Unaudited Financial Statements

metbank
Registered Commercial Bank
stronger together!

For the half year ended 30 June 2014

Chairman's Statement

I am pleased to present the financial performance of the Bank for the six months ended 30 June 2014.

Operating Environment

Whilst in the past five years significant efforts have been put in growing the economy, continued reports of company closures, loss of employment, decline in consumer demand and fiscal underperformance have threatened the macro-economic progress and stability brought about by the multicurrency system introduced in 2009. Liquidity challenges experienced in the previous year continued in the first half of 2014. Largely reflecting soft aggregate demand and liquidity constraints the country's year on year inflation rate was reported at -0.8% in June 2014 and is expected to remain suppressed going forward.

Financial Performance

In an economy persistently facing liquidity challenges the Bank recorded a loss after tax of $3.6 million.

The Bank's assets declined by 6% from $169 million as at 31 December 2013 to $159 million as at 30 June 2014. On account of operating losses, shareholders equity amounted to $42.1 million, down by 8% from $45.7 million as at 31 December 2013. In order to comply with $100 million, the new minimum capital for commercial banks in 2020, we have made a decision to pursue a concerted recapitalization programme blending equity financing with internally generated resources. To this point a recapitalization plan was submitted to the Central Bank in June 2014 in line with deadlines set by the regulator.

The Bank has made significant strides in managing overheads, including the containment of the largest expenditure item, the cost of employment. Staff complement has been reduced through voluntary retrenchments and non-renewal of contracts for staff employed on a contract basis. This has seen staff numbers declining from 419 in June 2013 to 238 as at 30 June 2014, reducing staff costs by about 48% in the process.

The Bank is in the process of downsizing and rationalizing its branch network. During the period under review two branches and four agencies were closed. One more branch and one agency will be closed before end of third quarter. So far this has been done with minimum inconvenience to clients as agencies had to be merged with nearby branches.

The performance of the loan book was not impressive and continues to undermine the performance of the Bank. Provision for doubtful debts increased by $2.9 million from $8.5 million as at 31 December 2013 to $11.4 million as at 30 June 2014. In light of this the Bank continues to be aggressive in its loan collection and recovery efforts including forcing recalcitrant clients to meet their interest and debt servicing obligations.

Early this year I announced that the Bank had been issued with the mortgage lending licence. This far, substantial progress has been made in readiness to issue mortgage loans. This includes creating an appropriate human resources structure, staff training and developing a mortgage system. Various land owners including shareholders and city councils as well as property developers have been approached to partner the Bank in land development so that developed stands can be sold via mortgage lending. What I am particularly excited about is that mortgage lending has the potential to drive the future growth of the Bank.I am also confident that home ownership in Zimbabwe is a market we will be happy to lead in the long term.

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.

Going concern

The Bank's Board of Directors has made an assessment of the Bank's ability to continue operating as a going concern and is satisfied that the Bank will continue operating as a going concern for the foreseeable future. In an economy saddled by liquidity challenges and consequent negative trends in the performance of various sectors of the economy, the Bank has put in place a number of measures to address potential impact of these and other factors on the operations of the Bank.

These measures include planned and approved raising of new equity through a rights issue in the sum of $50 million, raising of $50 million long term lines of credit and disposal of investment properties considering the significant portfolio of real estate on the Bank's balance sheet. The Board reasonably expects these measures to be implemented before end of this year. Given the above and other various measures to boost liquidity and cope with customer demands the Bank therefore continues to adopt the going concern assumption in preparing its financial statements.

Directorate

There were no changes to the Directorate during the period under review.

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 2014 the bank has, in the Directors' opinion, complied fully with the tenets of good corporate governance.

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

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

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

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

The offices of Chairman, Vice Chairman and 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

Our top priority right now, as the liquidity crunch continues to persist, is to build on the Bank's capital base so that the Bank is in good position to meet customer demands as and when they fall due. We have been out in the market seeking to raise capital and lines of credit to shore up the Bank's core capital. Whilst all along fund raising has been driven by the Bank and its shareholders, we recently resolved to engage the services of financial advisors with a mandate to raise $50 million in equity and another $50 million in debt finance. We believe that the Bank will make a breakthrough by the end of the year.

Appreciation

In closing, we will remain indebted to our valued clients and stakeholders for their invaluable support. The Board also wishes to express its sincere gratitude to the management and staff for remaining resolute and steadfast in a challenging environment.

