer are clearly defined, separate and have been approved by the Board.

Outlook
As we look forward to building on our momentum in the second half of 2012 we are confident that our traditional operations in retail banking will continue to grow along with increased focus in the area of SMEs, treasury and corporate banking. We believe retail banking is at the heart of the Bank's activities. Over the coming months we will continually strive to provide our customers with innovative products ranging from special savings accounts, mortgages, remittances and customer financing including cars, personal loans and credit cards.

You will recall that our e-channel commitment was highlighted by the fact that we introduced mobile and internet banking during the six months under review. In 2011 we upgraded our core banking system to the latest version of T24 system in Zimbabwe. We will take forward our end to end IT business strategy covering MasterCard debit card project which shall be completed in October 2012 and is expected to go live before the end of the year.

Appreciation
Finally, on behalf of the Board I would like to extend my sincere appreciation to our management team and staff all of whom have impacted positively on the Bank's performance. With the continued support of our valuable customers and high calibre of our staff I am confident that the Bank is poised to be a key financial player not only in Zimbabwe but in the Southern Africa region.

W.T. MANASE
CHAIRMAN

Statement of Financial Position

As at 30 June 2012

	Notes	Unaudited 30 Jun 2012 US$	Audited Restated 31 Dec 2011 US$
EQUITY AND LIABILITIES			
Share capital and reserves			
Share capital and share premium	4	13 000 000	13 000 000
Retained earnings		8 281 001	6 693 587
Capital reserves		23 225 772	23 225 772
Shareholders' equity		**44 506 773**	**42 919 359**
Liabilities			
Deposits from customers	5	133 542 906	78 542 565
Deferred taxation		3 380 791	2 930 791
Other liabilities		2 830 004	3 741 665
Total Liabilities		**139 753 701**	**85 215 021**
Total Equity and Liabilities		**184 260 474**	**128 134 380**
ASSETS			
Cash and bank balances	6	43 843 379	27 146 876
Financial assets held for trading		1 517 499	-
Loans and advances to customers	7	84 913 851	55 882 519
Property and equipment		5 689 172	2 525 762
Investment property		44 072 888	40 872 888
Other assets		4 223 685	1 706 335
Total Assets		**184 260 474**	**128 134 380**

Statement of Comprehensive Income

For the half year ended 30 June 2012

	Notes	Unaudited 30 Jun 2012 US$	Unaudited 30 Jun 2011 US$
Interest income		8 141 981	6 271 888
Interest expense		(3 437 730)	(2 499 951)
Net interest income		4 704 251	3 771 937
Non interest income	8	4 986 567	3 443 373
Operating income		9 690 818	7 215 310
Operating expenditure		(7 565 134)	(5 255 170)
Impairment losses on loans and advances		(180 878)	(101 382)
Profit before taxation		1 944 806	1 858 758
Income tax expense		(357 392)	(478 630)
Profit for the period		**1 587 414**	**1 380 128**
Other comprehensive income (net of tax)		**-**	**2 286**
Total comprehensive income for the period		**1 587 414**	**1 382 414**

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For The Half Year Ended 30 June 2012

Statement of Changes in Equity
For the half year ended 30 June 2012: (Unaudited)

	Ordinary Share Capital US$	Preference Share Capital US$	Retained Earnings US$	Capital Reserves US$	Total US$
Period ended 30 June 2012					
Balance at 31 December 2011	12 500 000	500 000	6 693 587	23 225 772	42 919 359
Total comprehensive income for the period	-	-	1 587 414	-	1 587 414
Balance at 30 June 2012	**12 500 000**	**500 000**	**8 281 001**	**23 225 772**	**44 506 773**
Period ended 30 June 2011					
Balance at 31 December 2010	12 500 000	500 000	3 965 500	23 225 772	40 191 272
Total comprehensive income for the period	-	-	1 382 414	-	1 382 414
Balance at 30 June 2011	**12 500 000**	**500 000**	**5 347 914**	**23 225 772**	**41 573 686**

