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Vision, Mission and Values

Metropolitan Bank's primary vision and mission is to be the leading financial services provider in the region through efficiency, excellence and innovative technology. We aim to achieve this by consistently exceeding the expectations of our clients and our people, through the provision of high quality and superior financial services.

v	a	l	u	e	s
PROFESSIONALISM	**INTEGRITY**	**INNOVATION**	**SERVICE**	**FAIRNESS**	**TECHNOLOGY**
To always exhibit professionalism in all our transactions.	To be honest and always abide by the business rules and regulations of any country we conduct business in.	To be innovative in product development. To continuously improve our products and services including delivery channels that ensure maximum efficiency.	To always give excellent and unparalleled service that exceeds customer expectations.	To always be professional and provide equal opportunities irrespective of gender, colour, religion or creed.	To continue being the market leader in terms of providing services through innovative technology.

About us

Metropolitan Bank of Zimbabwe Limited is a registered commercial bank whose operations started on 1 February 1999. The Bank has since grown to become an important player in the financial services sector in Zimbabwe. The core activities of the Bank comprise Retail Banking, Corporate Banking, Public Utilities, Treasury, International Banking, Small to Medium Scale Enterprises, Agribusiness and Corporate Advisory services. Metropolitan Bank of Zimbabwe Limited is headquartered in Harare, Zimbabwe with a total of eighteen branches nationwide and continues to grow.

Metropolitan Bank of Zimbabwe Limited was the first bank in Zimbabwe to set up a Representative Office in Asia, incorporating Trade Centres whose main function is to coordinate trade between Africa and Asia. The establishment of the Metropolitan Bank Representative Office in Kuala Lumpur, Malaysia, gave the Bank an unrivalled platform to successfully negotiate International Lines of credit for large corporates in Zimbabwe.

In July 2007, the regulatory authorities approved the acquisition of a 60% stake in Metropolitan Bank of Zimbabwe by Loita Finance Holdings Limited a subsidiary of Loita Partners International. The acquisition by Loita will bolster the Bank's existing service delivery capabilities, bringing both immediate and long term value to our customers and shareholders. Loita has the financial muscle to structure offshore credit facilities given its extensive continental presence.

Metropolitan Bank is an innovative and forward looking institution with a multi-skilled and diversely experienced human resource base. The Bank emphasises on the practical and lasting solutions to customer challenges in any economic environment.

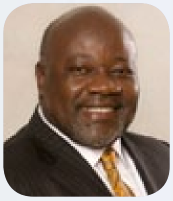
We believe that teamwork is an attitude, a catalyst for innovation and progress. Teamwork drove the shareholders to create this institution, and is the reason why, today, Metropolitan Bank stands as one of the fastest growing, most innovative, value-based providers of financial services in the market.

Loita Capital Partners International Limited is an investment banking firm focused on Africa. Loita provides services in the arrangement and funding of debt transactions; advisory services and capital-raising for equity transactions; bank management; correspondent banking; asset management; and other corporate-oriented financial services. Founded in 1992 by a group of international bankers, Loita has since grown into a unique pan-African group with a dedicated team of professionals from around the world. The group originates and completes transactions across Africa from a network of companies and affiliated locations and relies on this local network to share and apply best practices, which take into account the reality and demands of our markets. Loita's competitive advantage derives from the ability to bridge the gap between the objectives of regional and international financial institutions and Africa's investment banking requirements. At Loita, an optimum environment has been created from which to originate and structure innovative solutions to those requirements.

The Board is comprised of the following members:

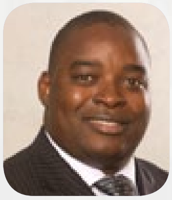
• Mr. W. T. Manase	Chairman
• Mr. V. C. Jakachira	Chief Executive Officer
• Mr. G. Changunda	Finance Director
• Mrs. C. Kamuriwo-Mutunhu	Executive Director: Human Resources & Administration
• Mr. E. Chawoneka	Executive Director: Banking
• Mr. O. Bvute	Non Executive Director
• Mr. P. F. Chingoka	Non Executive Director
• Mr. J.N. Chinyanta	Non Executive Director
• Mrs. B. M. Kahari	Non Executive Director
• Mrs. L. B. Mathopo	Non Executive Director
• Mr. O. Matore	Non Executive Director
• Mrs. N. Ncube	Non Executive Director

Directors' Profiles



Mr Wilson Manase (Chairperson)
Mr Manase has over twenty five years experience in the legal profession. He holds a BL (Hons) and LLB degree from the University of IFE, Nigeria. He is a qualified legal practitioner registered with the Law Society of Zimbabwe. He is the founding member and senior partner of Manase and Manase Legal Practitioners, a leading Zimbabwean law firm.

Mr Virgil Jakachira (Chief Executive Officer)
Mr Jakachira has over nineteen years experience in banking. He holds a BSc. (Hons) Economics (Banking, Trade and Industry Finance) degree from the University of London and an MBA degree from Heriot Watt University, Scotland.



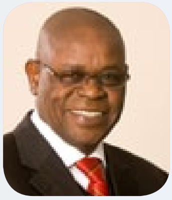
Mr Garainashe Changunda (Finance Director)
Mr Changunda has over 15 years experience in banking, financial management and auditing. He is a qualified Chartered Accountant (CA). He holds a B.Compt (Hons) degree in Accounting from the University of South Africa. He served Articles of Clerkship with an international chartered accounting firm.

Mrs Constance Kamuriwo-Mutunhu (Executive Director: Human Resources and Administration)
Mrs Mutunhu has over twenty seven years experience in Banking, Tax and Business Consultancy. She holds a Master of Science in Leadership and Change Management from Leeds Metropolitan University. A former Ernst & Young Partner, she trained in Advanced Auditing Techniques in Australia and also holds a Post Graduate Diploma in Applied Taxation from the Institute of Certified Tax Accountants.

Mr Ephraim Chawoneka (Executive Director: Banking)
A holder of a Masters Degree in Agricultural Economics (University of Zimbabwe) and is currently studying towards a Masters of Commerce, Strategic Management and Corporate Governance, Ephraim has over 10 years banking experience. He holds several qualifications in areas such as Treasury Management, Credit Management, Strategic business and Financial Analysis (Euro Money, USA) Credit Relationship Management, Marketing Management, Leadership Development and Training of Trainers (Mananga, Swaziland).

Mr Ozias Bvute (Non Executive Director)
Mr Bvute is currently the Managing Director of Zimbabwe Cricket. He is responsible for the general business operations of the organisation including strategic planning and development, operations, financial, marketing and communications and human resources. He holds a Bachelor of Commerce degree specialising in Banking & Finance from University of Puna, India.

Directors' Profiles



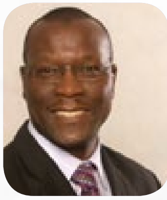
Mr Peter Farai Chingoka (Non Executive Director)
He is a renowned businessman; Chairman of the Zimbabwe Cricket Board and a member of the Executive Board of the International Cricket Council. Mr Chingoka has held other board positions in both the private and public sectors. He has over thirty years experience in Marketing and Communications.