W.T. MANASE
CHAIRMAN

Statement of Financial Position

As at 30 June 2014

	Notes	Unaudited 30 June 2014 US$	Audited 31 December 2013 US$
EQUITY AND LIABILITIES			
Share Capital and Reserves			
Share capital and share premium	9	16 000 000	16 000 000
Retained earnings		10 228 573	13 781 237
Capital reserves		15 929 772	15 929 772
Shareholders' Equity		**42 158 345**	**45 711 009**
Liabilities			
Deposits from customers	10	112 064 331	118 373 280
Deferred taxation	11	1 341 087	2 905 656
Other liabilities	12	3 482 108	2 025 229
Total Liabilities		**116 887 526**	**123 304 165**
Total Equity and Liabilities		**159 045 871**	**169 015 174**
ASSETS			
Cash and bank balances	13	13 385 709	16 190 138
Financial assets through profit or loss		1 147 413	1 062 987
Loans and advances to customers	14	96 335 200	102 347 406
Financial instruments held to maturity	15	2 675 029	2 675 029
Property and equipment	16	5 016 679	5 642 512
Investment property	17	36 215 814	36 215 814
Other assets		4 270 027	4 881 288
Total Assets		**159 045 871**	**169 015 174**

DIRECTORS
28 August 2014

Statement of Profit And Loss And Other Comprehensive Income

For the period ended 30 June 2014

	Notes	Unaudited 30 June 2014 US$	Unaudited 30 June 2013 US$
Interest income	4	10 104 046	12 021 350
Interest expense	5	(3 480 439)	(5 337 115)
Net interest income		6 623 607	6 684 235
Non interest income	6	984 378	5 961 223
Operating income		7 607 985	12 645 458
Operating expenditure	7	(9 480 116)	(9 892 053)
Impairment losses on loans and advances	14.6	(2 912 602)	(109 580)
(Loss)/profit before taxation		(4 784 733)	2 643 825
Taxation	8	1 232 069	(680 785)
(Loss)/profit for the period after taxation		**(3 552 664)**	**1 963 040**
Other comprehensive income		-	-
Total comprehensive (loss)/income for the period		**(3 552 664)**	**1 963 040**

Statement of Changes in Equity

For the period ended 30 June 2014

	Ordinary Share Capital US$	Preference Share Capital US$	Retained Earnings US$	Non Distributable Reserves US$	Total US$
Period ended 30 June 2014					
Balance at 31 December 2013	12 500 000	3 500 000	13 781 237	15 929 772	45 711 009
Total comprehensive loss for the period	-	-	(3 552 664)	-	(3 552 664)
Balance at 30 June 2014	**12 500 000**	**3 500 000**	**10 228 573**	**15 929 772**	**42 158 345**
Year ended 31 December 2013					
Balance at 31 December 2012	12 500 000	500 000	8 278 282	23 225 772	44 504 054
Issue of irredeemable equity instruments	-	3 000 000	-	-	3 000 000
Total comprehensive loss for the year	-	-	(1 793 045)	-	(1 793 045)
Realisation of revaluation surplus	-	-	7 296 000	(7 296 000)	-
Balance at 31 December 2013	**12 500 000**	**3 500 000**	**13 781 237**	**15 929 772**	**45 711 009**

Statement of Cash Flows

For the period ended 30 June 2014

	Notes	Unaudited 30 June 2014 US$	Unaudited 30 June 2013 US$
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/profit before taxation		(4 784 733)	2 643 825
Adjustments for non-cash items:			
Depreciation and armotisation		614 869	701 244
Provision for doubtful debts		2 912 602	109 580
Profit on disposal of equipment		(92 232)	-
Cash (Outflow)/inflow from operations		**(1 349 494)**	**3 454 649**
Decrease/(increase) in operating assets		6 549 752	(16 864 208)
Decrease in deposits and other liabilities		(7 775 382)	(10 695 463)
		(2 575 124)	**(24 105 022)**
Taxation paid		(332 500)	(812 117)
Net cash outflow from operating activities		**(2 907 624)**	**(24 917 139)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment		(452 692)	(1 142 994)
Proceeds from sale of equipment		555 887	-
Net cash generated from/(used in) investing activities		**103 195**	**(1 142 994)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of irredeemable preference shares		-	3 000 000
Net cash from financing activities		**-**	**3 000 000**
Net decrease in cash and cash equivalents		(2 804 429)	(23 060 133)
Cash and cash equivalents at beginning of the period		16 190 138	40 150 037
Cash and cash equivalents at end of the period	13	**13 385 709**	**17 089 904**
Comprising			
Balances with the Central Bank		120 143	495 772
Balances with other banks and cash		13 265 566	16 594 132
		13 385 709	**17 089 904**

Notes to Financial Statements

For the period ended 30 June 2014

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).

