For the year ended 31 December 2015

CHAIRMAN'S STATEMENT

I am pleased to present the financial performance of Metbank for the year ended 31 December 2015.

Operating Environment
Economic activity in Zimbabwe remained subdued during the course of 2015 as most key economic indicators continued on a downward trend. The economy was characterised by weak aggregate demand, persistent liquidity constraints, low fiscal space, company downsizing, low FDIs and high NPLs. Economic participants continue to drift further from the formal structures to the informal structures. However, efforts to stimulate growth are being implemented both from the Fiscal and Monetary policy perspectives, special mention being the finalisation of the debt repayment arrangements initiated by the government in 2015 which the country now looks upon to be the springboard for economic revival.

The country's economic growth slowed further from 3.1% in 2014 to 1.5% in 2015, and is expected to pick up and grow at an average of 2.7% in 2016. Year on year inflation closed at -2.47%. The deflationary pressures have persisted against the backdrop of an illiquid market which is aggregated by alleged externalization of funds.

Performance on the Zimbabwe Stock Exchange "ZSE" was generally depressed in 2015. The industrial and mining indices fell by 29.4% and 66.9%, to close at 114.85 and 23.72 respectively. Annual ZSE gross trades fell by 49.5% from US$452.87 million in 2014 to US$228 million in 2015 mainly due to reduced investor participation on the trades.

Financial Sector Developments
The prevailing economic distress has not spared the financial services sector, resulting in some key players exiting the industry due to unviable business models.

The major highlights for the period under review included the completion of the ZWD demonetisation program, the resumption of the interbank market, the purchase of Non-Performing loans (NPLs) by ZAMCO as well as the introduction of the interest rate framework.

The ZAMCO initiative has resulted in the NPL levels dropping as banks have been given an opportunity to clean up their balance sheets, whilst at the same time they tighten their lending conditions. A total of $357 million NPLs were acquired from various banks in 2015, resulting in the aggregate ratio dropping to 10.87% as at 31 December 2015.

$178.8 million of the $200 million disbursed for interbank borrowings had been accessed by 31 December 2015. The banking sector aggregate core capital base increased from $811.2m in December 2014 to $982.5m in December 2015.

Furthermore, the platform for economic revival of the sector has been set on the financial inclusion plans established by financial institutions as part of their initiatives to harness informal economic activities.

The introduction of the interest rate framework is expected to see regulators intervening in the determination of lending rates with the objective of making funding more affordable to key sectors of the economy, reducing non-performing loans in the process.

Financial Performance
The Bank reported profit after taxation of $0.26 million during the period under review, which was a material improvement from the loss position recorded in 2014. The bank continued to pursue austerity cost cutting and containment measures, which saw a 44% downward movement in operating expenses to $10.9 million.

Not withstanding a reduction in net interest income, which was as a result of a reduced credit portfolio, earnings from other trading activities coupled with cost containment measures compensated for the depressed net interest income. Other income increased by 17% to $1.5 million following commission earnings from third party products such as bancassurance among others.

The Bank continued to pursue a hybrid of loan recoveries and new business generation, particularly with corporates showing capacity to recover from the current economic downturn. To this end, the Bank secured a $10 million line of credit which as at year-end was utilized to the tune of $5.4 million.

In its quest for growth, the Bank continues to pursue a triad business model covering commercial banking, property development and mortgage financing. The strategy for commerical banking pillar has also shifted from the traditional high risk vanilla banking products to structured trade finance products, incorporating off balance sheet synegies with leading corporates.

Capitalisation
The Bank completed a structuring exercise that resulted in the conversion of current liabilities amounting to $7.3 million into equity, which resulted in the subsequent increase in capital and the overall compliance with the levels adjudicated.

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

Directorate
During the period under review, the Bank appointed Dr M. Maulana as a non executive director to bring the total number of non executive directors to five.

Corporate Governance Statement
The Board is committed to high standards of corporate governance and believes that a sound governance structure engenders a successful company.

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

As at 31 December 2015, the Board comprised, in addition to the Chairman, two Executive and four Non-Executive Directors. The Board 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.

Outlook
In keeping with its 5 year strategic plan, the Bank continues to invest time and resources to its triad business model which shall see the bank tapping into the real estate and property sector, as well as develop products that will advance the finacial inclusion as well as the 'cashless society' strategy. These strategies create capacity to address legacy issues and spur the growth of the Bank going forward. The bank shall continue investing in its human capital to increase its capacity to take advantage of possible growth opportunities in the market.

