Unaudited Financial Statements

metbank
Registered Commercial Bank

For The Half Year Ended 30 June 2013

Chairman's Statement

It gives me pleasure to report on the financial performance of the Bank for the six months ended 30 June 2013. I am particularly pleased to note that the Bank delivered satisfactory results and significant progress was made on several key fronts and other priority areas of our business notwithstanding the challenging illiquid environment.

Operating Environment
During the six months under review macro-economic indicators showed some levels of stability as was the case in 2012. Inflation continued to trend favourably with year on year figure for June 2013 being reported at 1.87%. The United States dollar continues to appreciate against the South African rand which has been weakening and weighed down by concerns around labour unrest, fragile softening of commodity prices and reported trade deficit. Generally indications are that economic performance though stable, has remained hamstrung by the liquidity constraints, subdued fiscal revenue inflows and huge expenditure requirements on very limited resources. Revenue collections have failed to cover essential capital projects that would provide a platform to catalyze economic growth. Equities market remained bullish in the first half of 2013. Specifically over the second quarter the market gained 15% taking the year to date performance to a solid 39%. Going forward there is a need to focus more attention on those factors that enable us to realise the immense potential of our economy. In particular we need to encourage investment across all the productive sectors, enhance exports and rebuild confidence within the Zimbabwean economy.

Financial Performance
It is gratifying to report that the Bank managed to achieve satisfactory results. Net profit after tax recorded during the period amounted to $1.9 million. As a result of unrelenting focus on diversified revenue generation and cost control as well as efficiency throughout the Bank, our cost to income ratio remained stable at 79%. Assets decreased 2.9% to $191.6 million with gross advances rising 12.5% to $118.4 million while deposits decreased 6.9% to $137.1million. As a result loans to deposit ratio rose from 68% to 86% as at 30 June 2013.

I am also happy to report that during the period under review Metbank became the first bank in Zimbabwe to issue EMV chip enabled Debit MasterCard. EMV cards enable safer, smarter and more secure transactions across cards and remote payment channels.

In our quest to provide world class retail banking services we acquired 19 ATMs during the period under review. We have also completed leasehold improvements at the new disaster recovery site at Westgate shopping centre. With this in mind we fully understand that customers expect nothing less than the highest level of uptime, security and reliabilty when using our delivery channels.

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.

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
Reporting on Corporate Social Responsibility ("CSR") in an environment characterized by weak economic fundamentals, liquidity pressures and the prospect of a national plebiscite means that sustained mid to long term interventions gave way to more ad hoc and short term activities. So rather than strategic, high level and informed by a combination of the much lauded Millennium Development Goals ("MGD's") and Metbank's vision and values, the CSR activities have tended to be more requests driven.

The period under review nonetheless saw a number of efforts being undertaken in the Bank's core area of activity, namely education, primarily in the Southern Region. A few are highlighted in this report. The year opened with Metbank, in conjunction with primary schools situated in Matabeleland North and South, coming together at an inaugural event to celebrate the achievement, often under difficult circumstances, of schools and their pupils, called the Community Education Project Prize Giving Day. A group of responsible and concerned members of the Matabeleland Community who were concerned about the education crisis in the region and wanted to devise a strategy to ameliorate the situation are the moving spirit behind this initiative.

Still in the first quarter, Gwanda South Schools Athletics competition was held at Bethel Primary School. The quality of sporting endeavour and caliber of participant was befitting of the Bank's commitment to recognize achievement beyond the classroom. This is in keeping with the national focus on promoting sport amongst the youth as a viable career and a means to engage in gainful activity.

The theme of Bubi District World AIDS Day commemorations was "Zero New Infections, Zero Deaths, Zero Discrimination and Your Responsibility my Responsibility". To keep the spotlight on this pandemic, which has slowed down appreciably in recent years, Metbank partnered with the district administration at Emhlabatini School.

Directorate
During the period under review two Executive Directors namely Mrs. Sibusisiwe Ndhlovu and Mr. Felix Kumirai were appointed to the Board of Directors in 2013. Mrs. Ndhlovu has over eighteen years experience in banking, insurance and financial management. She is a qualified Chartered Accountant (CA). She holds a Bachelor of Accountancy (Hons) degree from the University of Zimbabwe. She is also a Council Member of the Institute of Chartered Accountants. Mr. Kumirai has seventeen years experience in corporate and merchant banking, financial advisory services and structured finance. He has worked in Botswana, Zambia and Zimbabwe corporate finance markets. He holds a Masters in Business Administration and a BSc (Hons) Economics from the University of Zimbabwe. He is an Associate Member of the Institute of Bankers in Zimbabwe.

