2012
ANNUAL REPORT

metbank
Registered Commercial Bank

stronger together!

CONTENTS

What Motivates Us

Metbank's primary vision and mission is to be the leading financial services provider in the region through teams that are target driven. We provide clear and simple banking and investment solutions as we consistently integrate ordinary Zimbabweans from all walks of life into mainstream banking.

VALUES

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

Metbank Limited is a registered commercial bank founded in 1998, which has steadily grown into a strong Bank with a unique brand personality, respected for its commitment to providing customer-focused services. With branch representation now in all 10 provinces of Zimbabwe, the Bank has over the years transformed itself into a more visible and accessible commercial Bank focusing on building deeper relationships.

Products and services: The Bank provides consumers, small business enterprises, corporate institutions and public sector enterprises with a broad range of financial products and services, including consumer banking, credit, corporate banking, international banking and trade finance, treasury and other investment banking services.

Delivery channels: Metbank's commitment to serve is demonstrated by a nation-wide network of 25 retail branches, and e-service delivery channels, including, among others, ATMs, internet banking and mobile banking solutions, in line with the Bank's focus on a technology-driven and value-added transactional banking model.

Our competencies: Metbank has particular competencies in the arrangement of international lines of credit for its corporate and institutional customers. Our bouquet of retail and wholesale banking products includes: personal accounts, investments, mobile and internet banking, corporate and institutional accounts, loans, international payments and exchange control advisory services.

Our philosophy: Premised on our over-arching "balanced growth" philosophy, Metbank's strategy for the future is to generate long-term profitability and growth, guided by best practice in risk management and responsible banking. Our focus is on value-added services for personal and business customers.

Our people: Metbank prides itself in its people who are well trained, experienced, eager to learn, and obsessed with the desire to serve. There are specialists across the Bank's national branch network who possess an in-depth understanding of the unique needs and cultures of the communities that they serve. On the back of this, Metbank seeks to deliver service excellence derived from its strong human capital base.

Shareholders: Metbank is a subsidiary of Loita Finance (Pty) Limited, an investment banking firm with interests and operations in 8 African countries, including Kenya, Mauritius and South Africa. In July 2007 Loita acquired a significant shareholding in Metbank; marking the beginning of a relationship that has yielded immense value for the Bank and its customers in the areas of offshore credit facilities, letters of credit and structured finance. Other major shareholders in Metbank include local pension funds, corporate and institutional investors.

Stronger together: Because we are stronger together than we can ever be apart, our value added services make our customers stronger, and in turn, the growing support from our customers, make the Metbank brand even stronger. With the continued support of our equity partners and the high calibre of our staff, the Bank is poised to be a key financial player not only in Zimbabwe, but in the region. Together, we contribute to a stronger Zimbabwe.

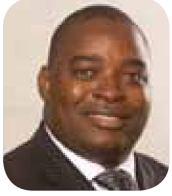
The Board comprises the following members:

- Mr. W. T. Manase — Chairman
- Mr. B. N. Ndebele — Managing Director
- Mr. G. Changunda — Finance Director
- Mrs. C. Kamuriwo -Mutunhu — Executive Director: Mortgages
- 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
- Mr. V. C. Jakachira — 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 Belmont Ndebele (Managing Director)
Mr Ndebele has over eighteen years of banking experience. He holds a Masters of Science and a Bachelor of Science Honours degree in Economics from the University of Zimbabwe. He has attended various courses in Leadership, Strategy, Corporate Governance, Treasury, Trade and Structured Finance.



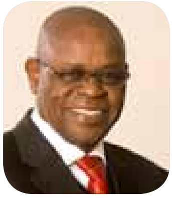
Mr Garainashe Changunda (Finance Director)
Mr Changunda has over fifteen years experience in banking, financial management and auditing. He is a qualified Chartered Accountant (CA). He holds a B.Compt (Hons) degree in Accounting from the University of South Africa.

Mrs Constance Kamuriwo-Mutunhu (Executive Director: Mortgages)
Mrs Mutunhu has over twenty seven years experience in Banking, Tax and Business Consultancy. She holds a Masters 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

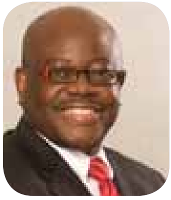
Mr Ephraim Chawoneka (Executive Director: Banking)
A holder of a Masters Degree in Agricultural Economics (University of Zimbabwe) and is currently studying towards a Masters of Commerce, Strategic Management and Corporate Governance, Mr Chawoneka has over 10 years banking experience. He holds several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

Mr Ozias Bvute (Non Executive Director)
Mr Bvute is the group Chief Executive Officer of Met-holdings Limited. He is former Managing Director of Zimbabwe Cricket having served in that capacity for 8 years. He also sits on the board of SME Bank, Namibia. 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 businessman and Chairman of the Zimbabwe Cricket Board as well as 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.

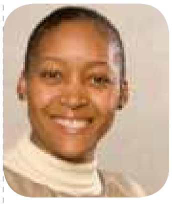


Mr N. Justin Chinyanta (Non Executive Director and Vice Chairman)
Mr Chinyanta is the Executive Chairman of Loita Capital Partners International, based in Johannesburg, South Africa. He is a Barrister at Law with training at Law Practice Institute of Zambia supported by a Bachelor's Degree in Law from the University of Zambia. Mr Chinyanta has over twenty years professional experience in commercial and investment banking within the African Continent. 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 and Negotiation.

Mr Virgil Jakachira (Non Executive Director)
Mr Jakachira has over nineteen years experience in banking. He holds a Bachelor of Science (Honours) Degree in Economics (Banking, Trade and Industry Finance) degree from the University of London and an MBA degree from Heriot Watt University, Scotland.