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

W.T. MANASE
CHAIRMAN

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2015

	Note	2015 US$	2014 US$
ASSETS			
Cash and cash equivalents	7	4 064 605	8 815 499
Financial assets held through profit or loss	8	1 250 558	-
Loans and advances to customers	9	28 670 928	52 824 321
Held to maturity investments	10	386 988	2 675 029
Property and equipment	11	2 588 652	4 275 380
Investment property	12	116 433 699	86 427 124
Deferred taxation	13	1 669 674	816 900
Other assets	14	2 834 749	3 621 736
TOTAL ASSETS		**157 899 853**	**159 455 989**
EQUITY AND LIABILITIES			
EQUITY AND RESERVES			
Share capital	18	26 181 975	16 000 000
Retained earnings		10 752 093	10 599 272
Capital reserves		15 929 772	15 929 772
TOTAL EQUITY AND RESERVES		**52 863 840**	**42 529 044**
LIABILITIES			
Deposits from customers	15	38 834 098	107 950 491
Debentures	16	35 143 646	-
Other liabilities	17	31 058 269	8 976 454
TOTAL LIABILITIES		**105 036 013**	**116 926 945**
TOTAL LIABILITIES, EQUITY AND RESERVES		**157 899 853**	**159 455 989**

) **DIRECTORS**
)

24 March 2016

STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	2015 US$	2014 US$
Interest income	3	8 816 402	19 872 926
Interest expense	3	(4 519 438)	(5 839 533)
Net interest income		**4 296 964**	**14 033 393**
Commission, fee income and other operating income	4.1	1 559 213	1 338 222
Fair value adjustment and loss on disposal of property and equipment	4.2	(2 228 598)	(25 361)
Operating income		**3 627 579**	**15 346 254**
Operating expenditure	5	(10 944 215)	(19 890 042)
Impairment reversal / (charge) on loans and advances	9.6	7 013 621	(2 360 733)
Loss before taxation		**(303 015)**	**(6 904 521)**
Taxation	6	562 525	3 722 556
Profit / (loss) for the year after taxation		**259 510**	**(3 181 965)**
Other comprehensive income		**-**	**-**
Total comprehensive Profit / (loss) for the year		**259 510**	**(3 181 965)**

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015

	Share capital US$	Retained earnings US$	Non distributable reserves US$	Total US$
Year ended 31 December 2014				
Balance at beginning of the year	**16 000 000**	**13 781 237**	**15 929 772**	**45 711 009**
Total comprehensive loss for the year	-	(3 181 965)	-	(3 181 965)
Balance at end of the year	**16 000 000**	**10 599 272**	**15 929 772**	**42 529 044**
Year ended 31 December 2015				
Balance at beginning of the year	**16 000 000**	**10 599 272**	**15 929 772**	**42 529 044**
Issue of irredeemable non-cumulative preference shares	7 325 330	-	-	7 325 330
Issue of convertible cumulative redeemable preference shares	2 856 645	-	-	2 856 645
Total comprehensive income for the year	-	259 510	-	259 510
Dividends on irredeemable non-cumulative preference shares	-	(106 689)	-	(106 689)
Balance at end of the year	**26 181 975**	**10 752 093**	**15 929 772**	**52 863 840**

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	2015 US$	2014 US$
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before taxation		(303 015)	(6 904 521)
Adjustments for non-cash items:			
Depreciation		1 069 961	1 435 669
Armotisation		276 202	332 579
Impairment (reversal) / charge		(7 013 621)	2 360 733
Other non cash items		1 606 169	178 314
Loss/(profit) on disposal of property and equipment		528 288	(25 361)
Operating loss before changes in operating assets and liabilities		**(3 836 016)**	**(2 622 587)**
Changes in operating assets and liabilities			
Increase in advances and other assets		(3 897 855)	(904 733)
Decrease in deposits and other liabilities		(1 815 645)	(3 471 564)
		(9 549 516)	**(6 998 884)**
Taxation paid		(290 250)	-
Net cash outflow from operating activities		**(9 839 766)**	**(6 998 884)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, equipment and intangible assets		(69 607)	(732 483)
Proceeds from sale of investment property		4 908 750	-
Proceeds from sale of equipment		249 729	356 728
Net cash from / (utilised in) investing activities		**5 088 872**	**(375 755)**
Net decrease in cash and cash equivalents		(4 750 894)	(7 374 639)
Cash and cash equivalents at beginning of the year	**7**	8 815 499	16 190 138
Cash and cash equivalents at end of the year	**7**	**4 064 605**	**8 815 499**

Notes to Financial Statements
For the year ended 31 December 2015

1. CORPORATE INFORMATION

Metbank Limited provides commercial banking services in Zimbabwe.