Statement of Cash Flows
For the half year ended 30 June 2012

	Notes	Unaudited 30 Jun 2012 US$	Unaudited 30 Jun 2011 US$
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		1 944 806	1 858 758
Adjustments for non-cash items:			
Depreciation and armotisation		356 922	217 446
Provision for doubtful debts		180 878	101 382
Other non cash items		(750 000)	224 026
Cash inflow from operations		**1 732 606**	**2 401 612**
Increase in operating assets		(33 324 224)	(5 246 446)
Increase in deposits and other liabilities		54 192 157	3 468 131
		22 600 539	623 297
Taxation paid		(10 869)	(10 500)
Net cash from operating activities		**22 589 670**	**612 797**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment		(3 443 167)	(934 014)
Purchase of investment property		(2 450 000)	-
Net cash used in investing activities		**(5 893 167)**	**(934 014)**
Net increase / (decrease) in cash and cash equivalents		16 696 503	(321 217)
Cash and cash equivalents at beginning of the period		27 146 876	14 142 408
Cash and bank balances at end of the period	6	**43 843 379**	**13 821 191**

Notes to the Financial Statements
For the half year ended 30 June 2012

1. PRESENTATION OF ACCOUNTS
The financial statements are presented in United States Dollars.

2. ACCOUNTING POLICIES
The principle accounting policies, adopted in the preparation of these financial statements, have been consistently applied and comply with the provisions of the Companies Act (Chapter 24:03) and International Financial Reporting Standards applicable to the Bank.
Accounting policies have been applied consistently in all material respects with those applied by the Bank in the past.

2.1 Basis of presentation
The financial statements are based on statutory records that are maintained under the historical cost convention, except for the investment properties and financial instruments that have been measured at fair value.

2.2 Inventories
Inventories are valued at the lower of cost and net realisable value. Estimated net realisable value is the estimated selling price less any costs of disposals.
The cost of inventory is determined on a weighted average basis.

2.3 Financial Instruments
Financial instruments carried on balance sheet include cash and bank balances, receivables, loans and customers deposits, borrowings and money market investments.

(a) Recognition
The Bank classifies its investments into the following categories:

i) Held-to-maturity investments: – these are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Bank has a positive intention to hold to maturity.

ii) Loans and receivables: – these are non-derivative financial assets created by the Bank by providing money or products directly to the debtors other than those with the intent to be sold immediately in the short run.

iii) Available for sale financial assets: – these are assets held for an indefinite period of time, but may be sold in response to needs for liquidity or changes in interest rates.

iv) Financial asset at fair value through profit and loss: - is a financial asset acquired principally for the purposes of selling in the near future or for short-term profit taking. The Bank may designate any financial asset as a fair value through profit and loss.

All financial assets, except for those at fair value through profit and loss, are recognised at fair value of the consideration given plus transactions costs. Subsequently, held to maturity investments and loans and receivables are carried at amortised cost using the effective interest method, while available-for-sale and fair value through profit and loss assets are carried at fair value (at cost if the fair value cannot be reliably measured). Changes in fair value of available for sale financial assets are recognised directly in other comprehensive income while of fair value through profit and loss financial assets are recognised through profit and loss.

Financial liabilities are recognised initially at fair value and subsequently carried at amortised cost using the effective interest method.

(b) Derecognition
A financial asset is derecognised when, the Bank realises the rights to benefits specified in the contract, or when rights expire, or when it surrenders or otherwise loses control of the contractual rights that comprise the financial asset (or a portion of the financial asset).

2.4. Foreign currencies
Monetary assets and liabilities in foreign currencies are expressed in United States Dollars at rates of exchange ruling at 30 June 2012. All profits and losses on exchange arising from trading activities are dealt with in arriving at the operating profit. Transactions during the period are converted to United States dollars at rates ruling on the transaction date.

2.5. Advances and other accounts
Loans and advances and other accounts receivable are stated net of provisions against doubtful debts and suspended interest as disclosed in Note 2.6

2.6. Doubtful debts
Specific provisions are made against advances when, in the opinion of the directors, recovery is doubtful. The aggregate provisions made during the period (less amount realised and recoveries of bad debts previously written off) are charged against operating profit. Accrual of interest on an advance is suspended when a specific provision is made and the interest is netted off against advances in the balance sheet. A general provision for as yet unidentified doubtful debts is intended to cover the inherent risk in lending which cannot be reduced to specific terms. Bad debts are written off when the extent of the loss incurred has been confirmed.

Notes to the Financial Statements
For the half year ended 30 June 2012

2.7. Impairment of Assets
The carrying amounts of the Bank assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised in the income statement whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.
The recoverable amount of tangible assets is the greater of their net selling price or value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

2.8. Borrowing costs
Borrowing costs are recognised as an expense when incurred. However borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised as part of the costs of the assets during the construction phase.