On 8 April 2013 Advocate Thabani Mpofu was also appointed to the Board as Non Executive Director. Advocate Mpofu is a qualified legal practitioner and holds a Bachelor of Laws, LLB (Hons) Degree. He is registered with the Law Society of Zimbabwe with over six years experience in the legal profession. He specializes in constitutional, commercial, criminal, human rights and public interest litigation. He has dealt with high profile cases in Zimbabwe and has been invited on various occasions to assist both the High and Supreme Courts in complicated matters as the friend of the court (amicus curiae). He currently practices with the Advocates' Chambers, Harare. I wish all the Directors well in their new positions.

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 2013 the Bank has, in the Directors' opinion, complied fully with the tenets of good corporate governance.

Metbank'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.

The Board currently comprises, in addition to the Chairman, four Executive and eight Non-Executive Directors and meets at least four times a year. The Non-Executive Directors bring judgment 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 Managing Director and members of the Executive Team, as appropriate. Matters not formally referred 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 Managing Director are held by different individuals. Those of 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 Managing Director 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 Managing Director are clearly defined, separate and have been approved by the Board.

Outlook
In the outlook period the Bank will continue to implement all necessary strategies to ensure that it is adequately equipped to exploit opportunities and also meet the challenges that lie ahead. Internet banking project for consumer banking customers is in progress and will be completed in the second half of the year. Combining the talent of our personnel and our technology Metbank has been a pioneer in innovation and excellence for over ten years now. As market needs and customer expectations change, so too does the Bank adapt its methods and products to drive customer satisfaction and progress.

Appreciation
The board wishes to express its sincere gratitude to management and staff for their sterling effort in achieving good results. I am confident that the results for the second half of the year will be equally good. In collaboration with our business partners , shareholders and regulators we look to the future with confidence.

W. T. Manase
CHAIRMAN

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2013

	Notes	Unaudited 30 June 2013 US$	Audited 31 Dec 2012 US$
EQUITY AND LIABILITIES			
Share Capital and Reserves			
Share capital and share premium	9	16 000 676	13 000 000
Retained earnings		10 219 569	8 256 529
Capital reserves		23 225 772	23 225 772
Shareholders' Equity		**49 446 017**	**44 482 301**
Liabilities			
Deposits from customers	10	137 105 306	147 397 732
Deferred taxation	11	3 863 124	3 292 339
Other liabilities	12	1 186 739	2 182 315
Total Liabilities		**142 155 169**	**152 872 386**
Total Equity and Liabilities		**191 601 186**	**197 354 687**
ASSETS			
Cash and bank balances	13	17 089 904	40 150 037
Financial assets at fair value through profit or loss		1 541 382	1 518 542
Loans and advances to customers	14	113 325 337	100 909 432
Held to maturity investments	15	2 675 029	-
Property and equipment	16	5 668 221	5 746 320
Investment property	17	44 150 888	44 150 888
Other assets	18	7 150 425	4 879 468
Total Assets		**191 601 186**	**197 354 687**

STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2013

	Notes	Unaudited 30 June 2013 US$	Unaudited 30 June 2012 US$
Interest income	4	12 021 350	8 141 981
Interest expense	5	(5 337 115)	(3 437 730)
Net interest income		6 684 235	4 704 251
Non interest income	6	5 961 223	4 986 567
Operating income		12 645 458	9 690 818
Operating expenditure	7	(9 892 053)	(7 565 134)
Impairment losses on loans and advances	13.5	(109 580)	(180 878)
Profit before taxation		2 643 825	1 944 806
Income tax expense	8	(680 785)	(357 392)
Profit for the period		**1 963 040**	**1 587 414**
Other comprehensive income		-	-
Total comprehensive income for the period		**1 963 040**	**1 587 414**

STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2013

	Ordinary Share Capital US$	Preference Share Capital US$	Retained Earnings US$	Non Distributable Reserves US$	Total US$
Period ended 30 June 2013					
Balance at 31/12/12	12 500 000	500 000	8 256 529	23 225 772	44 482 301
Issue of irredeemable equity instruments	-	3 000 676	-	-	3 000 676
Total comprehensive income for the period	-	-	1 963 040	-	1 963 040
Balance at 30 June 2013	**12 500 000**	**3 500 676**	**10 219 569**	**23 225 772**	**49 446 017**
Year ended 31 December 2012					
Balance at 31/12/11	12 500 000	500 000	6 693 587	23 225 772	42 919 359
Total comprehensive income for the year	-	-	1 562 942	-	1 562 942
Balance at 31 December 2012	**12 500 000**	**500 000**	**8 256 529**	**23 225 772**	**44 482 301**

STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2013

	Notes	Unaudited 30 June 2013 US$	Unaudited 30 June 2012 US$
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		2 643 825	1 944 806
Adjustments for non-cash items:			
Depreciation and armotisation		701 244	356 922
Provision for doubtful debts		109 580	180 878
Other non cash items		-	(750 000)
Cash inflow from operations		**3 454 649**	**1 732 606**
Increase in operating assets		(17 502 086)	(33 324 224)
Increase/(Decrease) in liabilities		(10 695 463)	54 192 157
		(24 742 900)	**22 600 539**
Taxation paid		(812 117)	(10 869)
Net cash inflow/(outflow) from operating activities		**(25 555 017)**	**22 589 670**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment		(505 792)	(3 443 167)
Purchase of investment property		-	(2 450 000)
Net cash used in investing activities		**(505 792)**	**(5 893 167)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of irredeemable preference shares		3 000 676	-
Net cash from financing activities		**3 000 676**	**-**
Net (decrease)/increase in cash equivalents		(23 060 133)	16 696 503
Cash and cash equivalents at beginning of the period		40 150 037	27 146 876
Cash and cash equivalents at end of the period	13	**17 089 904**	**43 843 379**
Comprising:			
Balances with the Central Bank		495 772	16 696 503
Balances with other banks and cash		16 594 132	27 146 876
		17 089 904	**43 843 379**

Notes to The Financial Statements
For the half year ended 30 June 2013

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, Metropolitan 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 30 June 2013. 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 2.3.

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, unless 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 loses 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 with the impairment loss and the impairment loss is charged as an expense in the 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
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. 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 half year ended 30 June 2013

		Unaudited 30 June 2013 US$	Unaudited 30 June 2012 US$
4	**INTEREST INCOME**		
	Loans and advances	10 136 755	6 366 734
	Investment securities	1 884 595	1 775 247
		12 021 350	**8 141 981**
5	**INTEREST EXPENSE**		
	Banks	101 257	153 873
	Customers	5 235 858	3 283 857
		5 337 115	**3 437 730**
6	**NON INTEREST INCOME**		
	Commission and fee income	2 044 597	1 371 186
	Other income	3 916 626	3 615 381
		5 961 223	**4 986 567**
7	**OPERATING EXPENDITURE**		
	Auditor's fees	30 330	50 250
	Directors' fees	12 000	10 650
	Staff costs	5 134 073	4 616 828
	Administrative expenses	4 715 650	2 887 406
		9 892 053	**7 565 134**
8	**TAXATION**		
8.1	**Current year taxation**		
	Corporate tax	110 000	500 788
	Deferred taxation	570 785	(143 396)
		680 785	**357 392**

Notes to The Financial Statements
For the half year ended 30 June 2013

		Unaudited 30 June 2013 US$	Unaudited 30 June 2012 US$
8.2	**Taxation charge reconciliation**		
	Profit before taxation	2 643 825	1 944 806
	Tax calculated at a rate of 25.75%	680 785	500 788
	Net tax effect on non-taxable/non-deductible items	-	(143 396)
		680 785	**357 392**
8.3	Tax rate reconciliation		
	Notional tax	25.00%	25.00%
	AIDS levy	0.75%	0.75%
		25.75%	**25.75%**

		Unaudited 30 June 2013 US$	Audited 31 Dec 2012 US$
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	3 500 676	500 000
		16 000 676	**13 000 000**

9.1 Non-cumulative preference shares
The Bank has 3 500 676 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.

		Unaudited 30 June 2013 US$	Audited 31 Dec 2012 US$
10	**DEPOSITS**		
	Current and savings accounts	54 610 970	48 491 158
	Offshore lines of credit	14 833 327	15 066 954
	Due to banks	15 537 416	35 286 120
	Term deposits	52 123 593	48 553 500
		137 105 306	**147 397 732**

Included in deposits are mortgage backed deposits secured by the Bank's investment properties to the tune of $10m in favour of PTA Bank and $15.46m in favour of NSSA.