Reporting 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).

Notes to Financial Statements
For the period ended 30 June 2014

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 2014. All profits and losses on exchange arising from trading activities are dealt with in arriving at the operating profit. Transactions during the period are converted to United States dollars at rates ruling on the transaction date.

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

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

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 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	4years

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 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
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 capacities 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
Operational 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 Financial Statements
For the period ended 30 June 2014

		Unaudited 30 June 2014 US$	Unaudited 30 June 2013 US$
4	**INTEREST INCOME**		
	Loans and advances	8 270 614	10 136 755
	Investment securities	1 833 432	1 884 595
		10 104 046	**12 021 350**
5	**INTEREST EXPENSE**		
	Banks	764 142	101 257
	Customers	2 716 297	5 235 858
		3 480 439	**5 337 115**
6	**NON INTEREST INCOME**		
	Commission and fee income	100 142	2 044 597
	Other income	884 236	3 916 626
		984 378	**5 961 223**
7	**OPERATING EXPENDITURE**		
	Auditor's fees	40 000	30 330
	Directors' fees	12 000	12 000
	Staff costs	6 207 791	5 134 073
	Administrative expenses	3 220 325	4 715 650
		9 480 116	**9 892 053**
8	**TAXATION**		
8.1	**Current year taxation**		
	Corporate tax	-	110 000
	Deferred taxation	(1 232 069)	570 785
		(1 232 069)	**680 785**
8.2	**Tax rate reconciliation**		
	Notional tax	25.00%	25.00%
	AIDS levy	0.75%	0.75%
		25.75%	**25.75%**

		Unaudited 30 June 2014 US$	Audited 31 Dec 2013 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
	500 000 Preference shares of $1 each	500 000	500 000
	3 000 000 Preference shares of $1 each	3 000 000	3 000 000
		16 000 000	**16 000 000**

9.1 Non-cumulative preference shares

The Bank has 3 500 000 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.

		Unaudited 30 June 2014 US$	Audited 31 Dec 2013 US$
10	**DEPOSITS FROM CUSTOMERS**		
10.1	**Analysis of balances**		
	Current and savings accounts	50 170 849	62 795 102
	Offshore lines of credit	17 365 006	17 345 262
	Due to banks	22 394 810	22 217 103
	Term deposits	22 133 666	16 015 813
		112 064 331	**118 373 280**

Notes to Financial Statements
For the period ended 30 June 2014

Included in deposits are mortgage backed deposits secured to the tune of $10 million for PTA Bank and $1.5 million for NSSA.

		Unaudited 30 June 2014 US$	Audited 31 Dec 2013 US$
10.2	**Maturity**		
	Withdrawals on demand and within one month	86 257 436	72 911 621
	1 month and up to 3 months	2 256 715	12 743 908
	3 months and up to 1 year	6 186 175	10 955 736
	Maturity after 1 year but within 5 years	17 364 005	21 762 015
		112 064 331	**118 373 280**
10.3	**Sectoral analysis of customer deposits**		
	Construction	486 859	27 639
	Agriculture	7 265 589	5 486 971
	Financial institutions and lines of credit	40 195 887	39 562 365
	Distribution	1 992 104	2 017 059
	Mining	35 604	155 027
	Transport	50 951	55 424
	Private	5 161 603	6 005 302
	Manufacturing	800 473	768 886
	Commercial	32 140 587	37 608 219
	Communications	13 839 476	16 663 899
	Quasi-government institutions	10 095 198	10 022 489
		112 064 331	**118 373 280**
11	**DEFERRED TAXATION**		
	Additions to property and equipment	11 656	1 100 493
	Investment property at fair value	1 810 791	686 692
	Tax effect on tax losses and provision for credit losses	(481 360)	1 118 471
		1 341 087	**2 905 656**
12	**OTHER LIABILITIES**		
	Accrued expenses	1 885 172	1 732 967
	Other provisions	1 596 936	292 262
		3 482 108	**2 025 229**
13	**CASH AND BANK BALANCES**		
13.1	**Analysis**		
	Balances with Reserve Bank of Zimbabwe		
	Current account balances	120 143	273 277
		120 143	**273 277**
	Balances with other banks and cash		
	Placements with Banks	12 445 799	15 733 485
	Cash and Nostro bank balances	819 767	183 376
		13 265 566	**15 916 861**
	Total	**13 385 709**	**16 190 138**

