Audited Financial Statements

metbank
Registered Commercial Bank

stronger together!

For the year ended 31 December 2012

Chairman's Statement

It gives me pleasure to present the audited financial statements of Metbank Limited for the year ended 31 December 2012. During the year under review, the Bank continued its established tradition of delivering satisfactory results and carrying out strategies towards the creation of a customer focused bank.

Operating Environment
The Zimbabwean economy has continued on a recovery path following the relatively robust growth rates of 9.3% and 4.4% in 2011 and 2012 respectively.

On the inflation front, economic stability has been sustained, with year on year annual inflation as measured by the Consumer Price Index closing the year at 2.9% in 2012. Adverse inflationary pressures have remained subdued on the back of tight liquidity conditions, depressed aggregate demand and stable international oil and world food prices.

Most of the Gross Domestic Product's growth from 2009 to 2012 has been anchored by mining and agricultural sectors of the economy. However, due to high proportions of short term transitory deposits and short term loans the productive sectors of the economy generally remain beset by liquidity challenges. Concerns over the implementation of the Indigenization and Empowerment Act also continue to weigh heavily on the financial services sector but on the recovery momentum gained by all the other sectors of the economy since the inception of the multicurrency regime.

We expect the economic outlook going forward to be shaped by peace, policy consistency and consensus on matters that support the developmental needs of the nation.

Financial Performance
The Bank delivered satisfactory results with revenue increasing by 52% to reach $19.9 million during the year under review. The results confirmed that the Bank continues to accelerate growth through diversification of income and increased clientele base.

Profit before taxation was $2.08 million which represents a 38% decline on prior year figures due to increased impairment charges on credit. Increase in credit impairment charges of $3.6 million was recorded in 2012 due to deteriorating credit environment and the quality of outstanding loans. Going forward management will intensify management of credit portfolios with a goal that exposures will not result in undesirable levels of credit risk.

Capital Adequacy
Total shareholders' equity was $44.5 million as at 31 December 2012, compared to $42.9 million as at 31 December 2011. As a regulated commercial bank, we are governed by certain regulatory requirements in terms of the Banking Act, Chapter 24:20. As at 31 December 2012, the Bank was still working on its recapitalization, which exercise has since been completed, and the Banks regulatory Tier 1 capital now stands at the level of $25, 198,926.00, subject to verification by the regulatory authorities. The Bank, with the support of its shareholders continues to make strides towards compliance with the $100 million capital requirement.

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

In line with the Banking Act (Chapter 24.20) as read with Banking Regulations Statutory Instrument 205 of 2000, the Central Bank issued additional reporting requirements for all banking institutions aimed at promoting transparency, accountability, and effective market discipline. Banking institutions should, in terms of these regulations, publish CAMELS Ratings (Capital adequacy, Asset Quality, Management, Earnings, Liquidity and Sensitivity to Market Risk) as assigned by the Central Bank during the latest onsite inspection. Since 2006, the Bank has been operating under a corrective order. To date good progress has been made to ensure that issues raised by the regulator are addressed in full. Global Credit Rating Company (GCR), an international credit rating agency accredited with the Reserve Bank of Zimbabwe, rated the Bank as follows: 2011 : BB+ and 2012: BB+.

Corporate Social Responsibility (CSR)
Over the past fourteen years Metbank has endeavoured to be a responsible corporate citizen engaging in sustainable practices, from social, environmental, corporate and governance perspectives. Relationships have been cultivated and synergies created with various charitable organizations, the government, cultural and sporting organizations as well as health and educational institutions.

The education sector, comprising primary and secondary schools, tertiary institutions and universities, is a focal area for Metbank, consistent with our conviction that the country's future prosperity resides in our ability to invest in this sector and build capacity in the youth, who are after all, future custodians of this nation. Therefore, activities undertaken during the period under review were skewed in favour of the aforementioned sector in the form of awards and prizes designed to incentivize learners and reward achievement at tertiary institution graduation ceremonies as well as school prize giving ceremonies. In addition to that a diverse range of support was rendered to secondary and primary schools as well as tertiary institutions, ranging from capital and infrastructure projects to classroom learning resources.