Mr N. Justin Chinyanta (Non Executive Director)
Mr Chinyanta, a Zambian citizen, acts as the Executive Chairman of Loita Capital Partners International, based in Johannesburg, South Africa. He is a Barrister at Law with training at Law Practice Institute of Zambia supported by a Bachelor's Degree in Law from the University of Zambia. Mr Chinyanta has over twenty years professional experience in commercial and investment banking within the African Continent, specialising in the Eastern and Southern regions of Africa. Prior to forming Loita Holdings Corporation, he held the position of Vice President in both Citibank and HSBC Equator Bank in Africa. Mr Chinyanta has been granted the Honorary Doctorate in Law from a USA University and is listed as one of the Nominated Expert Advisors of UNITAR's (United Nations Institute for Training and Research) Training and Capacity Building Programmes in the Legal Aspects of Debt, Financial Management & Negotiation.

Mrs. Brenda Marie Kahari (Non Executive Director)
Mrs Brenda Kahari, a Zimbabwean citizen, is a qualified legal practitioner registered with the Law Society of Zimbabwe and has over 30 years legal experience. She is the founding member and senior partner of B. M. Kahari Law Office, a firm which has become one of the leading law firms in Africa specializing in intellectual property and commercial transactions. Mrs. Kahari holds a B. A. from the University of Dayton, USA; Juris Doctor cum laude from Howard University Centre, USA and LLM (International Law) from Georgetown University Law Centre, USA.

Mrs. Ntokozo Ncube (Non Executive Director)
Mrs Ntokozo Ncube, a Zimbabwean citizen is currently the Group Finance Executive for National Foods, Zimbabwe. She is responsible for the general business operations of the company including strategic planning and development, financial management, human resources function, administration, distribution and logistics planning. Mrs Ncube is a qualified Chartered Accountant and holds a Bachelor of Accountancy degree from the University of Zimbabwe and an Accounting Science (Honours) degree from UNISA. She is also an Associate member of the Chartered Institute of Secretaries of Zimbabwe.

Mrs. Lerato Buhlebuyeza Mathopo (Non Executive Director)
Mrs Lerato Mathopo, a South African citizen is a qualified legal practitioner, admitted with the Attorney of the South African High Court. She has over 10 years legal experience and she is a partner of Dm5 Commercial and Finance Attorneys operating in Sandton, South Africa. She specializes in general corporate advisory services including mergers and acquisitions, debt capital markets and corporate litigation. She also has legal expertise in telecommunications and cross border transactions.



Mr Oswell Matore (Non-Executive Director)
He has over fifteen years experience in Banking, Accounting and Financial Management. He is a Chartered Accountant (CA). He served articles of Clerkship at Deloitte and Touche.

Chairman's Statement

It gives me immense pleasure to present the audited financial statements of Metropolitan Bank for the year ended 31 December 2011. During the year under review, the Bank continued its established tradition of delivering satisfactory results and carrying out strategies towards the creation of a customer focused Bank.

Operating Environment

The Zimbabwe economy has recorded 9.3% growth in 2011 in spite of turbulence in the global economy in general and the Euro Zone debt crisis in particular. The fiscus has broadly adhered to cash budgeting as a hallmark for fiscal discipline, a stanza that has nurtured economic stability and sustainability. The adoption of the multi-currency regime, along with cash budgeting, has helped to restore and maintain price stability and going forward Zimbabwean inflation outlook will be shaped by the South African Consumer Price Index. The agriculture and mining sectors remain the pole bearers for the envisaged economic recovery, although the latter is now susceptible to the indigenization policy. More support however is still needed in the form of credit lines and solid economic policies.

The Zimbabwean financial sector has to a greater extent remained solid despite isolated vulnerabilities due to non systematic activities. However, more still needs to be done to capacitate the Central Bank so that it can champion full financial intermediation that will support the required credit creation to spur economic recovery. The country remains beset by liquidity challenges due to high proportions of transitory deposits and short term loans at interest rates way above world market comparatives despite increased bank deposits.

The manufacturing sector also remains beset by the operational inefficiencies vis-a-vis competitive and cheap imports, and this coupled with the political uncertainties call for a huge discount on the anticipated level of recovery and growth of the economy. The economic outlook going forward will be shaped by policy consistency and political consensus that support the developmental needs of the nation.

Financial Performance

The results for the year ended 31 December 2011 confirm that the Bank continues to accelerate growth through diversification of income and increased clientele base. Profit before taxation was $3.3 million which represents a 62% rise on prior year figures. Our year end assets increased by 61% from $65.3 million as at 31 December 2010 to reach $105.3 million as at 31 December 2011. The ratio of liquid assets to deposits, at 35%, was excellent bearing testimony to the conservative liquidity management strategy adopted by the Bank.

Impairment of loans and advances for the year amounted to $293,152. Tight management of risk coupled with proactive management of accounts has resulted in low levels of bad debts provisions. In addition, the highly collaterized nature of our exposures together with good progress on management of problem accounts has resulted in satisfactory levels of recoveries during the year under review.

Capital Adequacy

The Bank's capital position remained strong in 2011. Total shareholders' equity was $21.3 million as at 31 December 2011, representing 20% of year-end assets of $105.3 million. I am pleased to report that the Bank is well capitalized and complies with the regulatory authority's capital requirements applicable to commercial banks.

Risk Management

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

Corporate Social Responsibility

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

Chairman's Statement

Directorate

In January 2011, the Board welcomed Mr Ephraim Chawoneka as an Executive Director in charge of Banking.
Mr Chawoneka is a dynamic and self starter individual who has a passion for business development. He has been in the Banking Industry and Consultancy field for a combined period of eleven years. He has intensive and extensive knowledge of Banking and has previously worked for several reputable financial institutions. He spearheaded the 2011 business development efforts for the Bank resulting in increased market share both on deposits and asset portfolio. We wish Mr Chawoneka well in his new position.

Corporate Governance

The Bank will remain committed to standards of good corporate governance based on the principles of openness, integrity and accountability. All business transactions and relationships with stakeholders are concluded honestly and with integrity in accordance with generally accepted corporate governance practices. The Board of Directors meets regularly and the Directors receive information between meetings about the activities of committees and developments in Metropolitan Bank's business. All the directors have full and timely access to all relevant information and take independent professional advice if necessary.

Outlook

In the outlook period our traditional operations in Retail Banking sector will continue to grow along with increased focus in the area of SMEs, Treasury and Corporate Banking. We believe Retail Banking is at the heart of the Bank's activities. Over the coming months we will continually strive to provide our customers with innovative products ranging from special savings accounts, mortgages, remittances and customer financing including cars, personal loans and credit cards.

You will recall that our e-channel commitment was highlighted by the fact that we introduced mobile banking and upgraded our core banking system to the latest version of T24 system in Zimbabwe. We will take forward our end to end IT business strategy covering Mastercard and internet banking project which shall be completed in March 2012 and is expected to go live in the second quarter.

The Bank will also continue to develop more effective ways to service its customers by, among other things, establishing borrowing facilities to enable them to fully resuscitate their operations. We are confident that with the high caliber of our staff and growing business portfolios we will be able to deliver satisfactory financial results.

Appreciation

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

W.T. MANASE
CHAIRMAN

Directors' Report

The Directors have pleasure in submitting the annual report and accounts for the year ended 31 December, 2011. All figures mentioned in this directors' report are based on historical cost financial statements.

Incorporation and Nature of Business

The Bank was incorporated in Zimbabwe in 1998. Its main business is to provide commercial banking and related financial services.