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

	Total	Exchange Rate	$
Pound Sterling	(46)	1:0.5872	(79)
South African Rand	743	1:10.6383	70
Total			**(9)**

		Unaudited 30 June 2014 US$	Audited 31 Dec 2013 US$
14	**LOANS AND ADVANCES TO CUSTOMERS**		
14.1	**Analysis**		
	Loans	20 184 843	20 675 866
	Advances	88 740 460	90 617 009
		108 925 303	**111 292 875**
14.2	Provision for doubtful debts		
	Loans and advances are net of:		
	Provisions for doubtful debts	(11 410 533)	(8 497 931)
	Suspended interest on doubtful debts	(1 179 570)	(447 538)
		96 335 200	**102 347 406**
14.3	**Maturity analysis**		
	Maturity within 1 month	58 983 627	61 486 070
	Maturity after 1 month but within 6 months	11 992 109	15 897 110
	Maturity after 6 months but within 1 year	19 865 215	17 720 086
	Maturity after 1 year but within 5 years	5 494 249	7 244 140
		96 335 200	**102 347 406**
14.4	**Sectoral analysis of loans and advances**		
	Agriculture	20 753 261	25 067 728
	Construction	132 191	10 374 665
	Distribution	22 863 438	21 452 041
	Individuals	8 022 678	10 539 376
	Manufacturing	11 824 136	10 507 182
	Services	39 044 564	27 611 312
	Mining	4 957 084	4 128 005
	Communications	144 965	145 552
	Transport	1 182 986	1 467 014
		108 925 303	111 292 875
	Provision for doubtful debts and suspended interest	(12 590 103)	(8 945 469)
		96 335 200	**102 347 406**
14.5	**Non-performing loans**		
	Total loans and advances on which interest is suspended	**10 122 090**	**11 686 941**

		Specific US$	General US$	Total US$
14.6	**Provisions for doubtful debts**			
	Balance at 1 January 2014	7 743 258	754 673	8 497 931
	Charge against profits	2 966 708	(54 106)	2 912 602
	Balance at 30 June 2014	**10 709 966**	**700 567**	**11 410 533**
	Balance at 1 January 2013	3 674 775	773 208	4 447 983
	Charge against profits	4 068 483	(18 535)	4 049 948
	Balance at 31 December 2013	**7 743 258**	**754 673**	**8 497 931**

Notes to Financial Statements
For the period ended 30 June 2014

14.7 CREDIT RISK ANALYSIS

14.7.1 Maximum Exposure to Credit Risk by Grade

	Unaudited 30 June 2014 US$ Gross maximum exposure	Unaudited 30 June 2014 US$ Value of security	Unaudited 30 June 2014 US$ Net maximum exposure	Audited 31 Dec 2013 US$ Gross maximum exposure	Audited 31 Dec 2013 US$ Value of security	Audited 31 Dec 2013 US$ Net maximum exposure
Total pass	26 740 155	9 883 231	16 856 924	39 071 125	42 144 761	(3 073 636)
Total special mention	14 438 841	6 224 601	8 214 240	23 219 615	3 419 041	19 800 574
Total substandard	49 206 692	34 398 447	14 808 245	35 028 009	33 155 279	1 872 730
Total doubtful	6 642 775	1 856 547	4 786 228	2 753 801	1 458 967	1 294 834
Total loss	11 896 840	6 560 977	5 335 863	11 220 325	8 026 490	3 193 835
	108 925 303	**58 923 803**	**50 001 500**	**111 292 875**	**88 204 538**	**23 088 337**