The Bank also participated in numerous other charitable activities initiated by our essential service providers such as Zimbabwe Prison Service, various hospitals and referral centres, the Zimbabwe Republic Police, the Zimbabwe National Army and the Airforce of Zimbabwe.

On the environmental front Metbank participated in a number of clean-up exercises and, as part of those initiatives, made donations of refuse bins to various local authorities. Various churches were also recipients of assistance from the Bank.

Directorate
During the year 2012, Virgil Christian Jakachira relinquished his position as Chief Executive Officer. We are grateful for the eight years' service which he put in as an Executive Board member and Chief Executive Officer of the Bank. Mr Belmont Njabulo Ndebele was subsequently appointed the Managing Director of the Bank with effect from 1 October 2012. 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 also holds various courses in Leadership, Strategy, Corporate Governance, Treasury, Trade and Structured Finance. He will complement the existing executive management team. We wish Mr Ndebele well in his new position.

Mrs Brenda Marie Kahari also resigned from the Board to pursue other business interests effective 1 January 2013. Mrs Constance Kamuriwo-Mutunhu retired from the Board effective 31 January 2013 after having served on the Board for 14 years both as a Non-Executive Director and Executive Director. We wish these Directors well in their future endeavours.

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

Outlook
While our earnings in 2012 were lower than the previous year we are making significant progress in rebuilding profitability in all our business areas. Today our business development and operational efficiency teams are better organized to offer superior customer services progressively. The year ahead will bring its own share of successes and challenges but let me say our strategy is very clear. We will continue to intensify our focus on building new revenue streams, maintain firm cost management and do our part to keep the economy growing as we make our contributions to the communities we serve.

Appreciation
The Bank will always remain indebted to our valued clients and stakeholders for the invaluable support. The Board also wishes to express its sincere gratitude to the management and staff for their continued efforts in achieving good results in a challenging environment.

W.T. MANASE
CHAIRMAN

W. T. Manase
CHAIRMAN

Statement of Financial Position
As at 31 December 2012

	Notes	Audited 31 Dec 2012 US$	Audited Restated 31 Dec 2011 US$
EQUITY AND LIABILITIES			
Share Capital and Reserves			
Share capital and share premium	9	13 000 000	13 000 000
Retained earnings		8 278 282	6 693 587
Capital reserves		23 225 772	23 225 772
Shareholders' equity		**44 504 054**	**42 919 359**
Liabilities			
Deposits from customers	10	147 397 732	78 542 565
Deferred taxation	11	3 292 339	3 380 791
Other liabilities	12	2 160 562	3 291 665
Total Liabilities		**152 850 633**	**85 215 021**
Total Equity and Liabilities		**197 354 687**	**128 134 380**
ASSETS			
Cash and bank balances	13	40 150 037	27 146 876
Financial assets through profit or loss		1 518 542	-
Loans and advances to customers	14	100 909 432	55 882 519
Property and equipment	15	5 746 320	2 525 762
Investment property	16	44 150 888	40 872 888
Other assets		4 879 468	1 706 335
Total Assets		**197 354 687**	**128 134 380**

Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31 December 2012

	Notes	Audited 31 Dec 2012 US$	Audited 31 Dec 2011 US$
Interest income	4	19 887 416	13 089 947
Interest expense	5	(8 944 469)	(4 826 270)
Net interest income		10 942 947	8 263 677
Non interest income	6	12 480 256	7 170 287
Operating income		23 423 203	15 433 964
Operating expenditure	7	(17 751 253)	(11 788 507)
Impairment losses on loans and advances	14.5	(3 595 761)	(293 152)
Profit before taxation		2 076 189	3 352 305
Income tax expense	8	(491 494)	(624 218)
Profit for the year		**1 584 695**	**2 728 087**
Other comprehensive income		-	-
Total comprehensive income for the year		**1 584 695**	**2 728 087**