Mrs Brenda Marie Kahari (Non Executive Director)
Mrs Brenda Kahari 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 is currently the Group Finance Executive for National Foods Ltd. She 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 twenty years experience in Banking, Accounting and Financial Management. He is a Chartered Accountant (CA). He served articles of Clerkship with Deloitte and Touche.

Chairman's Statement

I am pleased to report that during the year ended 31 December 2012 Metbank Limited delivered satisfactory results to its stakeholders. We have, most importantly, continued with the transformation of our Bank making it more visible, easier to do business with and more focused on building deeper relationships with our customers.

Operating Environment

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

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

Growth in Gross Domestic Product from 2009 to 2012 has been anchored by the mining and agricultural sectors of the economy. However, due to high proportions of short-term transitory deposits and short term loans the productive sectors of the economy generally remain beset by liquidity challenges. Concerns over the implementation of the Indigenisation and Empowerment Act also continue to weigh heavily not only on the financial services sector but on the recovery momentum gained by all the other sectors of the economy since the inception of the multicurrency regime.

Going forward we expect the economy to be shaped by stability, policy consistency and consensus on matters that support the developmental needs of the nation.

Financial Performance

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

Profit before taxation was $2.08 million which represents a 38% decline on prior year figures due to increased impairment charges on credit. Increase in credit impairment charges of $3.6 million was recorded in 2012 due to the deteriorating credit environment and the quality of outstanding loans. Going forward management will intensify management of credit portfolios to improve the quality of the credit book.

Capital Adequacy

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

Risk Management

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

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

Corporate Social Responsibility

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

Chairman's Statement

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

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

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

Directorate

During the year 2012, Mr Virgil Christian Jakachira relinquished his position as Chief Executive Officer. We are grateful for the eight years' service which he put in as an Executive Board member and Chief Executive Officer of the Bank. Mr Belmont Njabulo Ndebele was subsequently appointed the Managing Director of the Bank with effect from 1 October 2012. Mr Ndebele has over eighteen years of banking experience during which period he held various senior positions and also served on the boards of several companies before he joined Metbank. He has a Master of Science degree and a Bachelor of Science Honours degree in Economics from the University of Zimbabwe. He will complement the existing executive management team. We wish Mr Ndebele well in his new position.

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

Corporate Governance

The Board is committed to high standards of good corporate governance and believes that a sound governance structure engenders a successful company. Throughout the year 2012 the Bank has in the Directors' opinion, complied fully with the tenets of good corporate governance. Metbank Limited's board recognizes the critical importance of having an effective Board of Directors. The Board also places the highest importance on active engagement with its shareholders; meetings are held regularly with shareholders and the Board takes account of shareholders' views.

Outlook

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

Appreciation

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

W. T. Manase
CHAIRMAN

Directors' Report

The Directors have pleasure in submitting the annual report and accounts for the year ended 31 December 2012. All figures mentioned in this 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 authorised share capital of the Bank remained at $25 million comprising 24.5 million ordinary shares of $1.00 each and 500 000 irredeemable preference shares of $1.00 each.

Shareholders' Equity

The shareholders' funds as at 31 December 2012 were US$44 504 054. Details of the movement of reserves and share capital are shown on the statement of changes in equity.

Financial Statements for the Year Ended 31 December 2012

The historical accounts reflected the following results:

	US$
Profit before tax	2 076 189
Tax expense	(491 494)
Net profit for the year	**1 584 695**

Capital Adequacy

As at 31 December 2012 the capital adequacy ratio stood at 27% which is well above the prescribed ratio of 12%.

Dividend

In view of the need to preserve cash flows the Board of Directors has decided not to declare a dividend in respect of the year ended 31 December 2012.

Directors' Reponsibility Statement

Metbank 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 judgements and estimates have been made. The financial statements incorporate full and responsible disclosure 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 2013. On the basis of this review, and in light of the current financial position and existing borrowing facilities, the Directors are satisfied that Metbank 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 twelve.

The Board recognises and acknowledges its responsibility for the system of internal financial control. Metbank Limited's policy on business conduct, which covers ethical behaviour, 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 Audit Committee who confirms 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 transactions are properly authorised and recorded. The effectiveness of the internal financial control system is monitored through management reviews and a comprehensive program on 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 2012 which appear on pages thirteen to forty four were approved by the Board of Directors on 13 March 2013 and are signed on its behalf by:

....
W. T. Manase

Board Chairman

....
B. N. Ndebele

Managing Director

Corporate Governance Statement

The Board

The Board currently comprises, in addition to the Chairman, four Executive and eight Non-Executive Directors and meets at least four times a year. The Non-Executive Directors bring 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, 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 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 deputise 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.

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.

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 and
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 and
L. B. Mathopo

The Committee is responsible for ensuring that:

- Loans portfolio and lending function conforms to the approved lending policy approved and adopted by the

Corporate Governance Statement

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
B. N. Ndebele and
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.

Human Resources and Remuneration Committee

The Remuneration Committee consists of the following members:
W.T Manase (Chairperson)
V. C. Jakachira
P.F. Chingoka
B. N. Ndebele and
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.

Board Risk and Compliance Committee

The Risk Management Committee consists of the following members:
P. F. Chingoka (Chairperson)
O. Matore
N. Ncube
B.N. Ndebele and
G. Changunda

The Committee's terms of reference are to:
- Define the policy framework and processes for risk management;
- Ensure continuous risk monitoring by management; receive assurance regarding the adequacy and effectiveness of the risk policies, procedures, practices and controls applied within the bank in the day-to-day management of its business.
- Identify and assess the risks to which the bank is exposed.
- Assess and evaluate appropriateness of risk mitigation strategies to ensure that the bank optimally manages the risks to which it is exposed
- Ensures that the bank undertakes a formal internal risk assessment at least annually.