14.7.2 Maximum Exposure to Credit Risk by Sector

	Unaudited 30 June 2014 US$ Gross maximum exposure	Unaudited 30 June 2014 US$ Value of security	Unaudited 30 June 2014 US$ Net maximum exposure	Audited 31 Dec 2013 US$ Gross maximum exposure	Audited 31 Dec 2013 US$ Value of security	Audited 31 Dec 2013 US$ Net maximum exposure
Agriculture	20 753 261	6 418 110	14 335 151	25 067 728	9 186 074	15 881 654
Construction	132 191	7 327 447	(7 195 256)	10 374 665	67 836	10 306 829
Distribution	22 863 438	6 008 706	16 854 732	21 452 041	9 747 457	11 704 584
Individuals	8 022 678	438 811	7 583 867	10 539 376	317 388	10 221 988
Manufacturing	11 824 136	6 024 850	5 799 286	10 507 182	7 364 566	3 142 616
Services	39 044 564	32 305 232	6 739 332	27 611 312	61 115 271	(33 503 959)
Mining	4 957 084	-	4 957 084	4 128 005	-	4 128 005
Communications	144 965	144 321	644	145 552	144 325	1 227
Transport	1 182 986	256 326	926 660	1 467 014	261 621	1 205 393
	108 925 303	**58 923 803**	**50 001 500**	**111 292 875**	**88 204 538**	**23 088 337**

14.8 Credit quality by class of Financial Assets

14.8.1 Total Position as at 30 June 2014

	Unaudited 30 June 2014 US$ Total pass	Unaudited 30 June 2014 US$ Total special mention	Unaudited 30 June 2014 US$ Total substandard	Unaudited 30 June 2014 US$ Total doubtful	Unaudited 30 June 2014 US$ Total loss	Unaudited 30 June 2014 US$ Grand Total
Agriculture	10 654 087	2 389 348	5 411 700	1 799 295	498 831	20 753 261
Construction	125 209	-	-	6 982	-	132 191
Distribution	359 590	9 404 230	8 912 969	1 239 566	2 947 083	22 863 438
Individuals	5 120 841	103 156	285 777	1 743 002	769 902	8 022 678
Manufacturing	1 103 593	538 222	8 387 418	1 794 440	463	11 824 136
Services	5 905 896	15 903	26 031 725	50 224	7 040 816	39 044 564
Mining	2 962 435	1 972 387	19 515	2 284	463	4 957 084
Communications	-	-	144 324	-	641	144 965
Transport	508 504	15 595	13 264	6 982	638 641	1 182 986
	26 740 155	**14 438 841**	**49 206 692**	**6 642 775**	**11 896 840**	**108 925 303**

14.8.2 Total Position as at 31 December 2013

	Audited 31 Dec 2013 US$ Total pass	Audited 31 Dec 2013 US$ Total special mention	Audited 31 Dec 2013 US$ Total substandard	Audited 31 Dec 2013 US$ Total doubtful	Audited 31 Dec 2013 US$ Total loss	Audited 31 Dec 2013 US$ Grand Total
Agriculture	12 229 011	2 116 593	3 627 253	1 088 787	6 006 084	25 067 728
Construction	222 814	10 062 215	67 413	21 490	733	10 374 665
Distribution	766 780	8 649 178	7 890 890	988 712	3 156 481	21 452 041
Individuals	9 311 561	134 447	343 042	494 240	256 086	10 539 376
Manufacturing	2 578 878	513 067	7 311 116	103 729	392	10 507 182
Services	10 750 011	15 153	15 629 021	54 179	1 162 948	27 611 312
Mining	2 403 233	1 724 421	15	-	336	4 128 005
Communications	487	45	144 324	-	696	145 552
Transport	808 350	4 496	14 935	2 664	636 569	1 467 014
	39 071 125	**23 219 615**	**35 028 009**	**2 753 801**	**11 220 325**	**111 292 875**

15 Held to Maturity Financial Instruments

During the year ended 31 December 2013 the Bank was issued with two parcels of convertible debentures for Lobels Limited totaling $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 debenture is 7%.