Statement of Changes in Equity
For the year ended 31 December 2012

	Ordinary Share Capital US$	Preference Share Capital US$	Retained Earnings US$	Non Distributable Reserves US$	Total US$
Year ended 31 December 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 year	-	-	1 584 695	-	1 584 695
Balance at 31 December 2012	**12 500 000**	**500 000**	**8 278 282**	**23 225 772**	**44 504 054**
Year ended 31 December 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 year	-	-	2 728 087	-	2 728 087
Balance at 31 December 2011	**12 500 000**	**500 000**	**6 693 587**	**23 225 772**	**42 919 359**

Statement of Cash flows
For the year ended 31 December 2012

	Notes	Audited 31 Dec 2012 US$	Audited 31 Dec 2011 US$
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		2 076 189	3 352 305
Adjustments for non-cash items:			
Depreciation and armotisation		875 289	496 881
Provision for doubtful debts		3 595 761	293 152
Other non cash items		(749 070)	232 170
Cash inflow from operations		5 798 169	4 374 508
Increase in operating assets		(53 554 034)	(24 539 044)
Increase in deposits and other liabilities		68 116 383	36 968 289
		20 360 518	16 803 753
Taxation paid		(972 265)	(237 737)
Net cash from operating activities		19 388 253	16 566 016
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment		(3 935 092)	(1 295 360)
Purchase of investment property		(2 450 000)	(2 266 188)
Net cash used in investing activities		(6 385 092)	(3 561 548)
Net increase in cash and cash equivalents		13 003 161	13 004 468
Cash and cash equivalents at beginning of the year		27 146 876	14 142 408
Cash and cash equivalents at end of the year	13	**40 150 037**	**27 146 876**
Comprising:			
Balances with the Central Bank		13 394 031	20 156 274
Balances with other banks and cash		26 756 006	6 990 602
Cash and cash equivalents at end of the year		**40 150 037**	**27 146 876**

Notes to the Financial Statements
For the year ended 31 December 2012

1. CORPORATE INFORMATION
Metbank Limited provides commercial banking services in Zimbabwe. It is a limited liability company which was incorporated in Zimbabwe in 1998. Its registered office is at 3 Central Avenue, Central House, Harare, Zimbabwe. The company changed its name from Metropolitan Bank of Zimbabwe Limited to Metbank Limited with effect from 30 April 2012.

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

Statement of compliance
The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), the Companies Act (Chapter 24:03), Statutory Instruments SI33/99 and SI62/99 and the Banking Act (Chapter 24:20).

Functional and presentation currency
The financial statements are presented in United States dollars which is the Bank's functional currency. Except as otherwise indicated, financial information is shown as absolute figures.

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 the statement of financial position 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 assets 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 31 December 2012. All profits and losses on

Notes to the Financial Statements
For the year ended 31 December 2012

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.

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.

2.7. Impairment of Assets
The carrying amounts of the Bank's 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 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 cost 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 Taxation
Income tax expense represents corporate tax and deferred taxation for the period under review.

2.11.1 Corporate Tax
This is tax levied on taxable profits for the current year. The Bank's tax liability is calculated based on prevailing Income tax rates.

2.11.2 Deferred Tax
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 losses arising from a change in fair value of investment property are recognised in the income statement for the period which they relate.

2.16. Property and equipment
Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated using the straight–line method to write down the cost of property and equipment to their residual values over their estimated useful lives. Land is not depreciated. The estimated useful lives are as follows:

Leasehold improvements	15 years
Furniture	10 years
Office equipment	5 years
Computer equipment	5 years
Computer Networks	4 years
Motor vehicles	4 years

The carrying values of property and equipment are reviewed periodically to assess whether or not the recoverable amount has declined below the carrying amount. In the event of such an impairment the carrying amount is reduced to the recoverable amount and the impairment loss is charged as an expense against income. Valuations are performed annually to ensure that the fair values of assets do not differ materially from the carrying amounts.