Nomination Committee

The Nomination Committee comprises of the following members:
W.T. Manase (Chairperson)
O. Matore
O. Bvute
N. Ncube and
J.N. Chinyanta

The Committee's terms of reference are:
- To review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Bank's corporate strategy;
- To identify individuals suitably qualified to become Directors and select, or make recommendations to the Board on the selection of, individuals nominated for directorships;
- To assess the independence of Independent Non-executive Directors and
- To make recommendations to the Board on the appointment or reappointment of Directors and succession planning for Directors.

HLB Ruzengwe & Company
Chartered Accountants (Zimbabwe)

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF METBANK LIMITED

We have audited the accompanying financial statements of Metbank Limited, set out on pages thirteen to forty four, which comprise the statement of financial position as at 31 December 2012 and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements
The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (IFRS), the provisions of the Companies Act (Chapter 24:03), the Banking Act (Chapter 24:20) 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.

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

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of those 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 entity's internal controls. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. 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 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 Metbank Limited as at 31 December 2012 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 of Metbank Limited for the year ended 31 December 2012 were prepared in all material respects, in accordance with the provisions of the Companies Act (Chapter 24:03) and the Banking Act (Chapter 24:20).

HLB RUZENGWE AND COMPANY
Chartered Accountants (Zimbabwe)

HARARE
21 March 2013

4th Floor, C[illegible] House, Cnr 1st Street / Kwame Nkrumah Avenue, P.O. Box 4684, Harare Zimbabwe. Telephone: (263)-(4)-796481/795378 Facsimile (263)-(4)-796482
HLB Ruz[illegible]gwe & 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.

metbank
Registered Commercial Bank

Statement of Financial Position

As at 31 December 2012

	Notes	Audited 31 Dec 2012 US$	Audited Restated 31 Dec 2011 US$
EQUITY AND LIABILITIES			
Share Capital and Reserves			
Share capital and share premium	10	13 000 000	13 000 000
Retained earnings		8 278 282	6 693 587
Capital reserves		23 225 772	23 225 772
Shareholders' Equity		**44 504 054**	**42 919 359**
Liabilities			
Deposits from customers	11	147 397 732	78 542 565
Deferred taxation	12	3 292 339	3 380 791
Other liabilities	13	2 160 562	3 291 665
Total Liabilities		**152 850 633**	**85 215 021**
Total Equity and Liabilities		**197 354 687**	**128 134 380**
ASSETS			
Cash and bank balances	14	40 150 037	27 146 876
Financial assets at fair value through profit or loss	15	1 518 542	-
Loans and advances to customers	16	100 909 432	55 882 519
Property and equipment	17	5 746 320	2 525 762
Investment property	18	44 150 888	40 872 888
Other assets	19	4 879 468	1 706 335
Total Assets		**197 354 687**	**128 134 380**

)
DIRECTORS
)

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2012

	Notes	Audited 31 Dec 2012 US$	Audited 31 Dec 2011 US$
Interest income	5	19 887 416	13 089 947
Interest expense	6	(8 944 469)	(4 826 270)
Net interest income		**10 942 947**	**8 263 677**
Non interest income	7	12 480 256	7 170 287
Operating income		**23 423 203**	**15 433 964**
Operating expenditure	8	(17 751 253)	(11 788 507)
Impairment losses on loans and advances	16.3	(3 595 761)	(293 152)
Profit before taxation		**2 076 189**	**3 352 305**
Income tax expense	9	(491 494)	(624 218)
Profit for the year		**1 584 695**	**2 728 087**
Other comprehensive income (net of tax)		-	-
Total comprehensive income for the year		**1 584 695**	**2 728 087**

Statement of Changes in Equity

For the year ended 31 December 2012

	Ordinary Share Capital US$	Preference Share Capital US$	Retained Earnings US$	Capital Reserves US$	Total US$
Year ended 31 December 2012					
Balance at 31 December 2011	12 500 000	500 000	6 693 587	23 225 772	42 919 359
Total comprehensive income for the year	-	-	1 584 695	-	1 584 695
Balance at 31 December 2012	**12 500 000**	**500 000**	**8 278 282**	**23 225 772**	**44 504 054**
Year ended 31 December 2011					
Balance at 31 December 2010	12 500 000	500 000	3 965 500	23 225 772	40 191 272
Total comprehensive income for the year	-	-	2 728 087	-	2 728 087
Balance at 31 December 2011	**12 500 000**	**500 000**	**6 693 587**	**23 225 772**	**42 919 359**

Statement of Cash Flows

For the year ended 31 December 2012

	Notes	Audited 31 Dec 2012 US$	Audited 31 Dec 2011 US$
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		2 076 189	3 352 305
Adjustments for non-cash items:			
Depreciation and amortisation		875 289	496 881
Provision for doubtful debts		3 595 761	293 152
Fair value adjustment on investment property		(750 000)	-
Other non cash items		930	232 170
Cash inflow from operations		**5 798 169**	**4 374 508**
Increase in operating assets		(53 554 034)	(24 539 044)
Increase in deposits and other liabilities		68 116 383	36 968 289
		20 360 518	**16 803 753**
Taxation paid		(972 265)	(237 737)
Net cash from operating activities		**19 388 253**	**16 566 016**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment		(3 935 092)	(1 295 360)
Purchase of investment property		(2 450 000)	(2 266 188)
Net cash used in investing activities		**(6 385 092)**	**(3 561 548)**
Net increase in cash and cash equivalents		13 003 161	13 004 468
Cash and cash equivalents at the beginning of the year		27 146 876	14 142 408
Cash and cash equivalents at the end of the year	**14**	**40 150 037**	**27 146 876**
Comprising:			
Balances with the Central Bank		13 394 031	20 156 274
Balances with other banks and cash		26 756 006	6 990 602
		40 150 037	**27 146 876**

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

1. CORPORATE INFORMATION

Metbank Limited provides commercial banking services in Zimbabwe.