2.9. Leased Assets
Leases of property and equipment where the Bank assumes substantially all the benefits and risks of ownership are classified as finance leases. Assets leased in terms of finance lease agreements are capitalised at amounts equal at the inception of the lease to the fair value of the leased property, or, if lower, at the present value of the minimum lease payments and are depreciated in accordance with the policies applicable to equivalent items of property and equipment.

The corresponding rental obligations, net of finance charges, are included in liabilities. Lease finance charges are amortised over the duration of the leases by using a constant periodic rate of interest on the remaining balance of the liability for each period.

Leases under which the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Obligations incurred under operating leases are charged to the income statement in equal instalments over the period of the lease, except when an alternative method is more representative of the time pattern over which benefits are derived.

2.10. Interest income and non-interest income
Interest income is recognised on an accrual basis taking account of the principal outstanding and the effective rate over the period to maturity.

Interest income includes the amounts of amortisation of any discount or premium. The accrual of interest on an advance is reversed when a bad debt arises and suspended when recovery is considered doubtful, the amount reversed or suspended being netted off against advances in the balance sheet. Non-interest income comprises of income such as revenue derived from service fees, commission and bad debts recoveries. Revenue arising from fees and commission is recognised on accrual basis in accordance with the substance of the agreement. Bad debts recoveries are brought into income on a receipt basis.

2.11. Deferred taxation
Deferred taxation is provided using the full liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is calculated using the currently established tax rates.

2.12. Post Employment Benefits
The Bank operates a defined contribution fund for all eligible employees under which the retirement benefits are determined by reference to the employees' pensionable remuneration and years of service.

2.13. Cash and cash equivalents
Cash and cash equivalents are recognised at fair value. For the purpose of the cash flow statement, cash and cash equivalents comprise cash and balances with Central Bank and amounts due from other banks.

2.14. Provisions
Provisions are recognised when the Bank has a present legal or constructive obligation as a result of past events, such that there is a probability that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

2.15. Investment Property
Investment property is property (land and / buildings) held for capital appreciation or to earn rentals. It is measured at fair value determined at the balance sheet date. Gains or loses arising from a change in fair value of investment property are recognised in the income statement for the period which they relate.

3. RISK MANAGEMENT
The Bank's Asset and Liabilities Management Committee adopts a proactive risk management approach to ensure that all risk profiles fall within an acceptable balance between risk and return. The Bank has over the years developed a comprehensive risk management framework together with policies, procedures and guidelines as a management tool to accomplish stated objectives and strategies.

3.1. Credit Risk
The Bank mitigates credit risk exposure attributable to cash and cash equivalents by entering into transactions with financial institutions with good credit rating and after obtaining collateral for any credit agreement.
Loans and advances comprise of a large number of customers that are spread over a wide range of industries and geographical locations. Management proactively addresses credit risk through a vetting process, which ensures that borrowers' repayment capabilities are subject to vigorous sensitivity analysis. Clients credit worthiness is thoroughly assessed before a facility is granted.

3.2. Interest Rate Risk
The Bank is exposed to the risks associated with the effects of fluctuations in levels of interest rates on its financial position and cashflows. Managing interest rate risk in the Bank is done through three analytical techniques namely gap analysis, simulation and duration. These analytical tools contribute towards identifying the risk exposure as well as the sensitivity to interest rate risk.

3.3. Liquidity Risk
The Bank is exposed to liquidity risk which is the potential loss resulting from insufficient liquidity to meet cash flow needs in a timely manner. In order to mitigate liquidity risk the Bank's investment management policy ensures that it has sufficient liquid assets to meet its obligations when they fall due. The Assets and Liabilities Committee (ALCO) of the Bank mitigates liquidity risk by measuring liquidity on an ongoing basis and examining the funding requirements under various scenarios including adverse conditions. Cash budgets are monitored to ensure that sufficient sources of funds are available.

3.4. Currency Risk
Currency risk, also known as exchange rate risk is a risk that business operations or investments value will be affected by changes in exchange rates. The Bank is subject to currency risk as some investments, assets and liabilities are held in other currencies other than the USD. The Bank manages currency risk through the application and daily monitoring of pre-approved dealer and currency limits.

3.5. Operating Risk
Operating risk stems from any possible losses due to fraud, incompetence, systems breakdown and sabotage.
The Bank manages these risks through insurance policies, checking work, training staff, segregation of duties, regular internal and independent audits. In addition, the Bank has operating manuals to guide staff on the execution of their duties.

3.6 Market Risk
Market risk is the risk that adverse changes in the market value of a portfolio of financial instruments may result in losses to the Bank. Market risk exposures relating to dealing positions are housed and managed in the Treasury division within a framework of pre-approved portfolio limits.