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
Credit Risk is the risk that the Bank will incur a loss because its customers or counterparts fail to discharge their contractual obligations. 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 cash flows. 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

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For the year ended 31 December 2012

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. Operational 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 counter-party 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 year ended 31 December 2012

	Audited 31 Dec 2012 US$	Audited 31 Dec 2011 US$
4 INTEREST INCOME		
Loans and advances	16 082 311	9 934 793
Investment securities	3 805 105	3 155 154
	19 887 416	**13 089 947**
5 INTEREST EXPENSE		
Banks	247 588	182 608
Customers	8 696 881	4 643 662
	8 944 469	**4 826 270**
6 NON INTEREST INCOME		
Fair value adjustment on investment property	750 000	-
Commission and fee income	8 671 750	5 559 163
Other income	3 058 506	1 611 124
	12 480 256	**7 170 287**
7 OPERATING EXPENDITURE		
Auditor's fees	72 376	35 345
Directors' fees	28 450	25 270
Staff costs	10 352 434	7 150 560
Other administrative expenses	7 297 993	4 577 332
	17 751 253	**11 788 507**
8 TAXATION		
8.1 Current year taxation		
Corporate tax	99 998	127 002
Deferred taxation	391 496	497 216
	491 494	**624 218**
8.2 Taxation charge reconciliation		
Profit before taxation	**2 076 189**	**3 352 305**
Tax calculated at a rate of 25.75%	534 619	863 219
Net tax effect on non-taxable/non-deductible items	(43 125)	(239 001)
	491 494	**624 218**
8.3 Tax rate reconciliation		
Notional tax	25.00%	25.00%
AIDS levy	0.75%	0.75%
	25.75%	**25.75%**
9 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**

9.1 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.

	Audited 31 Dec 2012 US$	Audited 31 Dec 2011 US$
10 DEPOSITS		
Current and savings accounts	48 491 158	32 988 284
Offshore lines of credit	15 066 954	5 000 000
Due to banks	35 286 120	6 002 923
Term deposits	48 553 500	34 551 358
	147 397 732	**78 542 565**

Notes to the Financial Statements
For the year ended 31 December 2012

	Audited 31 Dec 2012 US$	Audited 31 Dec 2011 US$
10.1 Maturity analysis		
Withdrawals on demand and within one month	104 083 869	60 737 791
1 month and up to 3 months	13 255 389	5 409 383
3 months and up to 1 year	14 991 520	7 395 391
Maturity after 1 year but within 5 years	15 066 954	5 000 000
	147 397 732	**78 542 565**
10.2 SECTORAL ANALYSIS OF CUSTOMER DEPOSITS		
Construction	1 309 873	4 119 014
Agriculture	7 494 922	2 650 049
Financial institutions and offshore lines of credit	35 273 195	11 002 923
Distribution	3 327 238	1 480 738
Mining	586 991	83 234
Transport	312 419	770 024
Private	30 471 459	5 812 837
Manufacturing	13 039 974	10 713 934
Commercial	7 820 611	15 841 306
Communications	11 852 741	2 588 373
Quasi-government institutions	35 908 309	23 480 133
	147 397 732	**78 542 565**
11 DEFERRED TAXATION		
Additions to property and equipment	747 997	471 100
Investment property at fair value	1 470 469	257 940
Tax effect on provision for credit losses	1 073 873	1 064 651
Revaluation surplus on property and equipment	-	1 587 100
	3 292 339	**3 380 791**
12 OTHER LIABILITIES		
Accrued expenses	1 385 901	2 410 877
Other provisions	774 661	880 788
	2 160 562	**3 291 665**
13 CASH AND BANK BALANCES		
Balances with Reserve Bank of Zimbabwe		
Statutory reserves	-	1 518 552
Current account balances	13 394 031	18 637 722
	13 394 031	**20 156 274**
Balances with other banks and cash		
Placements with other banks	20 373 578	-
Cash and Nostro bank balances	6 382 428	6 990 602
	26 756 006	**6 990 602**
Total	**40 150 037**	**27 146 876**

During the year under review the Reserve Bank of Zimbabwe converted statutory reserves to discountable and tradable bills which have been recognised as financial assets at fair value through profit or loss.