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

2. BASIS OF PREPARATION

2.1 Statement of compliance

The financial statements were prepared in accordance with International Financial Reporting Standards (IFRS), the Companies Act (Chapter 24:03), and the Banking Act (Chapter 24:20).

The financial statements were authorised for issue by the Board of Directors on 13 March 2013.

2.2 Basis of measurement

The financial statements have been prepared based on statutory records that are maintained under the historical cost convention except for:

- Investment properties that have been measured at fair value, and
- Financial assets at fair value though profit or loss.

2.3 Functional and presentation currency

The financial statements are presented in United States dollars which is the Bank's functional currency.

2.4 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:

2.4.1 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 profit or loss and other comprehensive income here after referred to as income statement. 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, 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.

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 cost 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

Notes to the Financial Statements

For the year ended 31 December 2012

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 or 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 income statement. The losses arising from impairment of such investments are recognised in the income statement.

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 income statement. The losses arising from impairment are recognised in the income statement.

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 income statement 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 income statement 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 income statement 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

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

3.2 Financial instruments (cont...)

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 cash flows 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.

Derecognition 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 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

Notes to the Financial Statements

For the year ended 31 December 2012

3.2 Financial instruments (cont...)

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:

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

The carrying values of property and equipment are reviewed periodically to assess whether or not the recoverable amount has declined below the carrying amount. In the event of such an impairment, the carrying amount is reduced with the impairment loss and the impairment loss is charged as an expense 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 income statement 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.

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 income statement 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 income statement.

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 balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised in the income statement whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

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

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.

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.

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

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

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.
- 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 income statement.

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

3.10 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' pension contributions and performance of the fund.

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 income statement 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 income statement 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 income statement in the period of derecognition.

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 2012. All profits and losses on exchange arising from trading activities are dealt with in arriving at the operating profit. Transactions during the period are converted to United States dollars at rates ruling on the transaction date.

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 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.

4. NEW STANDARDS AND INTERPRETATIONS

4.1 New and revised standards and interpretations applied
The Bank has adopted:-
The amendments to IAS 1: Presentation of Financial Statements effective for annual periods be-

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

ginning on or after 1 July 2012. The amendments:

- Require an entity to present the items of other comprehensive income that may be reclassified to profit or loss in the future if certain conditions are met, separately from those that would never be reclassified to profit or loss.
- Change the title of the statement of comprehensive income to the statement of profit or loss and other comprehensive income.

The amendments to IAS 12: Income Taxes effective for annual periods beginning on or after 1 January 2012. From 1 January 2012, the Bank adopted the amendments to IAS 12: Income Taxes in respect of the basis of computing its deferred tax on investment properties. The amendments contains a rebuttable presumption that for the purpose of recognising deferred tax, the carrying amount of an investment property will be recovered through sale.

The amendments apply to all investment properties measured using the fair value model in IAS 40: Investment Property, and include:

- A rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40: Investment Property, should be determined on the basis that its carrying amount will be recovered through sale, and
- A requirement that deferred tax on non-depreciable assets, measured using the revaluation model in IAS 16 Property Plant and Equipment should be always be measured on a sale basis.

The effect of adopting the amendments of IAS 12: Income Taxes for the purposes of recognising deferred tax, is that the carrying amount of the investment property measured at fair value will be recovered through sale. Consequently the applicable rate of tax when calculating deferred tax would be the capital gains tax rate of 5% instead of the corporate income tax rate of 25.75% previously in use.

Managerial judgement

Management takes the view that the carrying amount of investment properties would be recovered through sale as the overriding intention of the business is to hold the investment properties for sale in the near future.

4.2 New and revised standards and interpretations in issue not applied

A number of new standards, amendments to standards and interpretations are effective for annual periods after 1 January 2012, and have not been applied in the preparation of these financial statements. Those which may be relevant to the company are set out below. The company does not plan to adopt these standards early.

- IFRS 7 – Disclosures offsetting financial assets and financial liabilities (amendments to IFRS 7) (issued 2011) effective for annual periods beginning on or before 1 January 2013.
- IFRS 9 : Mandatory effective date and transition disclosure (issued 2011) effective for annual periods beginning on or after 1 January 2015,
- IFRS 11: Joint Arrangements (2011) effective for annual periods beginning on or after 1 January 2013,
- IFRS 13: Fair Value Measurement (2011) effective for annual periods beginning on or after 1 January 2013,
- IAS 19: Employee Benefits (2011) effective for annual periods beginning on or after 1 January 2013.
- IAS 32: Offsetting of financial assets and financial liabilities (amendments to IAS 32) (2011) effective for annual periods beginning on or before 1 January 2014.

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

		Audited 31 Dec 2012 US$	Audited 31 Dec 2011 US$
5	**INTEREST INCOME**		
	Loans and advances	16 082 311	9 934 793
	Investment securities	3 805 105	3 155 154
		19 887 416	**13 089 947**
6	**INTEREST EXPENSE**		
	Banks	247 588	182 608
	Customers	8 696 881	4 643 662
		8 944 469	**4 826 270**
7	**NON INTEREST INCOME**		
	Fair value adjustment on investment property	750 000	-
	Commission and fee income	8 671 750	5 559 163
	Other income	3 058 506	1 611 124
		12 480 256	**7 170 287**
8	**OPERATING EXPENDITURE**		
	Auditor's fees	72 376	35 345
	Directors' fees	28 450	25 270
	Staff costs	10 352 434	7 150 560
	Administrative expenses	7 297 993	4 577 332
		17 751 253	**11 788 507**
9	**TAXATION**		
9.1	**Current year taxation**		
	Corporate tax	99 998	127 002
	Deferred taxation	391 496	497 216
		491 494	**624 218**
9.2	**Taxation charge reconciliation**		
	Profit before taxation	**2 076 189**	**3 352 305**