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

2. ACCOUNTING POLICIES

2.1 Basis of preparation

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

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB); the Companies Act (Chapter 24:03); the Banking Act (Chapter 24:20) and Banking Regulations; Statutory Instruments SI33/99 and SI62/99; the Exchange Control Act (Chapter 22:05), the Bank Use Promotion and Suppression of Money Laundering Act (Chapter 24:24) as well as all Reserve Bank of Zimbabwe directives.

Functional and presentation currency

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

The Bank's adopted accounting policies were the same as those adopted in 2014 and are disclosed in the Bank's audited financial statements.

		2015 US$	2014 US$
3	**NET INTEREST INCOME**		
	Interest income from:		
	Loans and advances	7 050 299	15 414 515
	Investment securities	1 766 103	4 458 411
		8 816 402	**19 872 926**
	Interest expense on:		
	Deposits from banks	(573 018)	(5 786 799)
	Deposits from customers	(3 349 728)	(52 734)
	Interest accruing on debt instruments issued	(596 692)	-
		(4 519 438)	**(5 839 533)**
	Net interest income	**4 296 964**	**14 033 393**
4	**NON-INTEREST INCOME**		
4.1	**Commission, fee income and other operating income**		
	Commission and fee income	1 452 897	24 370
	Other operating income	106 316	1 313 852
		1 559 213	**1 338 222**
4.2	**Other losses**		
	Fair value adjustment on investment property	(999 171)	-
	Write-off of property and equipment	(570 360)	-
	Loss on disposal of investment property and property and equipment	(659 067)	(25 361)
		(2 228 598)	**(25 361)**
5	**OPERATING EXPENDITURE**		
	Staff costs	6 322 790	11 457 690
	Administrative expenses	3 160 085	6 559 535
	Auditor's fees	100 577	80 569
	Directors' fees	14 600	24 000
	Depreciation and armotisation	1 346 163	1 768 248
		10 944 215	**19 890 042**

Included in staff costs are contributions to the National Social Security Authority, a defined contribution scheme and the Bank's separate trustee administered fund amounting to US$265,895 (2014: US$521,435).

6 TAXATION

The following constitutes the major components of income tax expense recognised in the statement of comprehensive income.

		2015 US$	2014 US$
6.1	**Major components of tax expense**		
	Capital gains tax	290 250	-
	Deferred taxation	(852 775)	(3 722 556)
		(562 525)	**(3 722 556)**
	Taxation credit reconciliation		
	Loss before taxation	(303 015)	(6 904 521)
	Tax calculated at a rate of 25.75%	(78 026)	(1 777 914)
	Capital gains tax	290 250	-
	Net tax effect on non-taxable/non-deductible items	(774 748)	(1 944 642)
		(562 525)	**(3 722 556)**
6.2	**Tax rate reconciliation**		
	Notional tax	-25.00%	-25.00%
	AIDS levy	-0.75%	-0.75%
	Permanent differences	-255.68%	-28.15%
		-281.43%	**-53.90%**
7	**CASH AND CASH EQUIVALENTS**		
	Balances with the Reserve Bank of Zimbabwe		
	Current account balances	**513 707**	**38 461**
	Balances with other banks and cash		
	Placements with local banks	3 099 859	8 524 215
	Cash and Nostro account balances	451 039	252 823
		3 550 898	**8 777 038**
	Total	**4 064 605**	**8 815 499**
8	**FINANCIAL ASSETS THROUGH PROFIT AND LOSS**		
	Treasury Bills	**1 250 558**	**-**

During the year under review, the Bank received Treasury Bills with a face value of US$1,250,558 from ZAMCO. These were in exchange of some non-performing loan exposures with a book value of US$1.7 million. The Bank wrote off the resulting loss of US$0.5 million from this transaction through profit and loss.

		2015 US$	2014 US$
9	**LOANS AND ADVANCES TO CUSTOMERS**		
9.1	Analysis		
	Loans	3 716 297	45 889 070
	Advances	30 109 361	18 779 648
		33 825 658	**64 668 718**
9.2	**Provision for doubtful debts**		
	Loans and advances are net of:		
	Provisions for doubtful debts	(3 845 043)	(10 858 664)
	Suspended interest on doubtful debts	(1 309 687)	(985 733)
		28 670 928	**52 824 321**
9.3	**Maturity analysis**		
	Maturity within 1 month	2 794 317	46 881 154
	Maturity after 1 month but within 6 months	12 363 757	1 046 298
	Maturity after 6 months but within 1 year	109 071	948 487
	Maturity after 1 year but within 5 years	13 403 783	3 948 382
		28 670 928	**52 824 321**

Maturity is based on the remaining period from 31 December 2015 to contractual maturity.