Share Capital

The authorized share capital of the Bank remained at US$25 million.

Shareholder's Equity

The shareholder's funds as at 31 December 2011 were US$21 314 459. Details of the movement of reserves and share capital are shown on the statement of changes in equity.

Financial Statements

The historical accounts reflected the following results:

	US$
Profit before taxation	3 352 305
Tax expense	(624 218)
Net profit for the year	**2 728 087**

Capital Adequacy

As at 31 December, 2011 the capital adequacy ratio stood at 25.1% which is well above the prescribed ratio of 10%.

Dividend

In view of the need to preserve cash flows the Board of Directors has decided not to recommend a dividend in respect of the year ended 31 December, 2011.

Directors' Reponsibility Statement

Metropolitan Bank of Zimbabwe Limited Directors are required by the Companies Act (Chapter 24:03) to maintain adequate accounting records and to prepare financial statements for each financial year which present a true and fair view of the state of affairs of the Bank at the end of the financial year and of the profit and cash flows for the period. In preparing the accompanying financial statements, International Financial Reporting Standards (IFRS) have been followed; suitable accounting policies have been used, and applied consistently, and reasonable and prudent judgments and estimates have been made. The financial statements incorporate full and reasonable disclosures in line with the Bank accounting philosophy.

The Directors have reviewed the Bank's budget and cash flow forecast for the year ending 31 December 2012. On the basis of this review, and in the light of the current financial position and existing borrowing facilities, the Directors are satisfied that Metropolitan Bank of Zimbabwe Limited is a going concern and have continued to adopt the going concern basis in preparing the financial statements. The Bank's external auditors, HLB Ruzengwe and Company Chartered Accountants, have audited the financial statements and their report appears on page 12.

The Board recognises and acknowledges its responsibility for the system of internal financial control. Metropolitan Bank of Zimbabwe Limited policy on business conduct, which covers ethical behavior, compliance with legislation and sound accounting practice, underpins the Bank's internal financial control process. The control system includes written accounting and control policies and procedures, clearly defined lines of accountability and delegation of authority, and comprehensive financial reporting and analysis against approved budgets. The responsibility for operating the system is delegated to the Finance and Audit Committee who confirm that they have reviewed its effectiveness. They consider that it is appropriately designed to provide reasonable, but not absolute, assurance that assets are safeguarded against material loss or unauthorised use and that transaction are properly authorised and recorded. The effectiveness of the internal financial control system is monitored through management reviews and a comprehensive program of internal audits. In addition, the Bank's external auditors reviewed and tested the appropriate aspects of the internal financial control systems during the course of their statutory examinations of the Bank. The financial statements for the year ended 31 December 2011 which appear on pages 13 to 39 were approved by the Board of Directors on 13 March 2012.

The directors are therefore satisfied that the financial statements for the year ended 31 December 2011 are drawn up in accordance with the provisions of the Companies Act [Chapter 24:03], applicable to financial institutions registered in terms of the Banking Act [Chapter 24:20] and in conformity with International Financial Reporting Standards promulgated by the Financial Reporting Accounting Standards Boards.

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 year ended 31 December 2011 the Bank has, in the Directors' opinion, complied fully with the tenets of good corporate governance.
Metropolitan Bank'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

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

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

All Directors have access to employees in the Bank and to the advice and guidance of the Company Secretary and are encouraged to seek independent advice at the Bank's expense, where they feel it is appropriate. The Board is of the opinion that each of its members has the skills, knowledge, aptitude and experience to perform the functions required of a Commercial Bank.

Roles and responsibilities of Chairman, Vice Chairman and Chief Executive Officer

The offices of Chairman, Vice Chairman and Chief Executive Officer are held by different individuals. That 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 Chief Executive Officer has the overall responsibility for running the business on a day-to-day basis and chairs the Executive Committee Meetings.

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

Board and Board Committee Meetings

The Executive Directors and the Company Secretary are responsible for ensuring that detailed information is provided to Board members in advance of any scheduled or ad hoc Board meeting. Before decisions are made, consideration is given to the adequacy of information available to the Board and, if necessary, decisions are deferred if further information is required.

Corporate Governance Statement

Audit and Finance Committee

The Audit and Finance Committee consists of three members all of whom are independent non-executive directors. The specific composition of the Audit and Finance Committee is as follows:
O. Matore (Chairperson)
B.M. Kahari
P.F. Chingoka

The committee meets at least four times a year to review the following**:**

- The adequacy and appropriateness of the Bank's accounting and internal control system.
- The Bank's strategy and budgets.
- Efficiency and effectiveness in the utilization of operational and capital resources.
- The Bank's financial statements and accounting policies.

Loans Review Committee

The following members constitute the Loans Review Committee:
N. Ncube (Chairperson)
W.T. Manase
C. Kamuriwo- Mutunhu
L. Mathopo

The Committee is responsible for ensuring that:

- Loans portfolio and lending function conforms to the approved lending policy approved and adopted by the Board.
- Portfolio risk is properly assessed, identified and categorized in accordance with the Reserve Bank of Zimbabwe regulations.
- Potential losses are adequately and properly provided for in the correct accounting period.

Credit Committee

The Credit Committee's membership consists of the following Board members:
P.F. Chingoka (Chairperson)
O. Matore
V.C. Jakachira
O. Bvute

The Committee's terms of reference are to:

- Review and oversee the overall lending policy of the Bank.
- Deliberate and consider loan applications beyond the discretionary limits of the Management Committee.
- Review lendings made by the Credit Risk Management Committee.
- Direct and monitor the quality of the lending book.

Remuneration Committee

The Remuneration Committee consists of the following members:
W.T Manase (Chairperson)
V.C Jakachira
G.Changunda
C. Kamuriwo-Mutunhu
O. Bvute

The responsibilities of the Committee are as follows:

- Determine the policy framework of the remuneration of employees of the Bank.
- Retain and attract the right calibre of management and staff by ensuring that they are appropriately remunerated for their contribution to the performance of the Bank and also to oversee the issue of key succession planning.
- Determine the scope of pension arrangements and performance related pay schemes.

Risk Management Committee

The Risk Management Committee consists of the following members:
V.C Jakachira (Chairperson)
G. Changunda
C. Kamuriwo-Mutunhu
E. Chawoneka

The Committee's terms of reference are:

- To provide a framework for strategic planning, evaluation and assessing the outcome of the Board resolutions.
- To ensure the effective implementation of the Bank's policies and programmes as established by the Board.
- To oversee the risk management and administrative elements of the Bank.
- To maintain regular communications to the officers of the Bank with a view to promoting operational efficiency.

HLB Ruzengwe & Company
Chartered Accountants (Zimbabwe)

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF METROPOLITAN BANK OF ZIMBABWE LIMITED

We have audited the accompanying financial statements of Metropolitan Bank of Zimbabwe Limited as set out on pages 13 to 39 which comprise the statement of financial position as at 31 December 2011, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended 31 December 2011 and a summary of significant accounting policies and other explanatory information.

The Directors' responsibility for the financial statements
The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, the provisions of the Zimbabwe Companies Act (Chapter 24:03), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of Metropolitan Bank of Zimbabwe Limited as at 31 December 2011 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on other legal and regulatory requirements
The financial statements have been prepared, in accordance with the provisions of the Companies Act (Chapter 24:03).