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

		Audited 31 Dec 2012 US$	Audited 31 Dec 2011 US$
	Tax calculated at a rate of 25.75%	**534 619**	**863 219**
	Net tax effect on non-taxable/non-deductible items	(43 125)	(239 001)
		491 494	**624 218**
9.3	**Tax rate reconciliation**		
	Notional tax	25.00%	25.00%
	AIDS levy	0.75%	0.75%
		25.75%	**25.75%**
10	**SHARE CAPITAL**		
	Authorised		
	24 500 000 ordinary shares of $1 each and 500 000 preference 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**

10.1 Non-cumulative preference shares

The Bank has 500 000 irredeemable, non cumulative preference shares of $1.00 each at 0% interest rate which can be converted to ordinary shares at the option of the Bank at a ratio of 1:1.

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

Included in term deposits and offshore lines of credit are mortgage backed deposits secured to the tune of $20.6m by the Bank’s investment properties.

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

	Audited 31 Dec 2012 US$	Audited 31 Dec 2011 US$
11.1 Maturity analysis		
Withdrawals on demand and within one month	104 083 869	60 737 791
1 month and up to 3 months	13 255 389	5 409 383
3 months and up to 1 year	14 991 520	7 395 391
Maturity after 1 year but within 5 years	15 066 954	5 000 000
	147 397 732	**78 542 565**
11.2 SECTORAL ANALYSIS OF CUSTOMER DEPOSITS		
Construction	1 309 873	4 119 014
Agriculture	7 494 922	2 650 049
Financial institutions and offshore lines of credit	35 273 195	11 002 923
Distribution	3 327 238	1 480 738
Mining	586 991	83 234
Transport	312 419	770 024
Private	30 471 459	5 812 837
Manufacturing	13 039 974	10 713 934
Commercial	7 820 611	15 841 306
Communications	11 852 741	2 588 373
Quasi-government institutions	35 908 309	23 480 133
	147 397 732	**78 542 565**
12 Deferred taxation		
Additions to property and equipment	747 997	471 100
Investment property at fair value	1 470 469	257 940
Tax effect on tax losses and provision for credit losses	1 073 873	1 064 651
Revaluation surplus on property and equipment	-	1 587 100
	3 292 339	**3 380 791**

Notes to the Financial Statements

For the year ended 31 December 2012

	Audited 31 Dec 2012 US$	Audited 31 Dec 2011 US$
13 OTHER LIABILITIES		
Accrued expenses	1 385 901	2 410 877
Other provisions	774 661	880 788
	2 160 562	**3 291 665**
14 CASH AND BANK BALANCES		
Statutory Reserve Balances with Reserve Bank of Zimbabwe	-	1 518 542
Current account balances	13 394 031	18 637 732
Sub Total	**13 394 031**	**20 156 274**
Cash and Balances with other banks		
Placements with other banks	20 373 578	-
Cash and Nostro bank balances	6 382 428	6 990 602
Sub Total	**26 756 006**	**6 990 602**
Total	**40 150 037**	**27 146 876**

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

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

	Total	Exchange Rate	US$ Equivalent
Pound Sterling	20 108	$1:£0.6415	31 345
South African Rand	2 008 623	$1:ZAR8.1699	245 856
Total			**277 201**

15 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Reserve Bank of Zimbabwe	**1 518 542**	**-**

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

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

	Audited 31 Dec 2012 US$	Audited 31 Dec 2011 US$
16 LOANS AND ADVANCES TO CUSTOMERS		
Loans	49 227 511	21 516 102
Advances	56 587 544	35 773 392
	105 815 055	**57 289 494**
Loans and advances are net of:		
Provisions for doubtful debts	(4 447 983)	(852 222)
Suspended interest on doubtful debts	(457 640)	(554 753)
	100 909 432	**55 882 519**
16.1 Maturity analysis		
Maturity within 1 month	68 129 657	41 119 822
Maturity after 1 month but within 6 months	14 953 585	11 669 791
Maturity after 6 months but within 1 year	11 502 653	1 503 232
Maturity after 1 year but within 5 years	6 323 537	1 589 674
	100 909 432	**55 882 519**
16.2 Sectoral analysis of loans and advances		
Agriculture	27 121 941	5 657 666
Construction	6 577 209	3 879 939
Distribution	19 889 285	11 040 359
Individuals	9 761 132	5 111 266
Manufacturing	9 405 879	2 838 819
Services	30 583 149	26 193 503
Mining	1 365 032	1 791 027
Communications	119 042	520
Transport	992 386	776 395
	105 815 055	57 289 494
Provision for doubtful debts and suspended interest	(4 905 623)	(1 406 975)
	100 909 432	**55 882 519**

16.3 Provisions for doubtful debts

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

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

17 PROPERTY AND EQUIPMENT

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

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

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

	Audited 31 Dec 2012 US$	Audited 31 Dec 2011 US$
18 INVESTMENT PROPERTY		
Opening balance (refer to note 24)	40 872 888	40 872 888
Additions	2 528 000	-
Net gain in fair value adjustments	750 000	-
	44 150 888	**40 872 888**

During the period under review the Bank purchased investment properties comprising land worth $2 528 000. The investment properties purchased are stands 310 and 329 Gatooma Township in Kadoma. These properties were valued by an independent valuer Mr Brian Kashoni of CB Richard and Ellis (Pvt) Limited.

The following investment properties comprising of 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), subdivision A of Oakland, subdivision B of Oakland and subdivision B of Glen Forest of Borrowdale Estate were also 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 fair value of these investment properties 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.