The Bank's Risk Management department is responsible for daily monitoring of limits and pricing, thereby ensuring that any errors or unauthorised transactions are promptly identified.

3.7 Reputational Risk
Reputational risk is the risk that the Bank could lose its market share due to perception by the market that the Bank is not conducting business in a sound manner.

The Bank has in place customer complaints monitoring procedures for ensuring continuous improvements in the Bank's service standards.

3.8 Legal Risk
Legal risk is the risk that a transaction or contract cannot be consummated because of some legal barrier, such as inadequate documentation, a regulatory prohibition on a specific counterparty and the non-enforceability of contracts such as netting and collateral arrangements in bankruptcy.

The Bank's Legal department safe keeps, maintains and approves all existing and new legal documents of the Bank.

3.9 Compliance Risk
Compliance risk is the risk of financial loss or otherwise arising from violations of regulatory laws and rules which may result in adverse judgements in lawsuits or regulatory sanctions such as penalties, negatively affecting the Bank's ability to achieve its operational objectives.

The Bank has in place an independent compliance function that regularly monitors and reports on the compliance risk exposure of the Bank.

3.10 Capital adequacy
Capital adequacy measurement is designed to assess the stability of a financial institution with emphasis being placed on the credit risk of a bank vis-à-vis its capital base. As per Banking Regulations 2000, capital supporting banking and trading activities is split into two classes namely core capital (tier 1) and supplementary capital (tier 2).

The minimum total risk based capital ratio for a banking institution as per the regulations is 10%. The risk weightings depend on the credit, market and associated risks. The higher the exposures the more the capital needed.

Notes to the Financial Statements
For the half year ended 30 June 2012

		Unaudited 30 Jun 2012 US$	Audited 31 Dec 2011 US$
4	**SHARE CAPITAL**		
	Authorised		
	25 000 000 ordinary shares of $1 each	**25 000 000**	**25 000 000**
	Issued and fully paid		
	12 500 000 ordinary shares of $1 each	12 500 000	12 500 000
	Preference shares of $1 each	500 000	500 000
		13 000 000	**13 000 000**
4.1	**Non-cumulative preference shares**		
	The Bank has 500 000 irredeemable, non cumulative preference shares of $1.00 each which can be converted to ordinary shares at the option of the Bank at a ratio of 1:1.		
5	**DEPOSIT FROM CUSTOMERS**		
	Current and Savings Accounts	34 194 646	32 988 284
	Offshore lines of credit	21 999 973	5 000 000
	Term Deposits	77 348 287	40 554 281
		133 542 906	**78 542 565**
6	**CASH AND BANK BALANCES**		
6.1	**Balances with Reserve Bank of Zimbabwe**		
	Statutory reserves	-	1 518 552
	Current account balances	15 867 583	18 637 722
		15 867 583	**20 156 274**
	During the half year under review the Reserve Bank of Zimbabwe converted statutory reserves to discountable and tradable bills which have been recognised as financial instruments held for trading.		
6.2	**Balances with other banks and cash**		
	Money at call	10 250 000	-
	Cash and Nostro bank balances	17 725 796	6 990 602
		27 975 796	**6 990 602**
	Total	**43 843 379**	**27 146 876**
7	**LOANS AND ADVANCES TO CUSTOMERS**		
	Loans	47 324 276	21 516 103
	Advances	39 188 573	35 773 392
		86 512 849	**57 289 495**
7.1	**Provision for doubtful debts**		
	Loans and advances are net of:		
	Provisions for doubtful debts	(1 033 101)	(852 223)
	Suspended interest on doubtful debts	(565 897)	(554 753)
		84 913 851	**55 882 519**

		Unaudited 30 Jun 2012 US$	Unaudited 30 June 2011 US$
8	**NON INTEREST INCOME**		
	Commission and fee income	1 371 186	1 832 249
	Other income	3 615 381	1 611 124
		4 986 567	**3 443 373**
9	**CAPITAL ADEQUACY**		
	Ordinary share capital	12 500 000	12 500 000
	Non redemable preference shares	500 000	500 000
	Retained profit	8 281 001	6 693 587
	less Capital allocated for market and operational risk	(2 258 611)	(1 817 702)
	Tier 1 capital	**19 022 390**	**17 875 885**
	General provisions	992 044	574 618
	Capital reserves	23 225 772	23 225 772
	Tier 2 capital	**24 217 816**	**23 800 390**
	Sum of market and operational risk capital	2 258 611	1 817 702
	Tier 3 capital	**2 258 611**	**1 817 702**
	Total regulatory capital	**45 498 817**	**43 493 977**
	Capital adequacy ratio	**24.5%**	**25.1%**
	Tier I Ratio	**9.1%**	**20.7%**
	Tier II Ratio	**14.1%**	**2.1%**
	Tier III Ratio	**1.3%**	**2.3%**
		24.5%	**25.1%**