HLB RUZENGWE AND COMPANY — **HARARE**
Chartered Accountants (Zimbabwe) — **14 March 2012**

4th Floor, Chiyedza House, Cnr 1st Street / Kwame Nkrumah Avenue, P.O. Box 4684, Harare Zimbabwe, Telephone: (263)-(4)-796481/795378 Facsimile:(263)-(4)-796482
HLB Ruzengwe & Company is a member of HLB International. A world-wide organisation of accounting firms and business advisers
A list of partners is available from our offices on request.

Statement of Financial Position

As at 31 December 2011

	Notes	Audited 31 Dec 2011 US$	Audited 31 Dec 2010 US$
EQUITY AND LIABILITIES			
Share capital and reserves			
Share capital and share premium	4	13 000 000	13 000 000
Retained earnings		6 693 587	3 965 500
Non distributable reserves		1 620 872	1 620 872
Shareholders' equity		**21 314 459**	**18 586 372**
Liabilities			
Deposits from customers	5	78 542 565	43 845 982
Deferred taxation	6	1 793 691	1 169 473
Other liabilities	7	3 741 665	1 707 696
Total Liabilities		**84 077 921**	**46 723 151**
Total Equity and Liabilities		**105 392 380**	**65 309 523**
ASSETS			
Cash and bank balances	8	27 146 876	14 142 408
Loans and advances to customers	9	55 882 519	31 633 887
Property and equipment	10	2 525 762	2 140 929
Investment property	11	18 130 888	15 864 700
Other assets	12	1 706 335	1 527 599
Total Assets		**105 392 380**	**65 309 523**

DIRECTORS

Statement of Comprehensive Income

For the year ended 31 December 2011

	Notes	Audited 31 Dec 2011 US$	Audited 31 Dec 2010 US$
Interest income	13	13 089 947	6 327 330
Interest expense	14	(4 826 270)	(3 871 663)
Net interest income		**8 263 677**	**2 455 667**
Other income	15	7 170 287	7 883 044
Operating income		**15 433 964**	**10 338 711**
Operating expenditure	16	(11 788 507)	(7 825 237)
Charge for bad and doubtful debts	9.5	(293 152)	(445 827)
Profit before taxation		**3 352 305**	**2 067 647**
Income tax expense	17	(624 218)	(161 179)
Profit for the year		**2 728 087**	**1 906 468**
Other comprehensive income (net of tax)		-	-
Total comprehensive income for the year		**2 728 087**	**1 906 468**

Statement of Changes in Equity

For the year ended 31 December 2011

	Ordinary Share Capital US$	Share Premium US$	Preference Share Capital US$	Retained Earnings US$	Non-Distributable Reserves US$	Total US$
Year ended 31 December 2011						
Balance at 31 December 2010	12 500 000	-	500 000	3 965 500	1 620 872	18 586 372
Total comprehensive income for the year	-	-	-	2 728 087	-	2 728 087
Balance at 31 December 2011	**12 500 000**	**-**	**500 000**	**6 693 587**	**1 620 872**	**21 314 459**
Year ended 31 December 2010						
Balance at 31 December 2009	-	12 500 000	-	2 059 032	1 620 872	16 179 904
Total comprehensive income for the year	-	-	-	1 906 468	-	1 906 468
Bonus issue	12 500 000	(12 500 000)	-	-	-	-
Issue of irredeemable preference shares	-	-	500 000	-	-	500 000
Balance at 31 December 2010	**12 500 000**	**-**	**500 000**	**3 965 500**	**1 620 872**	**18 586 372**

Statement of Cash Flows

For the year ended 31 December 2011

	Notes	Audited 31 Dec 2011 US$	Audited 31 Dec 2010 US$
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		3 352 305	2 067 647
Adjustments for non-cash items:			
Depreciation and armotisation		496 881	361 884
Provision for doubtful debts		293 152	445 827
Other non cash items		232 170	10 548
Cash inflow from operations		**4 374 508**	**2 885 906**
Increase in operating assets		(24 539 044)	(25 797 366)
Increase in deposits and other liabilities		36 968 289	32 687 806
		16 803 753	9 776 346
Taxation paid		(237 737)	(36 157)
Net cash from operating activities		**16 566 016**	**9 740 189**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment		(1 295 360)	(636 644)
Purchase of investment property		(2 266 188)	-
Proceeds from sale of property and equipment		-	6 301
Net cash used in investing activities		**(3 561 548)**	**(630 343)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of irredeemable preference shares		-	500 000
Net cash from financing activities		**-**	**500 000**
Net increase in cash and cash equivalents		13 004 468	9 609 846
Cash and cash equivalents at beginning of the year		14 142 408	4 532 562
Net cash and cash equivalents at end of the year	**8**	**27 146 876**	**14 142 408**

Notes to the Financial Statements
For the year ended 31 December 2011

1. CORPORATE INFORMATION

Metropolitan Bank of Zimbabwe Limited provides commercial banking services in Zimbabwe. It is a limited liability company which was incorporated in 1998. Its registered office is at 3 Central Avenue, Metropolitan House, Harare, Zimbabwe.

2. BASIS OF PREPARATION

2.1 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).

2.1.1 New and revised IFRSs applied with no material effect on the financial statements

The following new and revised IFRSs have been adopted in these financial statements. The application of these new and revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

- Amendments to International Accounting Standard 1 (IAS 1) Presentation of Financial Statements (as part of Improvements to IFRSs issued in 2010)
- IAS 24 Related Party Disclosures (as revised in 2009)
- International Financial Reporting Committee Interpretation 19 (IFRIC 19):-Extinguishing financial assets with equity instruments.
- Amendments to IFRIC 14:- Prepayments of minimum funding requirements.
- Improvements to IFRSs issued in 2010.

2.1.2 New and revised IFRSs issued but not yet effective

The Bank has not applied the following new and revised IFRSs that have been issued but are not yet effective:

- Amendments to IFRS 7:- Disclosure – Transfers of Financial Assets: Effective for annual periods beginning on or after 1 July 2011.
- IFRS 9:- Financial Instruments: Effective for annual periods beginning on or after 1 January 2013.
- IFRS 11:- Joint Arrangements. Effective for annual periods beginning on or after 1 January 2013.
- IFRS 12:- Disclosure of Interests in other Entities: Effective for annual periods beginning on or after 1 January 2013.
- IFRS 13:- Fair Value Measurement: Effective for annual periods beginning on or after 1 January 2013.
- Amendments to IAS 12:- Deferred Tax – Recovery of Underlying Assets: Effective for annual periods beginning on or after 1 January 2012.

2.2 Significant accounting judgements, estimates and assumptions.

In the process of applying the Bank's accounting policies, management has exercised judgment and estimates in determining the amounts recognised in the financial statements. The most significant uses of judgment and estimates are as follows:

Impairment losses on loans and advances

The Bank reviews its individually significant loans and advances at each statement of financial position date to assess whether an impairment loss should be recorded in the statement of comprehensive income. In particular, management judgement is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance. Loans and advances that have been assessed individually and found not to be impaired and all individually insignificant loans and advances are then assessed collectively, in groups of assets with similar risk characteristics,

Notes to the Financial Statements
For the year ended 31 December 2011

to determine whether provision should be made due to incurred loss events for which there is objective evidence but whose effects are not yet evident. The collective assessment takes account of data from the loan portfolio (such as levels of arrears, credit utilisation, loan to collateral ratios among other things, and judgments to the effect of concentrations of risks and economic data.