Investment properties to the value of $20.6million are encumbered in that they have been used as collateral on term deposits and offshore lines of credit(refer to Note 11).

Notes to the Financial Statements

For the year ended 31 December 2012

	Audited 31 Dec 2012 US$	Audited 31 Dec 2011 US$
19 OTHER ASSETS		
Prepayments	178 064	55 134
Income receivable	2 303 670	231 656
Other assets	2 397 734	1 419 545
	4 879 468	**1 706 335**

19.1 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	5 750	7 420
Software and licences	664 617	435 771	1 100 388
TOTAL	**786 287**	**441 521**	**1 227 808**

	Opening Balance US$	Charge for the period US$	Closing Balance US$
Amortisation and Accumulated Depreciation			
Fan embankment naming rights	14 000	12 000	26 000
Trade mark	-	-	-
Software and licences	197 057	149 685	346 742
TOTAL	**211 057**	**161 685**	**372 742**
Carrying Amount			
Fan embankment naming rights	106 000		94 000
Trade mark	1 670		7 420
Software and licences	467 560		753 646
TOTAL	**575 230**		**855 066**

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

		Audited 31 Dec 2012 US$	Audited 31 Dec 2011 US$
20	**RELATED PARTY TRANSACTIONS**		
20.1	**Loans to Key Management Personnel**		
	Balance at beginning of period	522 200	532 495
	New advances	522 000	439 398
	Repayments	(162 994)	(449 693)
		881 206	**522 200**
20.2	**Benefits to Key Management Personnel**		
	Key Management Personnel		
	Short term and long term benefits	1 415 197	983 074
	Post employment benefits	79 640	-
		1 494 837	**983 074**
20.3	**Non Executive Directors’ Fees**		
	Directors’ fees	28 450	5 480
		28 450	**25 480**

Notes to the Financial Statements

For the year ended 31 December 2012

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

20.4 Holding Company Transactions

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

20.5 Insider Loans

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

20.6 Loans and advances

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

As at 31 December 2012 Zimbabwe Cricket had issued unlimited guarantee in favour of the Bank to cover borrowings of Zimbabwe Cricket and its franchises debts amounting to $13.86 million. This unlimited guarantee is secured by a 1st mortgage bond valued at $15 million.

21. FINANCIAL INSTRUMENTS AND 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.

21.1. 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 (refer to note 21.11).

21.2. 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 (refer to note 21.12).

21.3. 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 (refer to note 21.13).

21.4. 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.

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

21.5. 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.

21.6 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.

21.7 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.

21.8 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.

21.9 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.

21.10 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 12%. The risk weightings depend on the credit, market and associated risks. The higher the exposures the more the capital needed.

Notes to the Financial Statements

For the year ended 31 December 2012

21.11 CREDIT RISK ANALYSIS

21.11.1 Maximum Exposure to Credit Risk

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

21.11.2 Sectoral Analysis of Loans and Advances

	Audited 31 Dec 2012 US$ Gross maximum exposure	Audited 31 Dec 2012 US$ Value of security	Audited 31 Dec 2012 US$ Net maximum exposure	Audited 31 Dec 2011 US$ Gross maximum exposure	Audited 31 Dec 2011 US$ Value of security	Audited 31 Dec 2011 US$ Net maximum exposure
Agriculture	27 121 941	19 649 700	7 472 241	5 657 666	7 354 966	(1 697 300)
Construction	6 577 209	6 460 000	117 209	3 879 939	5 684 909	(1 804 970)
Distribution	19 889 285	18 563 670	1 325 615	11 040 359	8 677 861	2 362 498
Individuals	9 761 132	955 158	8 805 974	5 111 266	789 379	4 321 887
Manufacturing	9 405 879	3 622 310	5 783 569	2 838 819	1 912 472	926 347
Services	30 583 149	23 550 000	7 033 149	26 193 503	21 478 884	4 714 619
Mining	1 365 032	500 000	865 032	1 791 027	-	1 791 027
Communications	119 042	200 000	(80 958)	520	-	520
Transport	992 386	300 000	692 386	776 395	720 000	56 395
	105 815 055	**73 800 838**	**32 014 217**	**57 289 494**	**46 618 471**	**10 671 023**

21.11.3 Credit Quality by Class of Financial Assets

Total Position as at 31 December 2012

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

21.11.4 Credit Quality by Class of Financial Assets

Total Position as at 31 December 2011

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

21.12 INTEREST RATE REPRICING AND GAP ANALYSIS

21.12.1 Total position at 31 December 2012

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

Notes to the Financial Statements

For the year ended 31 December 2012

21.13 LIQUIDITY RISK

21.13.1 Total Position at 31 December 2012

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

Notes to the Financial Statements

For the year ended 31 December 2012

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

22.1 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.

22.2 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.

		31 Dec 2012 US$	31 Dec 2011 US$
23	**CAPITAL ADEQUACY**		
	Ordinary share capital	12 500 000	12 500 000
	Irredeemable preference shares	500 000	500 000
	Retained profit	8 278 282	6 693 587
	less Exposures to insiders and connected counterparties	(3 543 853)	(1 316 594)
	Sub Total Tier 1 capital	**17 734 429**	**18 376 993**
	General provisions	773 208	574 618
	Capital reserves	23 225 772	23 225 772
	Sub Total Tier 2 capital	**23 998 980**	**23 800 390**
	Grand Total Tier 1 and Tier 2 Capital	**41 733 409**	**42 177 383**

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

23 CAPITAL ADEQUACY Cont...

	Audited 31 Dec 2012 US$	Audited 31 Dec 2011 US$
Total regulatory capital	**35 468 858**	**36 753 986**
Capital adequacy ratio	**27.0%**	**25.1%**
Tier I Ratio	13.5%	16.31%
Tier II Ratio	13.5%	16.31%
	27.0%	**32.62%**

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

24 PRIOR YEAR ADJUSTMENTS

The Bank acquired some investment properties known as Subdivision A of Oaklands, Subdivision B of Oaklands and Subdivision B of Glen Forest of Borrowdale Estate valued at ZWD21 billion as at 31 July 2008. The values of the properties were pegged in Zimbabwe dollars at the time of the transaction. However, the ownership of the properties could not be transferred to the Bank because of protracted legal disputes between the Bank and the seller. The transfer process was only completed on the 1st of April 2012. The fair value of the properties are USD22 742 000 as valued by Mr Brian Kashoni of CB Richard and Ellis (Private) Limited.