10 LIQUIDITY RISK

10.1 Total position at 30 June 2012

	Up to 1 month US$	1 month to 6 months US$	6 months to 1 year US$	Over 1 year US$	Total US$
ASSETS					
Bank and cash balances	43 843 379	-	-	-	43 843 379
Loans and advances to customers	47 354 223	30 072 994	4 463 513	3 023 121	84 913 851
Financial assets held for trading	1 517 499	-	-	-	1 517 499
Property and equipment	-	-	-	5 689 172	5 689 172
Investment property	-	-	-	44 072 888	44 072 888
Other assets	-	-	-	4 223 685	4 223 685
	92 715 101	30 072 994	4 463 513	57 008 866	184 260 474
EQUITY AND LIABILITIES					
Shareholders' equity	-	-	-	44 506 773	44 506 773
Deposits from customers	90 284 750	6 243 935	19 514 221	17 500 000	133 542 906
Deferred taxation	-	-	-	3 380 791	3 380 791
Other liabilities	-	-	-	2 830 004	2 830 004
	90 284 750	6 243 935	19 514 221	68 217 568	184 260 474
Net liquidity gap	**2 430 351**	**23 829 059**	**(15 050 708)**	**(11 208 702)**	
Cumulative gap as at 30 June 2012	**2 430 351**	**26 259 410**	**11 208 702**	**-**	
Cumulative gap as at 31 December 2011	**19 152 255**	**8 789 315**	**2 897 156**	**-**	

11. ATTENDANCE RECORD OF BOARD MEMBERS AT BOARD MEETINGS

Member	Meetings Held	
	1	2
Mr. W. T. Manase	√	√
Mr. V. C. Jakachira	√	√
Mr. B. N. Ndebele	√	√
Mrs. C. Kamuriwo-Mutunhu	√	√
Mr. G. Changunda	√	√
Mr. E. Chawoneka	√	√
Mr. O. Matore	√	√
Mrs. N. Ncube	√	√
Mrs. B.M.W. Kahari	√	√
Mr. O. Bvute	√	√
Mr. P. F. Chingoka	√	√
Mrs. L. Mathopo	√	√
Mr. J.N. Chinyanta	LOA	√

Key
√ ....Present
LOA ....Leave of absence granted

Notes to the Financial Statements
For the half year ended 30 June 2012

AUDIT COMMITTEE

Name	Meetings Held	
	1	2
Mr. O. Matore	√	√
Mrs. B.M.W. Kahari	√	√
Mr. P.F. Chingoka	√	√

Key
√ ....Present
LOA ....Leave of absence granted

REMUNERATION COMMITTEE

Name	Meetings Held	
	1	2
Mr. W. T. Manase	√	√
Mr. V. C. Jakachira	√	√
Mrs. C. Kamuriwo-Mutunhu	√	√
Mr. G. Changunda	√	√
Mr. O. Bvute	√	√

Key
√ .... Present
LOA .... Leave of absence granted

LOANS REVIEW COMMITTEE

Name	Meetings Held	
	1	2
Mr. W. T. Manase	√	√
Mrs. C. Kamuriwo-Mutunhu	√	√
Mrs. N. Ncube	√	√
Mrs. L. Mathopo	√	√

Key
√ ....Present
LOA ....Leave of absence granted

12. RISK AND CREDIT RATINGS INFORMATION

External Credit Ratings

Rating Agent	**Global Credit Rating Company (GCR)**
Date Issued	**Long Term Credit Rating**
June 2005	BB
June 2006	BB
May 2007	BB+
September 2008	BB+
September 2011	BB+

BY ORDER OF THE BOARD

MS R. CHIPENDO
COMPANY SECRETARY

Metbank Limited Branch Network

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Chipinge ZIMPOST, Std 274 P O Box 35, Chipinge Tel +263-227-2342/3 Fax +263-20-69231	**Beitbridge** 40/41 Living Waters Centre, Std 449, Beitbridge Tel +263-286-22957/23835 Fax +263-9-64400	**Hotsprings** Hotsprings Resort, Chimanimani Tel +263-744-598 202/207 Fax +263-20-69231