2.3 Basis of measurement
The financial statements have been prepared on a historical cost basis except for investment properties and financial instruments that are measured at fair values, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

2.4 Functional and presentation currency
The financial statements are presented in United States dollars, which is the Bank's functional currency.

3. Summary of significant accounting policies

3.1 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.

3.2 Financial instruments –
(a) Initial recognition and measurement
Financial instruments carried on the statement of financial position include cash and bank balances, receivables, loans and customers deposits, borrowings and money market investments. All financial assets and liabilities are initially recognised on the trade date, that is, the date that the Bank becomes a party to the contractual provisions of the instrument. Financial assets are classified as:

- held to maturity,
- loans and receivables,
- available for sale and
- financial assets at fair value through profit and loss

The classification of financial instruments at initial recognition depends on the purpose and the management's intention for which the financial instruments were acquired and their characteristics. All financial instruments are measured initially at their fair value plus transaction costs, except in the case of financial assets and financial liabilities recorded at fair value through profit or loss.

(b) Subsequent measurement
Held-to-maturity investments:
Held–to–maturity financial investments are non–derivative financial assets with fixed or determinable payments and fixed maturities, which the Bank has the intention and ability to hold to maturity. After initial measurement, held–to–maturity financial investments are subsequently measured at amortised cost using the effective interest rate, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortisation is included in 'Interest income' in the statement of comprehensive income. The losses arising from impairment of such investments are recognised in the statement of comprehensive income.

Loans and receivables:
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method, less any impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortisation is included in the finance income in the statement of comprehensive income. The losses arising from impairment are recognised in the statement of comprehensive income.

3.2 Financial instruments (cont...)

Available for sale financial assets:
Available–for–sale investments include equity and debt securities. Equity investments classified as available–for – sale are those which are neither classified as held–for–trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, available–for–sale financial investments are subsequently measured at fair value. Unrealised gains and losses are recognised directly in equity (other comprehensive income). When the investment is disposed of, the cumulative gain or loss previously recognised in equity is recognised in the statement of comprehensive income in 'Other operating income'.
Interest earned whilst holding available–for–sale financial investments is reported as interest income using the Effective Interest Rate. Dividends earned whilst holding available–for–sale financial investments are recognised in the statement of comprehensive income as 'Other operating income' when the right of the payment has been established. The losses arising from impairment of such investments are recognised in the statement of comprehensive income in 'Impairment losses on financial investments' and removed from the 'Available–for–sale reserve'.

Financial assets and financial liabilities designated at fair value through profit or loss
Financial assets and financial liabilities classified in this category are those that have been designated by management on initial recognition. Management may only designate an instrument at fair value through profit or loss upon initial recognition when the following criteria are met, and designation is determined on an instrument by instrument basis:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis.

- The assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.
- The financial instrument contains one or more embedded derivatives which significantly modify the cashflows that otherwise would be required by the contract.

Financial assets and financial liabilities at fair value through profit or loss are recorded in the statement of financial position at fair value. Changes in fair value are recorded in 'Net gain or loss on financial assets and liabilities designated at fair value through profit or loss'. Interest is earned or incurred is accrued in 'Interest income' or 'Interest expense', respectively, using the effective interest rate, while dividend income is recorded in 'Other operating income' when the right to the payment has been established. Included in this classification are loans and advances to customers which are economically hedged by credit derivatives and do not qualify for hedge accounting, as well as notes issued which are managed on a fair value basis.

(c) De - recognition of financial assets and financial liabilities

(i) Financial assets
A financial asset is derecognised when:

- The rights to receive cash flows from the asset have expired.
- The Bank has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party

Notes to the Financial Statements

For the year ended 31 December 2011

3.2 Financial instruments (cont...)

under a 'pass–through' arrangement;

and either:

- The Bank has transferred substantially all the risks and rewards of the asset, or
- The Bank has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Bank has transferred its rights to receive cash flows from an asset or has entered into a pass–through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Bank's continuing involvement in the asset. In that case, the Bank also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Bank has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Bank could be required to repay.

(ii) Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in profit or loss.

3.3 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:-

Lease hold 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 against income. Valuations are performed annually to ensure that the fair values of assets do not differ materially from the carrying amounts.

An item of property and equipment is de-recognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income in the year the asset is de-recognised.

The assets' residual values, useful lives and depreciation are reviewed, and adjusted if appropriate at each financial year-end and the change is accounted for as a change in accounting estimate. Where the residual value of an asset increases to an amount equal to or greater than the asset's carrying amount, depreciation will cease to be charged on the asset until its residual value subsequently decreases to an amount below its carrying amount.

Notes to the Financial Statements

For the year ended 31 December 2011

3.4 Intangible assets

The Bank's intangible assets include computer software, licences, a trademark and naming rights to a fan embankment where the Bank has a right to advertise for the next 10 years. An intangible asset is recognised only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the Bank.

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year–end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of comprehensive income in the expense category consistent with the function of the intangible asset. Intangible assets with indefinite lives are reviewed at each reporting date for any impairment and any impairment loss are recognised in the statement of comprehensive income.

Amortisation is calculated using the straight–line method to write down the cost of intangible assets to their residual values over their estimated useful lives as follows:-

- Computer software and licences 5 years
- Advertising rights - Fan Embankment 10 years.

3.5 Impairment of assets

The carrying amounts of the Bank assets are reviewed at each statement of financial position 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 statement of comprehensive income whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

The recoverable amount of tangible assets is the greater of their net selling price or value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

3.6 Borrowing costs

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

3.7 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.

Notes to the Financial Statements

For the year ended 31 December 2011

3.7 Leased assets(Cont...)

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 statement of comprehensive income 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.

3.8 Recognition of income and expenses

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

Interest and similar income and expense

For all financial instruments measured at amortised cost, interest bearing financial assets classified as available– for–sale and financial instruments designated at fair value through profit or loss, interest income or expense is recorded using the Effective Interest Rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability.

Fee and commission income

The Bank earns fee and commission income from a diverse range of services it provides to its customers. Fee income can be divided into the following two categories:

(i) Fee income earned from services that are provided over a certain period of time

Fees earned for the provision of services over a period of time are accrued over that period. These fees include commission income and other management and advisory fees. Loan commitment fees for loans that are likely to be drawn down and other credit related fees are deferred (together with any incremental costs) and recognised as an adjustment to the effective interest rate on the loan. When it is unlikely that a loan will be drawn down, the loan commitment fees are recognised over the commitment period on a straight line basis.

(ii) Fee income from providing transaction services

Fees arising from negotiating or participating in the negotiation of a transaction, such as the arrangement of a facility are recognised on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognised after fulfilling the corresponding criteria.

3.9 Taxes

(i) Current tax

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the statement of financial position date.

(ii) Deferred tax

Deferred tax is provided on temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised for all taxable temporary differences, except:-

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Notes to the Financial Statements
For the year ended 31 December 2011

3.9 Taxes (Cont...)

- In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each statement of financial position date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the statement of financial position date.

Current tax and deferred tax relating to items recognised directly in equity are also recognised in equity and not in the statement of comprehensive income.