		Unaudited 30 June 2013 US$	Audited 31 Dec 2012 US$
10.1	**Maturity analysis**		
	Withdrawals on demand and within one month	110 255 207	104 083 869
	1 month and up to 3 months	9 280 131	13 255 389
	3 months and up to 1 year	2 736 641	14 991 520
	Maturity after 1 year but within 5 years	14 833 327	15 066 954
		137 105 306	**147 397 732**
10.2	**SECTORAL ANALYSIS OF CUSTOMER DEPOSITS**		
	Construction	885 268	1 309 873
	Agriculture	6 397 234	7 494 922
	Financial institutions and offshore lines of credit	20 534 586	35 273 195
	Distribution	2 262 060	3 327 238
	Mining	151 094	586 991
	Transport	130 275	312 419
	Private	20 208 888	30 471 459
	Manufacturing	2 346 891	13 039 974
	Commercial	50 916 211	7 820 611
	Communications	13 084 804	11 852 741
	Quasi-government institutions	20 187 995	35 908 309
		137 105 306	**147 397 732**
11	**Deferred taxation**		
	Additions to property and equipment	747 997	747 997
	Investment property at fair value	1 470 469	1 470 469
	Tax effect on tax losses and provision for credit losses	1 644 658	1 073 873
		3 863 124	**3 292 339**
12	**OTHER LIABILITIES**		
	Accrued expenses	565 897	1 385 901
	Other provisions	620 842	796 414
		1 186 739	**2 182 315**
13	**CASH AND BANK BALANCES**		
	Balances with Reserve Bank of Zimbabwe		
	Current account balances	495 772	13 394 031
	Balances with other banks and cash		
	Placements with Banks	15 537 416	20 373 578
	Cash and Nostro bank balances	1 056 716	6 382 428
	Total	**17 089 904**	**40 150 037**

Notes to The Financial Statements
For the half year ended 30 June 2013

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

	Total	Exchange Rate	USD Equivalent
Pound Sterling	24,561	1:0.6547	37,515
South African Rand	247,850	1:9.9256	24,971
Total			**62,486**

	Unaudited 30 June 2013 US$	Audited 31 Dec 2012 US$
14 LOANS AND ADVANCES TO CUSTOMERS		
Loans	48 016 128	49 227 511
Advances	70 342 317	56 587 544
	118 358 445	**105 815 055**
14.1 Provision for doubtful debts		
Loans and advances are net of:		
Provisions for doubtful debts	(4 557 564)	(4 447 983)
Suspended interest on doubtful debts	(475 544)	(457 640)
	113 325 337	**100 909 432**
14.2 Maturity analysis		
Maturity within 1 month	75 392 768	68 129 657
Maturity after 1 month but within 6 months	17 430 416	14 953 585
Maturity after 6 months but within 1 year	12 964 041	11 502 653
Maturity after 1 year but within 5 years	7 538 112	6 323 537
	113 325 337	**100 909 432**
14.3 Sectoral analysis of loans and advances		
Agriculture	30 597 314	27 121 941
Construction	8 831 090	6 577 209
Distribution	20 561 630	19 889 285
Individuals	11 795 324	9 761 132
Manufacturing	12 064 332	9 405 879
Services	29 158 600	30 583 149
Mining	3 914 946	1 365 032
Communications	164 959	119 042
Transport	1 270 250	992 386
	118 358 445	105 815 055
Provision for doubtful debts and suspended interest	(5 033 108)	(4 905 623)
	113 325 337	**100 909 432**
14.4 Non performing loans		
Total loans and advances on which interest is suspended	**28 320 615**	**30 760 387**

	Specific US$	General US$	Total US$
14.5 Provisions for doubtful debts			
HISTORICAL			
Balance at 1 January 2013	3 674 775	773 208	4 447 983
Charge against profits	(214 377)	323 956	109 580
Balance at 30 June 2013	**3 460 398**	**1 097 164**	**4 557 563**
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**