13.1 Included in cash and nostro balances are the following major currencies and balances: -

	Total	Exchange Rate	USD Equivalent
Pound Sterling	20,108	1:0.6415	31,345
South African Rand	2,008,623	1:8.1699	245,856
Total			**277,201**

	Audited 31 Dec 2012 US$	Audited 31 Dec 2011 US$
14 LOANS AND ADVANCES TO CUSTOMERS		
Loans	49 227 511	21 516 102
Advances	56 587 544	35 773 392
	105 815 055	**57 289 494**
14.1 Provision for doubtful debts		
Loans and advances are net of:		
Provisions for doubtful debts	(4 447 983)	(852 222)
Suspended interest on doubtful debts	(457 640)	(554 753)
	100 909 432	**55 882 519**

Included in loans is an exposure of $2.5million which the Bank has on Zimbabwe Cricket which is a related party in that certain directors who sit on Zimbabwe Cricket's board are also Metbank board members.

	Audited 31 Dec 2012 US$	Audited 31 Dec 2011 US$
14.2 Maturity analysis		
Maturity within 1 month	63 668 566	41 119 822
Maturity after 1 month but within 6 months	19 414 676	11 669 791
Maturity after 6 months but within 1 year	11 502 653	1 503 232
Maturity after 1 year but within 5 years	6 323 537	1 589 674
	100 909 432	**55 882 519**
14.3 Sectoral analysis of loans and advances		
Agriculture	27 121 941	5 548 441
Construction	6 577 209	4 152 459
Distribution	19 889 285	10 900 833
Individuals	9 761 132	5 109 382
Manufacturing	9 405 879	2 812 059
Services	30 583 149	26 190 313
Mining	1 365 032	1 791 027
Communications	119 042	520
Transport	992 386	784 460
	105 815 055	57 289 494
Provision for doubtful debts and suspended interest	(4 905 623)	(1 406 975)
	100 909 432	**55 882 519**

14.4 Provisions for doubtful debts	Specific US$	General US$	Total US$
Balance at 1 January 2012	277 604	574 618	852 222
Charge against profits	3 397 171	198 590	3 595 761
Balance at 31 December 2012	**3 674 775**	**773 208**	**4 447 983**
Balance at 1 January 2011	253 713	305 357	559 070
Charge against profits	23 891	269 261	293 152
Balance at 31 December 2011	**277 604**	**574 618**	**852 222**

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14.5 CREDIT RISK ANALYSIS

14.5.1 Maximum Exposure to Credit Risk by Grades

	Audited 31 Dec 2012 US$	Audited 31 Dec 2012 US$	Audited 31 Dec 2012 US$	Audited 31 Dec 2011 US$	Audited 31 Dec 2011 US$	Audited 31 Dec 2011 US$
	Gross exposure	**Value of security**	**Net maximum exposure**	**Gross exposure**	**Value of security**	**Net maximum exposure**
Total pass	73 921 594	48 161 307	25 760 287	53 927 943	43 860 442	10 067 501
Total special mention	1 133 075	2 090 360	(957 285)	1 177 958	1 048 382	129 576
Total substandard	23 454 897	19 034 346	4 420 551	332 884	298 663	34 221
Total doubtful	911 836	911 836	-	1 531 316	1 193 385	337 931
Total loss	6 393 653	3 602 989	2 790 664	319 393	217 599	101 794
	105 815 055	**73 800 838**	**32 014 217**	**57 289 494**	**46 618 471**	**10 671 023**

14.5.2 Exposure to Credit Risk by Sector

	31 Dec 2012	31 Dec 2011
Agriculture	27 121 941	5 548 441
Construction	6 577 209	4 152 459
Distribution	19 889 285	10 900 833
Individuals	9 761 132	5 109 382
Manufacturing	9 405 879	2 812 059
Services	30 583 149	26 190 313
Mining	1 365 032	1 791 027
Communications	119 042	520
Transport	992 386	784 460
	105 815 055	**57 289 494**

14.5.3 Credit quality by class of Financial Assets

Total Position as at 31 December 2012	**Total pass US$**	**Total special mention US$**	**Total substandard US$**	**Total doubtful US$**	**Total loss US$**	**Total US$**
Agriculture	23 048 543	74 487	2 800 584	296 987	901 340	27 121 941
Construction	6 545 558	101	34	30 915	601	6 577 209
Distribution	14 623 235	1 017 684	290 143	368 174	3 590 049	19 889 285
Individuals	9 289 152	28 834	29 686	57 988	355 472	9 761 132
Manufacturing	6 170 566	-	3 130 097	102 788	2 428	9 405 879
Services	12 539 901	11 408	17 050 013	54 984	926 843	30 583 149
Mining	1 210 063	249	154 340	-	380	1 365 032
Communications	118 206	297	-	-	539	119 042
Transport	376 370	15	-	-	616 001	992 386
	73 921 594	**1 133 075**	**23 454 897**	**911 836**	**6 393 653**	**105 815 055**