3.10 Retirement benefit costs

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

3.11 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.

3.12 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. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

3.13 Investment property

An Investment property is property (land and / buildings) held for capital appreciation or to earn rentals. Investment properties are initially measured at cost including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of the investment properties are included in the statement of comprehensive income in the period in which they arise. Fair values are evaluated annually by an accredited external, independent valuer.

Investment properties are derecognised when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from the disposal. Difference between the net disposal proceeds and carrying amount of the asset is recognised in the statement of comprehensive income in the period of derecognition.

Notes to the Financial Statements
For the year ended 31 December 2011

3.13 Investment property(Cont...)

Transfers are made to or from investment properties only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is at the fair value at the date of change in use, the Bank accounts for such property in accordance with the policy stated under property, plant and equipment.

3.14 Foreign currencies

Monetary assets and liabilities in foreign currencies are expressed in United States Dollars at rates of exchange ruling at 31 December 2011. 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.

3.15 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 3.16.

3.16 Doubtful debts

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

Notes to the Financial Statements
For the year ended 31 December 2011

	Audited 31 Dec 2011 US$	Audited 31 Dec 2010 US$
4 SHARE CAPITAL		
Authorised		
25 000 000 ordinary shares of $1 each	25 000 000	25 000 000
Issued and fully paid		
12 500 000 ordinary shares of $1 each	12 500 000	12 500 000
Preference shares of $1 each	500 000	500 000
	13 000 000	**13 000 000**

4.1 Non-cumulative preference shares

The Bank has 500 000 irredeemable, non cumulative preference shares of $1.00 each which can be converted to ordinary shares at the option of the Bank at a ratio of 1:1.

5 DEPOSITS

	Audited 31 Dec 2011 US$	Audited 31 Dec 2010 US$
Term deposits	45 554 281	29 637 898
Current and savings accounts	32 988 284	14 208 084
	78 542 565	**43 845 982**

5.1 Maturity analysis

	Audited 31 Dec 2011 US$	Audited 31 Dec 2010 US$
Withdrawals on demand and within one month	65 737 791	33 970 801
1 month and up to 3 months	5 409 383	4 837 181
3 months and up to 1 year	7 395 391	5 038 000
Maturity after 1 year but within 5 years	-	-
	78 542 565	**43 845 982**

Notes to the Financial Statements

For the year ended 31 December 2011

		Audited 31 Dec 2011 US$	Audited 31 Dec 2010 US$
5.2	**Sectoral analysis of customer deposits**		
	Construction	4 119 014	1 315 610
	Agriculture	2 650 049	818 262
	Financial institutions	11 002 923	13 643 991
	Distribution	1 480 738	2 101 789
	Mining	83 234	183 622
	Transport	770 024	208 494
	Private	5 812 837	2 073 099
	Manufacturing	10 713 934	507 669
	Commercial	15 841 306	13 414 092
	Communications	2 588 373	89 135
	Quasi-government institutions	23 480 133	9 490 219
		78 542 565	**43 845 982**
6	**DEFERRED TAXATION**		
	Additions to property and equipment	471 100	73 161
	Investment property at fair value	257 940	793 235
	Tax effect on tax losses and provision for credit losses	1 064 651	194 698
	Revaluation surplus on property and equipment	-	108 379
		1 793 691	**1 169 473**
7	**OTHER LIABILITIES**		
	Accrued expenses	2 410 877	455 391
	Other provisions	1 330 788	1 252 305
		3 741 665	**1 707 696**
8	**CASH AND BANK BALANCES**		
	Balances with Reserve Bank of Zimbabwe		
	Statutory reserves	1 518 552	1 526 596
	Current account balances	18 637 722	5 688 048
		20 156 274	**7 214 644**
	Balances with other banks and cash		
	Money at call	-	1 200 000
	Cash and Nostro bank balances	6 990 602	5 727 764
		6 990 602	**6 927 764**
	Total	**27 146 876**	**14 142 408**

Notes to the Financial Statements

For the year ended 31 December 2011

8.1 Included in cash and nostro balances are the following major currencies

	Total	Exchange Rate	USD Equivalent
Pound Sterling	15 251	1:0.6488	23 506
South African Rand	3 204 795	1:8.1367	393 869
Total			**417 376**

Notes to the Financial Statements
For the year ended 31 December 2011

	Audited 31 Dec 2011 US$	Audited 31 Dec 2010 US$
9 LOANS AND ADVANCES TO CUSTOMERS		
Loans	21 516 103	20 420 315
Advances	35 773 392	11 964 040
	57 289 495	**32 384 355**
9.1 Less Provision for doubtful debts		
Loans and advances are net of:		
Provisions for doubtful debts	(852 223)	(559 070)
Suspended interest on doubtful debts	(554 753)	(191 398)
	55 882 519	**31 633 887**
9.2 Maturity analysis		
Maturity within 1 year	54 292 845	30 280 578
Maturity after 1 year but within 5 years	1 589 674	1 353 309
	55 882 519	**31 633 887**
9.3 Currency analysis		
Advances denominated in foreign currency (US$)	55 882 519	31 633 887
	55 882 519	**31 633 887**
9.4 Sectoral analysis of loans and advances		
	5 657 666	7 049 345
Construction	3 879 939	917 306
Distribution	11 040 359	7 234 806
Individuals	5 111 266	2 472 423
Manufacturing	2 838 819	1 752 115
Services	26 193 503	10 632 176
Mining	1 791 027	1 810 263
Communications	520	458
Transport	776 395	515 464
	57 289 494	**32 384 356**
Provision for doubtful debts and suspended interest	(1 406 975)	(750 469)
	55 882 519	**31 633 887**

Notes to the Financial Statements

For the year ended 31 December 2011

9.5 Provisions for doubtful debts

	Specific US$	General US$	Total US$
Balance at 1 January 2011	253 713	305 357	559 070
Charge against profits	23 891	269 261	293 152
Balance at 31 December 2011	**277 604**	**574 618**	**852 222**
Balance at 1 January 2010	39 582	73 661	113 243
Charge against profits	214 131	231 696	445 827
Balance at 31 December 2010	**253 713**	**305 357**	**559 070**

Notes to the Financial Statements

For the year ended 31 December 2011

10 PROPERTY AND EQUIPMENT

	Opening Balance US$	Additions US$	Disposals US$	Closing Balance US$
Cost/Deemed cost				
Leasehold buildings	1 049 236	95 307	-	1 144 543
Motor vehicles	417 615	90 855	267 150	241 320
Office equipment, furniture and fittings	614 608	413 766	12 582	1 015 792
Computer equipment and networks	406 397	406 656	1 490	811 563
TOTAL	**2 487 856**	**1 006 584**	**281 222**	**3 213 218**

	Opening Balance US$	Charge for the period US$		Closing Balance US$
Accumulated Depreciation				
Leasehold buildings	82 472	72 649	-	155 121
Motor vehicles	77 756	58 190	44 525	91 421
Office equipment, furniture and fittings	94 832	130 370	4 204	220 998
Computer equipment and networks	91 867	128 372	323	219 916
TOTAL	**346 927**	**389 581**	**49 052**	**687 456**
Carrying Amount				
Leasehold buildings	966 764			989 422
Motor vehicles	339 859			149 899
Office equipment, furniture and fittings	519 776			794 794
Computer equipment and networks	314 530			591 647
TOTAL	**2 140 929**			**2 525 762**

Notes to the Financial Statements

For the year ended 31 December 2011

	Audited 31 Dec 2011 US$	Audited 31 Dec 2010 US$
11 INVESTMENT PROPERTY		
Opening balance	15 864 700	15 864 700
Additions	2 266 188	-
	18 130 888	**15 864 700**

During the year under review the Bank purchased investment properties comprising blocks of flats worth $2 266 188. The investment properties include lot 1 of stand 1321A Salisbury township, lot 1 of stand 1659 Salisbury township (Colbain House), lot 2 of stand 1720 Salisbury township (Banbury House) and stand 1598 Salisbury township (Connaught House). These properties were valued by an independent valuer Mr Brian Kashoni of CB Richard and Ellis (Pvt) Limited.