The conclusion of the transfers of the properties has necessitated the restatement of the Capital reserves and Investment properties as at 31 December 2011. Set out below are the financial effects of the restatement of the balances of these properties on the Statement of financial position as at 31 December 2011.

	Capital Reserves US$	Investment Properties US$
Balance as at 31 December 2011	1 620 872	18 130 888
Fair value of the investment properties acquired by the Bank	22 742 000	22 742 000
Tax effect	(1 137 100)	-
Restated balance as at 31 December 2011	**23 225 772**	**40 872 888**

The above prior year adjustments had no effect on the statement of profit or loss and other comprehensive income as well as statement of cash flows.

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

25 EVENTS AFTER STATEMENT OF FINANCIAL POSITION DATE

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

Tier 1 Capital Components as at 14 March 2013

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

The related party exposures amounting to $3.52 million as at 31 December 2012, were settled in full by the 5th of March 2013, thereby contributing to an improvement in core capital.

26 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 in the near future. These financial statements have been prepared on a going concern basis.

Notice Of Annual General Meeting

In terms of the Company's Articles of Association, notice is hereby given that the Annual General Meeting of Metbank Shareholders will be held, in the Metbank Boardroom, Central House, 3 Central Avenue, Harare at 1200 hours on Friday 24 May 2013, to consider the following business:

AS ORDINARY BUSINESS

1. **To receive and adopt the financial statements, the Directors' and Auditors' Reports for the year ended 31 December 2012.**

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; Virgil Christian Jakachira, Garainashe Changunda and Leratho Buhlebuyeza-Mathopo.**

4. **To note the resignations of Brenda Marie Kahari and Constance Mutunhu.**

5. **To note and ratify the appointments of Sibusisiwe Ndhlovu and Felix Kumirai as executive directors.**

6. **To note and ratify the appointment of Advocate Thabani Mpofu as a non-executive director.**

7. **To approve the remuneration of the Auditors for the past year's audit and to appoint AMG Global Chartered Accountants as Auditors for the year 2013.**

8. **Approval for capital raising through a renounceable rights offer:**
   "THAT, in terms of Article 6 of the Company's Articles of Association, the directors of the Company ("Directors"), be and are hereby authorized to make a renounceable rights offer of 93,750,000 (ninety three million, seven hundred and fifty thousand) ordinary shares of nominal value of US$0.10 (Ten United States Cents) each at a subscription price of US$0.54 (Fifty Four United States Cents) per share, to registered members of the Company as at the Record Date, in the ratio of 3 (three) new ordinary shares for every 4 (four) ordinary shares held in the issued share capital of MetBank Limited payable in two equal installments.

9. **Approval to place unissued shares under Directors' control:**
   "That the balance of the authorised but unissued shares of the Company, after the proposed offer be placed under the control of the Directors for an indefinite period, to be issued in compliance with the terms of the Company's Memorandum and Articles of Association, provided that no issue will be made which would effectively transfer the control of the Company without the prior approval of the Shareholders in a General Meeting."

Notice Of Annual General Meeting

AS SPECIAL BUSINESS

10. Alteration of Share Capital:

"That the Authorised Share Capital of the Company be and is hereby increased from $25 000 000 (Twenty Five Million United States Dollars) divided into 195 000 000 (One Hundred and Ninety Five Million) Ordinary Shares of US$ 0.10 (Ten United States Cents) each and 5 500 000 (Five Million Five Hundred Thousand) Convertible Preference Shares of US$1.00 (One United States Dollar) each to US$35 000 000 (Thirty Five Million United States Dollars) Divided into 295 000 000 (Two Hundred and Ninety Five Million) Ordinary Shares of US$0.10 (Ten United States Cents) each and 5 500 000 (Five Million Five Hundred Thousand) Convertible Preference Shares of US$1.00 (One United States Dollar) each, by the creation of an additional 100 000 000 (One Hundred Million) Ordinary Shares of US$0.10 (Ten United States Cents) each. The new ordinary shares shall rank pari passu with the existing ordinary shares.

The Authorised Share Capital will now be US$35,000,000 (Thirty Five Million United States Dollars) divided into 295,000,000 (Two Hundred and Ninety Five Million) ordinary shares of US$0.10 (Ten United States Cents) each and 5,500,000 (Five Million Five Hundred Thousand) Convertible Preference shares of US$1.00 (One United States Dollar) each".

11. Buy-Back Option

"That in terms of the non-transferable buy-back Option Agreements to be entered between the Company and proposed Underwriters and subject to the passing of resolution 8 (above) and in terms of the Company's Articles of Association, Companies Act (Chapter 24:03) and in compliance with minimum regulatory capital requirements, the Directors of the Company be and hereby authorized to do all that may be necessary for the Company to utilize its excess reserves over and above the minimum regulatory capital requirements to buy-back up to 93,750,000 ordinary shares in the Company as may be owned by the Underwriters on the exercise of the buy-back option by any Underwriter during the exercise period starting from the 5th to the 9th anniversary of the investment. The buy-back option price per share shall be equal to:

a. US$0.54 per Ordinary Share; plus

b. A return compounded at no more than:

i. LIBOR + 7% annually for the first 5 years of the investment; and

ii. LIBOR + 4% annually from year 6 to year 9.