Total Position as at 31 December 2011	**Total pass US$**	**Total special mention US$**	**Total substandard US$**	**Total doubtful US$**	**Total loss US$**	**Total US$**
Agriculture	4 882 029	70 549	4 649	529 278	61 936	5 548 441
Construction	4 144 393	124	-	7 942	-	4 152 459
Distribution	8 829 175	932 543	299 812	787 914	51 389	10 900 833
Individuals	4 684 570	161 810	28 330	37 606	197 066	5 109 382
Manufacturing	2 714 060	-	-	96 739	1 260	2 812 059
Services	26 109 021	12 817	14	60 754	7 707	26 190 313
Mining	1 790 968	43	-	-	16	1 791 027
Communications	440	72	-	-	8	520
Transport	773 287	-	79	11 083	11	784 460
	53 927 943	**1 177 958**	**332 884**	**1 531 316**	**319 393**	**57 289 494**

15 PROPERTY AND EQUIPMENT

	Opening Balance US$	**Additions US$**	**Disposals US$**	**Closing Balance US$**
Cost				
Leasehold buildings	1 144 543	1 284 809	-	2 429 352
Motor vehicles	241 320	1 225 129	-	1 466 449
Computer and Office equipment	1 198 066	1 211 947	930	2 409 083
Furniture and fittings	349 527	135 775	-	485 302
Computer networks	279 762	77 432	-	357 194
TOTAL	**3 213 218**	**3 935 092**	**930**	**7 147 380**

	Opening Balance US$	**Charge for the period US$**		**Closing Balance US$**
Accumulated Depreciation				
Leasehold buildings	155 121	98 455	-	253 576
Motor vehicles	91 421	162 888	-	254 309
Computer and Office equipment	276 509	331 058	47	607 520
Furniture and fittings	68 029	41 737	-	109 766
Computer networks	96 376	79 513	-	175 889
TOTAL	**687 456**	**713 651**	**47**	**1 401 060**
Carrying Amount				
Leasehold buildings	989 422			2 175 776
Motor vehicles	149 899			1 212 140
Computer and Office equipment	921 557			1 801 563
Furniture and fittings	281 498			375 536
Computer networks	183 386			181 305
TOTAL	**2 525 762**			**5 746 320**

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	Audited 31 Dec 2012 US$	**Audited 31 Dec 2011 US$**
16 INVESTMENT PROPERTY		
Opening balance	40 872 888	40 872 888
Additions	2 528 000	-
Net gain in fair value adjustments	750 000	-
	44 150 888	**40 872 888**

16.1 Collateral Issued

Investment properties to the value of $20.6million have been used as collateral on deposits

	Audited 31 Dec 2012 US$	**Audited 31 Dec 2011 US$**
17 RELATED PARTY TRANSACTIONS		
17.1 Loans to Key Management Personnel		
Balance at beginning of period	522 200	532 495
New advances	522 000	439 398
Repayments	(162 994)	(449 693)
	881 206	**522 200**
17.2 Benefits to Key Management Personnel		
Key Management Personnel		
Short term and long term benefits	1 415 197	983 074
Post employment benefits	79 640	-
	1 494 837	**983 074**
17.3 Non Executive Directors Fees		
Directors fees	28 450	25 480
	28 450	**25 480**

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Bank.

17.4 Holding Company Transactions
Following the acquisition of 60% of the ordinary share capital of the Bank on 01 July 2007, Metbank Limited is a subsidiary of Loita Finance Holdings Limited, incorporated in Mauritius. During the period under review there were no financial transactions entered into between the Bank and the Holding Company.