Other Investment property comprises of land situated at stand 6 of lot C of Borrowdale Estate also known as no. 18 Doventon Road, Borrowdale, Harare and lot 2 of stand 1305A Salisbury Township, lot 2 of stand 1312A Salisbury Township, lot 2 of stand 1305B Salisbury Township, lot 1 of stand 1305 Salisbury Township, all located at the corner of 5th Street and Five Avenue, Harare with buildings thereon. The properties are leased out in terms of operating leases. It also comprises of land situated at stands no. 2896 and 2903 of Ventersberg Estate and stands 92499009288 to 92499009292, 92499009305 to 92499009364, 92599009366 to 92599009377 and 92599009457 to 92599009458 Nyatsime Phase Three, Chitungwiza. The last valuation was done in May 2011 and there was no change in value of the investment property.

The fair value of the investment property as disclosed in the financial statements was based on a valuation carried out by Mr Lovemore Njanike of Quadstar Real Estate. These valuers have recognised and relevant qualifications and have recent experience in the location and category of the investment properties that were valued. The Fair value of the investment property was determined based on current prices in an active market of property in the same location and condition and similar lease and other contracts.

Notes to the Financial Statements

For the year ended 31 December 2011

	Audited 31 Dec 2011 US$	Audited 31 Dec 2010 US$
12 OTHER ASSETS		
Prepayments	55 134	127 454
Income receivable	231 656	234 718
Other assets	1 419 545	1 165 427
	1 706 335	**1 527 599**

12.1 Included in Other Assets are Intangible Assets

	Opening Balance US$	Additions US$	Closing Balance US$
Cost			
Fan embarkment naming rights	120 000	-	120 000
Trade mark	-	1 670	1 670
Software and licences	375 841	288 776	664 617
TOTAL	**495 841**	**290 446**	**786 287**

	Opening Balance US$	Charge for the period US$	Closing Balance US$
Armortisation and Accumulated Depreciation			
Fan embankment naming rights	2 000	12 000	14 000
Trade mark	-	-	-
Software and licences	89 757	107 300	197 057
TOTAL	**91 757**	**119 300**	**211 057**
Carrying Amount			
Fan embankment naming rights	118 000		106 000
Trade mark	-		1 670
Software and licences	286 084		467 560
TOTAL	**404 084**		**575 230**

Notes to the Financial Statements
For the year ended 31 December 2011

	Audited 31 Dec 2011 US$	Audited 31 Dec 2010 US$
13 INTEREST INCOME		
Loans and advances	9 934 793	2 905 559
Investment securities	3 155 154	3 421 771
	13 089 947	**6 327 330**
14 INTEREST EXPENSE		
Banks	182 608	91 163
Customers	4 643 662	3 780 500
	4 826 270	**3 871 663**
15 OTHER INCOME		
Commission and fee income	7 170 287	7 883 044
	7 170 287	**7 883 044**
16 OPERATING EXPENDITURE		
Auditor's fees	35 345	19 610
Directors' fees	25 270	25 480
Staff costs	7 150 560	4 203 518
Administrative expenses	4 577 332	3 576 629
	11 788 507	**7 825 237**
17 TAXATION		
17.1 Current year taxation		
Corporate tax	-	121 696
Deferred taxation	624 218	39 483
	624 218	**161 179**
Assessed loss for the year 2011 amounted to US$6 283 476		-
17.2 Taxation charge reconciliation		
Profit before taxation	**3 352 305**	**2 067 647**
Tax calculated at a rate of 25.75%	863 219	532 419
Net tax effect on non-taxable/non-deductible items	(239 000)	(371 240)
	624 218	**161 179**

Notes to the Financial Statements
For the year ended 31 December 2011

	Audited 31 Dec 2011 US$	Audited 31 Dec 2010 US$
18 RELATED PARTY TRANSACTIONS		
18.1 Loans to Key Management Personnel		
Balance at beginning of period	532 495	131 629
New advances	439 398	500 000
Repayments	(449 693)	(99 134)
	522 200	**532 495**
18.2 Benefits to Key Management Personnel		
Non Executive Directors		
Directors fees	25 270	25 480
	25 270	**25 480**
Key Management Personnel		
Short term and long term benefits	983 074	853 345
	983 074	**853 345**

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

Notes to the Financial Statements

For the year ended 31 December 2011

18.3 Holding Company Transactions

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

19. Financial Instruments And Risk Management

The Bank's Assets 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.

19.1 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.

19.2 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.

19.3 Liquidity risk

The Bank is exposed to liquidity risk. 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.

19.4.Currency risk

Currency risk is the risk of a mismatch between foreign receivables and foreign payables. This risk is managed through the application and daily monitoring of pre-approved dealer and currency limits.

19.5 Operating risk

Operating risk stems from any possible losses due to fraud, incompetence, systems breakdown and sabotage.

The Bank manages these risks through insurance policies, checking work, training staff, segregation of duties, regular internal and independent audits. In addition, the Bank has operating manuals to guide staff on the execution of their duties.

19.6 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.

19.7 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 proce-

Notes to the Financial Statements
For the year ended 31 December 2011

dures for ensuring continuous improvements in the Bank's service standards.

19.8 Legal risk

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

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

19.9 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.

19.10 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.

19.10
INTEREST RATE REPRICING AND GAP ANALYSIS

19.10.1
Total position at 31 December 2011

	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	-	-	-	-	27 146 876	27 146 876
Loans and advances to customers	41 119 822	11 669 791	1 503 232	1 589 674	-	55 882 519
Property and equipment	-	-	-	-	2 525 762	2 525 762
Investment property	-	-	-	-	18 130 888	18 130 888
Other assets	-	-	-	-	1 706 335	1 706 335
	41 119 822	**11 669 791**	**1 503 232**	**1 589 674**	**49 509 861**	**105 392 380**
EQUITY AND LIABILITIES						
Shareholders' equity	-	-	-	-	21 314 459	21 314 459
Deposits from customers	49 114 443	22 032 731	7 395 391	-	-	78 542 565
Deferred taxation	-	-	-	-	1 793 691	1 793 691
Other liabilities	-	-	-	3 741 665	-	3 741 665
	49 114 443	**22 032 731**	**7 395 391**	**3 741 665**	**23 108 150**	**105 392 380**
Interest rate re-pricing gap	**(7 994 621)**	**(10 362 940)**	**(5 892 159)**	**(2 151 991)**	**26 401 711**	
Cumulative gap as at 31 December 2011	**(7 994 621)**	**(18 357 561)**	**(24 249 720)**	**(26 401 711)**	**-**	
Cumulative gap as at 31 December 2010	**(11 803 173)**	**(11 065 404)**	**(12 212 095)**	**(14 055 116)**	**-**	