14.6 CREDIT RISK ANALYSIS

14.6.1 Maximum Exposure to Credit Risk by Grade

	Unaudited 30 June 2013 US$ Gross maximum exposure	Unaudited 30 June 2013 US$ Value of security	Unaudited 30 June 2013 US$ Net maximum exposure	Audited 31 Dec 2012 US$ Gross maximum exposure	Audited 31 Dec 2012 US$ Value of security	Audited 31 Dec 2012 US$ Net maximum exposure
Total pass	80 198 509	52 705 012	27 493 497	73 921 594	48 161 307	25 760 287
Special mention	9 839 321	9 160 240	679 081	1 133 075	1 133 075	-
Substandard	20 577 492	19 593 899	983 593	23 454 897	19 034 346	4 420 551
Doubtful	1 396 970	832 656	564 314	911 836	911 836	-
Total loss	6 346 153	3 364 631	2 981 522	6 393 653	3 602 989	2 790 664
	118 358 445	**85 656 438**	**32 702 007**	**105 815 055**	**72 843 553**	**32 971 502**

14.6.2 Maximum Exposure to Credit Risk by Sector

Agriculture	30 597 314	3 358 472	27 238 842	27 121 941	19 649 700	7 472 241
Construction	8 831 090	30 000	8 801 090	6 577 209	6 460 000	117 209
Distribution	20 561 630	3 452 544	17 109 086	19 889 285	18 563 670	1 325 615
Individuals	11 795 324	1 885	11 793 439	9 761 132	955 158	8 805 974
Manufacturing	12 064 332	24 850	12 039 482	9 405 879	3 622 310	5 783 569
Services	29 158 600	78 788 687	-49 630 087	30 583 149	22 673 673	7 909 476
Mining	3 914 946	-	3 914 946	1 365 032	500 000	865 032
Communications	164 959	-	164 959	119 042	119 042	-
Transport	1 270 250	-	1 270 250	992 386	300 000	692 386
	118 358 445	**85 656 438**	**32 702 007**	**105 815 055**	**72 843 553**	**32 971 502**

Notes to The Financial Statements
For the half year ended 30 June 2013

14.6.3 Credit quality by class of Financial Assets

Total Position as at 30 June 2013

	Total pass	Total special mention	Total substandard	Total doubtful	Total loss	Total
Agriculture	25 694 289	122 037	2 669 404	951 827	1 159 757	**30 597 314**
Construction	954 568	7 782 712	63 254	28 780	1 776	**8 831 090**
Distribution	14 896 155	1 682 237	629 173	194 378	3 159 687	**20 561 630**
Individuals	10 922 368	189 583	350 850	61 070	271 453	**11 795 324**
Manufacturing	11 229 441	-	729 538	102 984	2 369	**12 064 332**
Services	11 967 326	22 641	15 991 853	57 931	1 118 849	**29 158 600**
Mining	3 901 030	13 439	15	-	462	**3 914 946**
Communications	21 065	-	143 405	-	489	**164 959**
Transport	612 267	26 672	-	-	631 311	**1 270 250**
	80 198 509	**9 839 321**	**20 577 492**	**1 396 970**	**6 346 153**	**118 358 445**

Total Position as at 31 December 2012

	Total pass	Total special mention	Total substandard	Total doubtful	Total loss	Total
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**

Notes to The Financial Statements
For the half year ended 30 June 2013

15 Held to Maturity Financial Instruments

During the period under review the bank was issued with two parcels of convertible debentures for Lobels Limited totalling $2 675 029.25 which matures on 9 March 2018. The effective interest rate for the $1 175 029.25 debenture is 10% whilst effective rate for $1 500 000 is 7%.

16 PROPERTY AND EQUIPMENT

	Opening Balance US$	Additions US$	Disposals US$	Closing Balance US$
Carrying Amount				
Leasehold buildings	2 429 352	93 564	-	2 522 916
Motor vehicles	1 466 449	87 797	-	1 554 246
Computer and Office equipment	2 409 083	276 073	-	2 685 156
Furniture and fittings	485 302	30 926	-	516 228
Computer networks	357 194	17 432	-	374 626
TOTAL	**7 147 380**	**505 792**	**-**	**7 653 172**