17.5 Insider Loans
As at 31 December 2012 Mnondo Properties Private Limited owed the Bank $3.1 million ($1.3 million - 2011) while Tangpal Investments owed $0.4million. The interest applicable on these loans is 18% per annum. Mnondo Properties Private Limited and Tangpal Investments are related parties in that two directors in each of these companies are also directors of Metbank Limited.

18. LIQUIDITY RISK
18.1 Total position at 31 December 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	40 150 037	-	-	-	40 150 037
Loans and advances to customers	63 668 566	19 414 676	11 502 653	6 323 537	100 909 432
Financial assets through profit or loss	1 518 542	-	-	-	1 518 542
Property and equipment	-	-	-	5 746 320	5 746 320
Investment property	-	-	-	44 150 888	44 150 888
Other assets	-	-	-	4 879 468	4 879 468
	105 337 145	**19 414 676**	**11 502 653**	**61 100 213**	**197 354 687**
EQUITY AND LIABILITIES					
Shareholders' equity	-	-	-	44 504 054	44 504 054
Deposits from customers	71 994 015	44 372 581	15 964 182	15 066 954	147 397 732
Deferred taxation	-	-	-	3 292 339	3 292 339
Other liabilities	-	-	-	2 160 562	2 160 562
	71 994 015	**44 372 581**	**15 964 182**	**65 023 909**	**197 354 687**
Net liquidity gap	**33 343 130**	**(24 957 905)**	**(4 461 529)**	**(3 923 696)**	
Cumulative gap as at 31 December 2012	**33 343 130**	**8 385 225**	**3 923 696**	**-**	
Cumulative gap as at 31 December 2011	**19 152 255**	**8 789 315**	**2 897 156**	**-**	

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19. INTEREST RATE REPRICING GAP ANALYSIS

Total position at 31 December 2012

	Up to 1 month US$	1 month to 6 months US$	6 months to 1 year US$	Over 1 year US$	Non-interest bearing US$	Total US$
ASSETS						
Bank and cash balances	20 373 578	-	-	-	19 776 459	40 150 037
Loans and advances to customers	63 668 566	19 414 676	11 502 653	6 323 537	-	100 909 432
Financial assets	1 518 542	-	-	-	-	1 518 542
Property and equipment	-	-	-	-	5 746 320	5 746 320
Investment property	-	-	-	-	44 150 888	44 150 888
Other assets	-	-	-	-	4 879 468	4 879 468
	85 560 686	**19 414 676**	**11 502 653**	**6 323 537**	**74 553 135**	**197 354 687**
EQUITY AND LIABILITIES						
Shareholders' equity	-	-	-	-	44 504 054	44 504 054
Deposits from customers	71 994 015	44 372 581	15 964 182	15 066 954	-	147 397 732
Deferred taxation	-	-	-	-	3 292 339	3 292 339
Other liabilities	-	-	-	2 160 562	-	2 160 562
	71 994 015	**44 372 581**	**15 964 182**	**17 227 516**	**47 796 393**	**197 354 687**
Interest rate re-pricing gap	**13 566 671**	**(24 957 905)**	**(4 461 529)**	**(10 903 979)**	**26 756 742**	
Cumulative gap as at 31 December 2012	**13 566 671**	**(11 391 234)**	**(15 852 763)**	**(26 756 742)**	**-**	
Cumulative gap as at 31 December 2011	**(7 994 621)**	**(18 357 561)**	**(24 249 720)**	**(26 401 711)**	**-**	

	Audited 31 Dec 2012 US$	Audited 31 Dec 2011 US$
20 POST EMPLOYMENT BENEFITS		
The amounts recognised in the income statement are as follows:-		
Metbank Pension Fund contributions	409 515	258 979
National Social Security Authority contributions	24 221	20 002
	433 736	**278 981**

20.1 Metropolitan Bank Pension Fund

Post employment benefits are provided for all permanent employees by a separate pension fund to which the Bank contributes. The fund is a defined contribution plan under which retirement benefits are determined by reference to the employee's contributions and the performance of the fund.

20.2 National Social Security Authority Pension Fund
This is a separately funded defined benefit plan established under the National Social Security Act of 1987.The Bank contributes 3% of pensionable emoluments of eligible employees.