16 PROPERTY AND EQUIPMENT

	Opening Balance US$	Additions US$	Disposals US$	Closing Balance US$
Cost/valuation				
Leasehold buildings	2 513 613	450 385	-	2 963 998
Motor vehicles	1 530 861	-	322 415	1 208 446
Computer and Office equipment	3 253 111	-	304 231	2 948 880
Furniture and fittings	517 033	2 307	-	519 340
Computer networks	383 697	-	-	383 697
TOTAL	**8 198 315**	**452 692**	**626 646**	**8 024 361**

	Opening Balance US$	Charge for the period US$		Closing Balance US$
Accumulated Depreciation				
Leasehold buildings	410 003	93 772	-	503 775
Motor vehicles	605 077	171 433	161 853	614 657
Computer and Office equipment	1 122 978	295 034	1 137	1 416 875
Furniture and fittings	158 543	25 872	-	184 415
Computer networks	259 202	28 758	-	287 960
TOTAL	**2 555 803**	**614 869**	**162 990**	**3 007 682**

Net carrying amount	2013 US$	2014 US$
Leasehold buildings	2 103 610	2 460 223
Motor vehicles	925 784	593 789
Computer and Office equipment	2 130 133	1 532 005
Furniture and fittings	358 490	334 925
Computer networks	124 495	95 737
TOTAL	**5 642 512**	**5 016 679**

Notes to Financial Statements
For the period ended 30 June 2014

	Unaudited 30 June 2014 US$	Audited 31 December 2013 US$
17 INVESTMENT PROPERTY		
17.1 Analysis of movement		
Opening balance	36 215 814	44 150 888
Additions	-	144 926
Disposals	-	(8 080 000)
	36 215 814	**36 215 814**

17.2 Collateral issued

Investment properties to the value of $10 million and $1.5 million are encumbered in that they were used as collateral security on PTA Bank and NSSA deposits respectively (refer to note 10).

18 RELATED PARTY TRANSACTIONS

18.1 Loans to Key Management Personnel

	Unaudited 30 June 2014 US$	Audited 31 December 2013 US$
Balance at beginning of period	567 905	881 206
New advances	-	270 899
Repayments	(460 490)	(584 200)
Balance at end of period	**107 415**	**567 905**

18.2 Benefits to Key Management Personnel

Key Management Personnel

	Unaudited 30 June 2014 US$	Audited 31 December 2013 US$
Short term and long term benefits	709 260	1 339 812
Post employment benefits	121 740	105 595
	831 000	**1 445 407**

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 - Retail Banking, Executive Director – Investment Banking, Head - Risk, General Manager Human Resources, Company Secretary, Head of Compliance, Chief Internal Auditor, General Manager Treasury, Head Operations, Head Information Technology, Head Retail Banking, Head Corporate Banking and Head of Finance.

18.3 Non Executive Directors' Fees	Unaudited 30 June 2014 US$	Unaudited 30 June 2013 US$
Directors' fees	12 000	12 000
	12 000	12 000

18.4 Holding Company Transactions and Balances

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. There were no transactions between the Bank and the Holding company during the period under review.

18.5 Insider Loans

As at 30 June 2014, Loita Trade Services owed the Bank $413 540. The interest applicable on this loan is 28% per annum. Loita Trade Services is a related party in that it is a subsidiary of Loita Finance Holdings Limited.

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 2014

	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	939 910	-	12 445 799	-	13 385 709
Loans and advances	58 983 627	11 992 109	19 865 215	5 494 249	96 335 200
Other financial assets	1 147 413	-	-	2 675 029	3 822 442
Property and equipment	-	-	-	5 016 679	5 016 679
Investment property	-	-	-	36 215 814	36 215 814
Other assets	-	-	-	4 270 027	4 270 027
	61 070 950	**11 992 109**	**32 311 014**	**53 671 798**	**159 045 871**
EQUITY AND LIABILITIES					
Shareholders' equity	-	-	-	42 158 345	42 158 345
Deposits from customers	86 257 437	2 256 715	6 186 174	17 364 005	112 064 331
Deferred taxation	-	-	-	1 341 087	1 341 087
Other liabilities	-	-	-	3 482 108	3 482 108
	86 257 437	**2 256 715**	**6 186 174**	**64 345 545**	**159 045 871**
Net liquidity gap	**(25 186 487)**	**9 735 394**	**26 124 840**	**(10 673 747)**	
Cumulative gap as at 30 June 2014	**(25 186 487)**	**(15 451 093)**	**10 673 747**		
Cumulative gap as at 31 December 2013	**(9 905 911)**	**(6 752 709)**	**15 745 126**		