	Opening Balance US$	Charge for the period US$	Disposals US$	Closing Balance US$
Accumulated Depreciation				
Leasehold buildings	253 576	77 137	-	330 713
Motor vehicles	254 309	186 914	-	441 223
Computer and Office equipment	607 520	250 223	-	857 743
Furniture and fittings	109 766	24 479	-	134 245
Computer networks	175 889	45 138	-	221 027
TOTAL	**1 401 060**	**583 891**	**-**	**1 984 951**
Carrying Amount				
Leasehold buildings	2 175 776			2 192 203
Motor vehicles	1 212 140			1 113 023
Computer and Office equipment	1 801 563			1 827 413
Furniture and fittings	375 536			381 983
Computer networks	181 305			153 599
TOTAL	**5 746 320**			**5 668 221**

	Unaudited 30 June 2013 US$	Audited 31 Dec 2012 US$
17 INVESTMENT PROPERTY		
Opening balance	44 150 888	40 872 888
Additions	-	2 528 000
Net gain in fair value adjustments	-	750 000
	44 150 888	**44 150 888**

Notes to The Financial Statements
For the half year ended 30 June 2013

17.1 Collateral Issued

Investment properties to the value of $25.46 million have been used as collateral on NSSA and PTA deposits (refer to note 10).

	Unaudited 30 June 2013 US$	Audited 31 Dec 2012 US$
18 RELATED PARTY TRANSACTIONS		
18.1 Loans to Key Management Personnel		
Balance at beginning of period	881 206	522 200
New advances	270 899	522 000
Repayments	(201 310)	(162 994)
	950 795	**881 206**
18.2 Benefits to Key Management Personnel	**30 June 2013**	**30 June 2012**
Key Management Personnel		
Short term and long term benefits	827 399	651 132
Post employment benefits	31 314	25 367
	858 713	**676 499**
18.3 Non Executive Directors Fees		
Directors fees	12 000	10 650
	12 000	10 650

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Bank. These include the Managing Director, Finance Director, Executive Director Banking, Head - Risk, General Manager Human Resources, Company Secretary, Head of Compliance, Chief Internal Auditor, General Manager Treasury, Head Retail Banking, Head Corporate Banking and Finance Manager.

18.4 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. As at 30 June 2013, Loita Trade Services owed the Bank $319 800.

18.5 Insider Loans

As at 30 June 2013 Metholdings Limited owed the Bank $365 728. The interest applicable on this loan is 28% per annum. Metholdings is a related party in that the Bank's shareholders and those of Metholdings are the same.

There are adequate internal controls in place to ensure that transactions with related parties are appropriately identified in the information systems and disclosed in the financial statements. An up-to date Register of Directors interests in contracts is always in place to ensure identification and recording of all related parties.

19 LIQUIDITY RISK

19.1 Total position at 30 June 2013

	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	17 089 904	-	-	-	17 089 904
Loans and advances	76 084 471	19 414 676	11 502 653	6 323 537	113 325 337
Other financial assets	1 541 382	-	-	2 675 029	4 216 411
Property and equipment	-	-	-	5 668 221	5 668 221
Investment property	-	-	-	44 150 888	44 150 888
Other assets	-	-	-	7 150 425	7 150 425
	94 715 757	**19 414 676**	**11 502 653**	**65 968 100**	**191 601 186**
EQUITY AND LIABILITIES					
Shareholders' equity	-	-	-	49 446 017	49 446 017
Deposits	61 701 589	44 372 581	15 964 182	15 066 954	137 105 306
Deferred taxation	-	-	-	3 863 124	3 863 124
Other liabilities	-	-	-	1 186 739	1 186 739
	61 701 589	**44 372 581**	**15 964 182**	**69 562 834**	**191 601 186**
Net liquidity gap	**33 014 167**	**(24 957 905)**	**(4 461 529)**	**(3 594 733)**	
Cumulative gap as at 30 June 2013	**33 014 167**	**8 056 263**	**3 594 734**	**-**	
Cumulative gap as at 31 December 2012	**33 343 130**	**8 385 225**	**3 923 696**	**-**	

20 INTEREST RATE REPRICING AND GAP ANALYSIS

20.1 Total position at 30 June 2013

	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	15 537 416	-	-	-	1 552 488	17 089 904
Loans and advances	76 084 471	19 414 676	11 502 653	6 323 537	-	113 325 337
Other financial assets	1 541 382	-	-	2 675 029	-	4 216 411
Property and equipment	-	-	-	-	5 668 221	5 668 221
Investment property	-	-	-	-	44 150 888	44 150 888
Other assets	-	-	-	-	7 150 425	7 150 425
	93 163 269	**19 414 676**	**11 502 653**	**8 998 565**	**58 522 022**	**191 601 186**