Notes to the Financial Statements

For the year ended 31 December 2011

19.11 LIQUIDITY RISK

19.11.1 Total position at 31 December 2011

	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	27 146 876	-	-	-	27 146 876
Loans and advances to customers	41 119 822	11 669 791	1 503 232	1 589 674	55 882 519
Property and equipment	-	-	-	2 525 762	2 525 762
Investment property	-	-	-	18 130 888	18 130 888
Other assets	-	-	-	1 706 335	1 706 335
	68 266 698	**11 669 791**	**1 503 232**	**23 952 659**	**105 392 380**
EQUITY AND LIABILITIES					
Shareholders' equity	-	-	-	21 314 459	21 314 459
Deposits from customers	49 114 443	22 032 731	7 395 391	-	78 542 565
Deferred taxation	-	-	-	1 793 691	1 793 691
Other liabilities	-	-	-	3 741 665	3 741 665
	49 114 443	**22 032 731**	**7 395 391**	**26 849 815**	**105 392 380**
Net liquidity gap	**19 152 255**	**(10 362 940)**	**(5 892 159)**	**(2 897 156)**	
Cumulative gap as at 31 December 2011	**19 152 255**	**8 789 315**	**2 897 156**	**-**	
Cumulative gap as at 31 December 2010	**2 339 235**	**3 077 004**	**1 930 313**	-	

The above tables analyse assets and liabilities of the Bank into relevant maturity groupings based on the remaining period from balance sheet date to the contractual maturity date. The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the top management of the company. An unmatched position enhances profitability, but can also increase the risk of loss.

Notes to the Financial Statements
For the year ended 31 December 2011

	Audited 31 Dec 2011 US$	Audited 31 Dec 2010 US$
20 CONTINGENT LIABILITIES		
Guarantees and performance bonds	2 159 797	185 336
	2 159 797	**185 336**

	Audited 31 Dec 2011 US$	Audited 31 Dec 2010 US$
21 POST EMPLOYMENT BENEFITS		
The amounts recognised in the income statement are as follows:-		
Metropolitan Bank Pension Fund contributions	258 979	168 496
National Social Security Authority contributions	20 002	33 617
	278 981	**202 113**

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% of pensionable emoluments of eligible employees.

22 CAPITAL ADEQUACY

	31 Dec 2011 US$	31 Dec 2010 US$
Ordinary share capital	12 500 000	12 500 000
Irredeemable preference shares	500 000	500 000
Retained profit	6 693 587	3 965 500
less Capital allocated for market and operational risk	(1 817 702)	(3 461 782)
Tier 1 capital	**17 875 885**	**13 503 718**
General provisions	574 618	73 661
Capital reserves	1 620 872	1 620 872
Tier 2 capital	**2 195 490**	**1 694 533**
Sum of market and operational risk capital	1 817 702	3 461 782
Tier 3 capital	**1 817 702**	**3 461 782**
Total regulatory capital	**21 889 077**	**18 660 033**
Capital adequacy ratio	**25.1%**	**31.3%**
Tier 1 Ratio	**20.7%**	**22.7%**

Notice Of Annual General Meeting

Notice is hereby given that the Annual General Meeting of Metropolitan Bank of Zimbabwe Limited will be held on Tuesday 29 May 2012 at 1100hrs at the following venue:

10th Floor, Metropolitan Bank Board Room
3 Central Avenue
Harare

Agenda

1. To receive and adopt the financial statements, the Directors' and Auditors' Reports for the year ended 31 December 2011.

2. To approve Directors' fees.

3. To note that in terms of Article 91 of the Articles of Association, Directors are required, after serving a period of three years, to retire from the Board by rotation and that in terms thereof the following Directors are due for retirement and being eligible offer themselves for re-election; Constance Kamuriwo-Mutunhu, Oswell Matore, Wilson Tatenda Manase.

4. To approve the remuneration of the Auditors for the past year's audit and to reappoint Ruzengwe and Company Chartered Accountants as Auditors for the current year.

5. To transact such other business as may be transacted at an Annual General Meeting.

In terms of Section 129 of the Companies Act (Chapter 24:03), members are entitled to appoint one or more proxies to act in the alternative to attend, speak, and vote in their stead. A proxy need not be a member of the Company.

Article 78 of the Company's Articles of Association provides that instruments of proxy must be deposited at the registered office of the Company not less than 48 hours before the time of holding the meeting.

By Order of the Board

R. CHIPENDO
COMPANY SECRETARY

Branch Network And Contact Details

BRANCH	ADDRESS	TELEPHONE	FAX
Harare			
Head Office	Metropolitan House, 3 Central Avenue, Harare	+263-4-700789/700445/ 795911/706569	+263-4-706265
Main Branch	3 Central Avenue, Harare	+263-4-700789/700445/ 795911/706569	+263-4-706265
Belgravia	8 Lanark Road, Belgravia	+263-4-703335/702257	+263-4-705649 / 706265
Harare Polytechnic	Herbert Chitepo West Avenue, Harare	+263-4-250393/250423	+263-4-250393 / 706265
Sam Nujoma Street	Old Mutual House, 18 Sam Nujoma Street	+263-4-799121/708487	+263-4-797669 / 706265
Machipisa	Std 1498, Tondori Building, Machipisa	+263-4-666663	+263-4-667893 / 706265
Kwame Nkrumah	25 Kwame Nkrumah Avenue	+263-4-773401/773546/774964	+263-4-710063 / 706265
Southerton	Cnr. Paisley Road / Highfield Road, Southerton	+263-4-2911134 / 2911139	+263-4-706265
Beitbridge			
Beitbridge	Std 449, 40/41 Living Waters Centre	+263-779-745 989	+263-4-706265
Bulawayo			
Bulawayo	4 East End Building, Cnr R. Mugabe/9th Avenue	+263-9-880697/880767	+263-9-64400
Bubi			
Bubi	Bubi RDC Complex, Turk Mine	+263-285-526/577	+263-4-706265
Chipinge			
Chipinge	ZIMPOST, Std 274, P O Box 274	+263-227-2342/3	+263-4-706265
Chitungwiza			
Zengeza	Std 213646 Zengeza 2	263-70-23504	+263-70-31501
Hotsprings			
Hotsprings	Hotsprings Resort, Chimanimani	+263-744-598 202/207	+263-4-706265
Kwekwe			
Kwekwe	Kwekwe Polytechnic, 1 Railway Road	+263-55-25273	+263-4-706265
Masvingo			
Masvingo	Masvingo Polytechnic, Beitbridge Road	+263-39-266206-8	+263-4-706265
Mutoko			
Mutoko	Shop 1, BJ Mall, Std 46/47 Oliver Newton Rd	+263-272-2789/2631/2763	+263-4-706265
Murewa			
Murewa	Std 564, Murewa	+263-278-22747/8	+263-278-22747/8
Mutare			
Mutare	Shop 1 Zimre Centre, Cnr H. Chitepo/5th Street	+263-20-69350	+263-20-69231

2011
Annual Report

METROPOLITAN BANK
Registered Commercial Bank