Notes to Financial Statements
For the period ended 30 June 2014

20. INTEREST RATE REPRICING AND GAP ANALYSIS

20.1 Total position at 30 June 2014

	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	939 910	-	12 445 799	-	-	13 385 709
Loans and advances	58 983 627	11 992 109	19 865 215	5 494 249	-	96 335 200
Other financial assets	1 147 413	-	-	2 675 029	-	3 822 442
Property and equipment	-	-	-	-	5 016 679	5 016 679
Investment property	-	-	-	-	36 215 814	36 215 814
Other assets	-	-	-	-	4 270 027	4 270 027
	61 070 950	**11 992 109**	**32 311 014**	**8 169 278**	**45 502 520**	**159 045 871**
EQUITY AND LIABILITIES						
Shareholders' equity	-	-	-	-	42 158 345	42 158 345
Deposits from customers	86 257 437	2 256 715	6 186 174	17 364 005	-	112 064 331
Deferred taxation	-	-	-	-	1 341 087	1 341 087
Other liabilities	-	-	-	3 482 108	-	3 482 108
	86 257 437	**2 256 715**	**6 186 174**	**20 846 113**	**43 499 432**	**159 045 871**
Interest rate re-pricing gap	**(25 186 487)**	**9 735 394**	**26 124 840**	**(12 676 835)**	**2 003 088**	
Cumulative gap as at 30 June 2014	**(25 186 487)**	**(15 451 093)**	**10 673 747**	**(2 003 088)**		
Cumulative gap as at 31 December 2013	**(13 576 486)**	**(10 423 284)**	**8 786 865**	**(908 010)**		

	Unaudited 30 June 2014 US$	Unaudited 30 June 2013 US$
21 POST EMPLOYMENT BENEFITS		
21.1 The amounts recognised in the income statement are as follows:-		
Metbank Pension Fund contributions	152 121	207 597
National Social Security Authority contributions	131 166	67 216
	283 287	**274 813**

21.2 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.

21.3 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 up to a maximum of $700.

22. GOING CONCERN

The directors have made an assessment of the Bank's ability to continue as a going concern and have no reason to believe the business will not be operational as a going concern in the near future. These financial statements have been prepared on the going concern basis.

23. ATTENDANCE RECORD OF BOARD MEMBERS AT BOARD COMMIITTEES AND FULL BOARD MEETINGS IN 2014

Member	Meetings Held	
	1	2
Mr. W. T. Manase	√	√
Mr. B. N. Ndebele	√	√
Mr. F. Kumirai	√	LOA
Mrs. S. Ndhlovu	√	√
Mr. O. Matore	√	√
Mr. O. Bvute	√	LOA
Mr. P. F. Chingoka	√	√
Mrs. L. B. Mathopo	√	LOA
Advocate T. Mpofu	LOA	LOA

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

Audit Committee

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

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

Remuneration Committee

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

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

Notes to Financial Statements
For the period ended 30 June 2014

Loans Review Committee

Name	Meetings Held	
	1	2
Mr. W. T. Manase	√	√
Advocate T. Mpofu	LOA	√
Mrs. L. B. Mathopo	√	LOA

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

Board Risk, Compliance and Capital Management Committee

Name	Meetings Held	
	1	2
Mr. W. T. Manase	-	√
Mr. P. F. Chingoka	√	√
Mr. F. Kumirai	√	LOA
Mr .B. N. Ndebele	√	√
Mr. O. Matore	LOA	LOA

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

24. 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

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+
September 2013	BB

25 CAPITAL ADEQUACY	**Unaudited 30 Jun 2014 US$**	**Audited 31 Dec 2013 US$**
Ordinary share capital	12 500 000	12 500 000
Non redeemable preference shares	3 500 000	3 500 000
Retained income	10 228 573	13 781 237
less Capital allocated for operational risk	(1 223 574)	(1 708 124)
less Exposures to insiders and connected counterparties	(413 540)	(377 164)
Tier 1 capital	**24 591 459**	**27 695 949**
General provisions	700 566	754 673
Capital reserves	15 929 772	15 929 772
Tier 2 capital	**16 630 338**	**16 684 445**
Tier 3 capital: Sum of market and operational risk capital	**1 223 574**	**1 708 124**
Total regulatory capital	**42 445 371**	**46 088 518**
Capital adequacy ratio	**26.2%**	**24.5%**
Tier I Ratio	**13.9%**	**14.2%**
Tier II Ratio	**10.4%**	**8.9%**
Tier III Ratio	**1.9%**	**1.4%**
	26.2%	**24.5%**

BY ORDER OF THE BOARD

MS R. CHIPENDO
COMPANY SECRETARY