Notes to The Financial Statements
For the half year ended 30 June 2013

20.1 Total position at 30 June 2013 - Continued

	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$
EQUITY AND LIABILITIES						
Shareholders' equity	-	-	-	-	49 446 017	49 446 017
Deposits from customers	61 701 589	44 372 581	15 964 182	15 066 954	-	137 105 306
Deferred taxation	-	-	-	-	3 863 124	3 292 339
Other liabilities	-	-	-	1 186 739	-	1 186 739
	61 701 589	**44 372 581**	**15 964 182**	**16 253 693**	**53 309 141**	**191 601 186**
Interest rate re-pricing gap	**31 461 680**	**(24 957 905)**	**(4 461 529)**	**(7 255 128)**	**5 212 882**	
Cumulative gap as at 30 June 2013	**31 461 680**	**6 503 775**	**2 042 246**	**(5 212 882)**	**-**	
Cumulative gap as at 31 December 2012	**13 566 671**	**(11 391 234)**	**(15 852 763)**	**(26 756 742)**	**-**	

	Unaudited 30 June 2013 US$	Unaudited 30 June 2012 US$
21 POST EMPLOYMENT BENEFITS		
The amounts recognised in the income statement are as follows:-		
Metbank Pension Fund contributions	207 597	167 915
National Social Security Authority contributions	67 216	11 979
	274 813	**179 894**

21.1 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.

21.2 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 3.5% of pensionable emoluments of eligible employees.

22. ATTENDANCE RECORD OF BOARD MEMBERS AT BOARD COMMITTEES AND FULL BOARD MEETINGS IN 2013

Member	Meetings Held	
	1	2
Mr. W.T. Manase	√	LOA
Mr. V. C. Jakachira	√	√
Mr. B. N. Ndebele	√	√
Mr. G. Changunda	√	√
Mr. F. Kumirai	√	√
Mrs. S. Ndhlovu	√	LOA
Mr. O. Matore	√	√
Mrs. N. Ncube	√	√
Mr. O. Bvute	√	√
Mr. P. F. Chingoka	√	√
Mrs. L. Mathopo	√	LOA
Mr. J.N. Chinyanta	√	√
Advocate T. Mpofu	N/A	√

Key
√ Present
LOA Leave of absence granted

Notes to The Financial Statements
For the half year ended 30 June 2013

Audit Committee

Name	Meetings Held	
	1	2
Mr. O. Matore	√	√
Advocate T. Mpofu	N/A	LOA
Mr. P. Chingoka	√	√

Key
√ -Present
LOA -Leave of absence granted

Remuneration Committee

Name	Meetings Held	
	1	2
Mr. W. T. Manase	√	√
Mr. P. Chingoka	√	√
Mrs. S. Ndhlovu	√	√
Mr .B. N. Ndebele	√	√
Mr. O. Bvute	√	√

Key
√ -Present
LOA - Leave of absence granted

Loans Review Committee

Name	Meetings Held	
	1	2
Mr. W. T. Manase	√	√
Mrs. N. Ncube	√	√
Mrs. L. Mathopo	√	LOA

Key
√ -Present
LOA -Leave of absence granted

23. 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 – Fair	4 – Weak	4 - Weak	4 - Weak	3 - Fair	3 – Fair	4 – Weak

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

Notes to The Financial Statements
For the half year ended 30 June 2013

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+

		30 Jun 2013 US$	31 Dec 2012 US$
24	**CAPITAL ADEQUACY**		
	Ordinary share capital	12 500 000	12 500 000
	Non redeemable preference shares	3 500 676	500 000
	Retained profit	10 219 569	8 256 529
	less Exposures to insiders	(685 528)	(3 543 853)
	Tier 1 capital	**25 534 717**	**17 712 676**
	General provisions	1 097 164	773 208
	Capital reserves	23 225 772	23 225 772
	Tier 2 capital	**24 322 936**	**23 998 980**
	Total regulatory capital	**49 857 653**	**35 425 352**
	Capital adequacy ratio	**24.9%**	**27.0%**
	Tier I Ratio	**11.3%**	**13.5%**
	Tier II Ratio	**13.6%**	**13.5%**
		24.9%	**27.0%**

BY ORDER OF THE BOARD

MS R. CHIPENDO
COMPANY SECRETARY