21. ATTENDANCE RECORD OF BOARD MEMBERS AT BOARD MEETINGS FOR THE YEAR 2012

Member	Meetings Held			
	1	2	3	4
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. Kahari	√	√	LOA	LOA
Mr. O. Bvute	√	√	√	√
Mr. P. F. Chingoka	√	√	√	√
Mrs. L. B. Mathopo	√	√	√	√
Mr. J. N. Chinyanta	LOA		√	√

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

Audit Committee

Name	Meetings Held			
	1	2	3	4
Mr. O. Matore	√	√	√	√
Mrs. B. M. Kahari	LOA	√	LOA	LOA
Mr. P. F. Chingoka	√	√	√	√

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

Remuneration Committee

Name	Meetings Held			
	1	2	3	4
Mr. W. T. Manase	√	√	√	√
Mr. V. C. Jakachira	√	√	√	√
Mr. B. N. Ndebele	√	√	√	√
Mr. O. Bvute	√	√	√	√

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

Notes to the Financial Statements
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Loans Review Committee

Name	Meetings Held			
	1	2	3	4
Mr. W. T. Manase	√	√	√	√
Mrs. C. Kamuriwo-Mutunhu	√	√	√	√
Mrs. N. Ncube	√	√	√	√
Mrs. L. B. Mathopo	√	√	LOA	√

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

22. RISK AND CREDIT RATINGS INFORMATION

CAMELS Ratings
The Reserve Bank of Zimbabwe conducts regular examinations of Banks and Financial Institutions it regulates. The results of the last inspection conducted by the Reserve Bank as at 30 September 2012 are as follows:-

September 2012 CAMELS* Ratings

Capital	Asset Quality	Management	Earnings	Liquidity	Sensitivity to Market Risk	Overall Rating
3	4	4	4	3	3	4

*CAMELS is an acronym for capital adequacy, asset quality management, earnings, liquidity and sensitivity to market risk. CAMELS Rating System uses a rating scale of 1 to 5 where '1' is strong; '2' is satisfactory; '3' is fair, '4' is weak and '5' is critical.

Summary Risk Matrix

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

The Bank's credit rating for 2013 was carried out by the Global Credit Rating Company (GCR).
The results are tabulated below:

External Credit Ratings	
Rating Agent	Global Credit Rating Company (GCR)
Date Issued	Long Term Credit Rating
September 2010	BB+
September 2011	BB+
September 2012	BB+

	Audited 31 Dec 2012 US$	Audited 31 Dec 2011 US$
23 CAPITAL ADEQUACY		
Ordinary share capital	12 500 000	12 500 000
Non-redeemable preference shares	500 000	500 000
Retained profit	8 278 282	6 693 587
less Exposures to insiders and connected counterparties	(3 543 853)	(1 316 594)
Tier 1 capital	**17 734 429**	**18 376 993**
General provisions	773 208	574 618
Capital reserves	23 225 772	23 225 772
Tier 2 capital	**23 998 980**	**23 800 390**
Total Tier 1 and Tier 2 Capital	**41 733 409**	**42 177 383**
Total regulatory capital	**35 468 858**	**36 753 986**
Capital adequacy ratio	**27.0%**	**25.1%**
Tier I Ratio	13.5%	20.7%
Tier II Ratio	13.5%	4.4%
	-	-
	27.0%	**25.1%**

24 EVENTS AFTER STATEMENT OF FINANCIAL POSITION DATE

The Bank received fresh capital amounting to $3 million, from its shareholders including Loita Finance Holdings Limited. The table below shows the updated core capital as at 14 March 2013.

Tier 1 Capital Components as at 14 March 2013

Capital Component	Balance as at 14 March 2013
Ordinary Share Capital	12 500 000
Non-Cummulative Irredeemable Preference Shares	3 500 000
Retained Income as at 31 December 2012	8 278 282
Current Year Profits	920 644
Total Tier 1 Capital	**25 198 926**

Insider loans amounting to $3.52 million as at 31 December 2012, were settled in full by the 5th of March 2013.

BY ORDER OF THE BOARD

MS R. CHIPENDO
COMPANY SECRETARY