Any dividends received, during the period between the date of investing and the date when the buy-back option is exercised, will be deducted from the amount accrued under part (b) above and part (b) will be a minimum value of zero.

Any Ordinary shares bought back by the Company from the Underwriters in terms of the buy-back Option will be cancelled from the Company's share register.

This authority shall expire after the 9th anniversary of the investment by the Underwriters."

Notice Of Annual General Meeting

12. Early Buy-Back Option

"That in terms of the non-transferable buy-back option agreements to be entered into between the Company and proposed Underwriters and subject to the passing of resolution 8 (above) and in terms of the Company's Articles of Association, Companies Act (Chapter 24:03) and in compliance with minimum regulatory capital requirements, the Directors of the Company be and hereby authorized to do all that may be necessary for the Company to utilize its excess reserves over and above the minimum regulatory capital requirements to buy-back up to 93,750,000 ordinary shares in the Company as may be owned by the Underwriters on the exercise of the early buy back option which option is exercisable by any Underwriter in the event of a breach of the Share Subscription Agreements. The early buy-back option price per share shall be equal to:

c. US$0.54 per Ordinary Share; plus
d. A return compounded at no more than:
iii. LIBOR + 7% annually for the first 5 years of the investment; and
iv. LIBOR + 4% annually from year 6 to year 9.

A premium of no more than 20% shall be added to the early buy-back option price defined above should the exercise of the Early buy-back option be triggered by events within the control of the Company.

Any dividends received, during the period between the date of investing and the date when the early buy-back option is exercised, will be deducted from the amount accrued under part (b) above and part (b) will be minimum value of zero.

Any Ordinary shares bought back by the Company from the Underwriters in terms of the early buy-back option will be cancelled from the Company's share register.

This authority shall expire after the 9th anniversary of the investment by the Underwriters."

NOTE

In terms of the Companies Act (Chapter 24:03), a member entitled to attend and vote at a meeting is entitled to appoint a proxy to attend and vote on a poll and speak in his stead. A proxy need not be a member of the Company. Proxy forms must be at the registered office not less than 48 hours before the time of the meeting.

The Annual Report incorporating the Companies Annual Financial Statements, Directors' and Auditors' report will be sent to members shortly. It will also be available on the Company's website www.metbank.co.zw

By order of the Board

Rejoice Chipendo
Company Secretary

metbank
Registered Commercial Bank

Branch Network and Contact Details

BRANCH	ADDRESS	TELEPHONE	FAX
Harare			
Head Office	Central House, 3 Central Avenue, Harare	+263-4-700789/700445/ 795911/706569	+263-4-706265
Main	3 Central Avenue, Harare	+263-4-700789/700445/ 795911/706569	+263-4-706265
Belgravia	8 Lanark Road, Belgravia	+263-4-703335/702257	+263-4-706265
Mbare	8 Roden Street, Magaba	+263-779 744 588	+263-4-706265
Harare Polytechnic (Agency)	Herbert Chitepo West Avenue, Harare	+263-4-250393/250423	+263-4-706265
Sam Nujoma Street	Old Mutual House, 18 Sam Nujoma Street	+263-4-799121/708487	+263-4-706265
Machipisa	Std 1498, Tondori Building, Machipisa	+263-4-666663	+263-4-706265
Kwame Nkrumah	25 Kwame Nkrumah Avenue	+263-4-773401/773546/774964	+263-4-706265
Southerton	Cnr. Paisley Road / Highfield Road	+263-4-2911134 / 2911139	+263-4-706265
Beitbridge			
Beitbridge	40/41 Living Waters Centre	+263-286-23835/22957	+263-9-64400
Bubi			
Bubi (Agency)	Bubi Rural District Council Complex, Turk Mine	+263-285-526/577	+263-9-64400
Bulawayo			
Bulawayo	4 East End Building, Cnr R.Mugabe /9th Ave	+263-9-880697/880767	+263-9-64400
Chinhoyi			
Chinhoyi	Std 5309 Magamba Way	+263-67-22167/8/9, 067-24084	+263-4-706265
Chipinge			
Chipinge	15 Main Street	+263-227-2342/3	+263-20-69231
Chitungwiza			
Chitungwiza Main	Std 16110, Makoni Shopping Centre,Seke	+263-70-31362/31503/31519	+263-4-706265
Chitungwiza (Agency)	Std 213646 Zengeza 2	+263-70-23504	+263-70-31501
Gwanda			
Gwanda	185 Soudan Street	+263-284-24241-4	+263-9-64400
Gweru			
Gweru Main	66 3rd Street	+263-54-229975/7	+263-9-64400
Gweru(Agency)	Gweru Polytechnic Campus, 137 Harare Rd	+263-54-229979	+263-9-64400
Hotsprings			
Hotsprings (Agency)	Hotsprings Resort, Chimanimani	+263-744 598 202/774 598 207	+263-20-69231
Kwekwe			
Kwekwe (Agency)	Kwekwe Polytechnic, 1 Railway Road	+263-55-25273	+263-9-64400
Masvingo			
Masvingo Main	58/59 Hellet Street	+263-39-266727-30	+263-20-69231
Masvingo(Agency)	Masvingo Polytechnic, Beitbridge Road	+263-39-266206-8	+263-20-69231
Murewa			
Murewa	Std 564, Murewa	+263-78-22747/8	+263-278-22747/8
Mutare			
Mutare	Shop 1 Zimre Centre, Cnr H.Chitepo/5th Street	+263-20-69350	+263-20-69231
Mutoko			
Mutoko (Agency)	Shop 1, BJ Mall, Std 46/47 Oliver Newton Rd	+263-272-2789/2631/2763	+263-278-22747/8

metbank
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