Notes to Financial Statements
For the year ended 31 December 2015

		2015 US$	2014 US$
9.4	**Sectoral analysis of loans and advances**		
	Agriculture	15 939 132	17 312 552
	Construction	90 624	10 745
	Distribution	1 880 446	8 289 987
	Individuals	2 618 471	5 895 242
	Manufacturing	281 148	1 220 554
	Services	10 773 920	25 542 791
	Mining	1 614 044	5 588 494
	Communications	334	145 007
	Transport	627 539	663 346
		33 825 658	**64 668 718**
	Provision for doubtful debts and suspended interest	(5 154 730)	(11 844 397)
		28 670 928	**52 824 321**
9.5	**Non performing loans**		
	Total loans and advances on which interest is suspended	**21 991 908**	**59 271 471**

		Specific US$	General US$	Total US$
9.6	**Provisions for doubtful debts**			
	Balance at 1 January 2014	7 743 258	754 673	8 497 931
	Charge against profits	3 045 074	(684 341)	2 360 733
	Balance at 31 December 2014	**10 788 332**	**70 332**	**10 858 664**
	Charge against profits	(7 260 324)	246 703	(7 013 621)
	Balance at 31 December 2015	**3 528 008**	**317 035**	**3 845 043**

		2015 US$	2014 US$
10	**HELD TO MATURITY INVESTMENTS**		
	Debentues	**386 988**	**2 675 029**

During the 2013 financial year, the Bank was issued with two parcels of convertible debentures for Lobels Limited totalling US$2 675 029.25 which matures on 9 March 2018. The effective interest rate for the US$1 175 029.25 debenture is 10% whilst effective rate for US$1 500 000 is 7%.The Bank however, opted to redeem the parcels before their maturities during the year. At the end of the 2015, a total of US$386,988 in interest remained outstanding on the debenture parcels.

11 PROPERTY AND EQUIPMENT

	Leasehold Buildings US$	Motor Vehicles US$	Computer & Office Equipment US$	Furniture & Fittings US$	Computer Networks US$	Total US$
COST						
Balance at 1 January 2014	**2 513 613**	**1 530 861**	**3 253 111**	**517 033**	**383 697**	**8 198 315**
Additions	306 028	424 148	-	2 307	-	732 483
Disposals	(3 532)	(635 380)	(362 269)	(12 977)	-	(1 014 158)
Balance at 31 December 2014	**2 816 109**	**1 319 629**	**2 890 842**	**506 363**	**383 697**	**7 916 640**
Balance at 1 January 2015	**2 816 109**	**1 319 629**	**2 890 842**	**506 363**	**383 697**	**7 916 640**
Additions	1 120	1 785	31 199	118	32 775	66 997
Disposals	(821 757)	(411 160)	(102 749)	(10 556)	-	(1 346 222)
Balance at 31 December 2015	**1 995 472**	**910 254**	**2 819 292**	**495 925**	**416 472**	**6 637 415**
DEPRECIATION AND IMPAIRMENT LOSSES						
Balance at 1 January 2014	**410 003**	**605 077**	**1 122 978**	**158 544**	**259 202**	**2 555 804**
Depreciation for the year	187 532	566 855	572 474	51 729	57 079	1 435 669
Disposals	(830)	(307 267)	(36 763)	(5 353)	-	(350 213)
Balance at 31 December 2014	**596 705**	**864 665**	**1 658 689**	**204 920**	**316 281**	**3 641 260**
Balance at 1 January 2015	**596 705**	**864 665**	**1 658 689**	**204 920**	**316 281**	**3 641 260**
Depreciation for the year	216 244	250 058	501 359	50 381	51 919	1 069 961
Disposals	(246 497)	(337 125)	(75 143)	(3 693)	-	(662 458)
Balance at 31 December 2015	**566 452**	**777 598**	**2 084 905**	**251 608**	**368 200**	**4 048 763**
CARRYING AMOUNT						
At 1 January 2014	**2 103 610**	**925 784**	**2 130 133**	**358 489**	**124 495**	**5 642 511**
At 31 December 2014	**2 219 404**	**454 964**	**1 232 153**	**301 443**	**67 416**	**4 275 380**
At 1 January 2015	**2 219 404**	**454 964**	**1 232 153**	**301 443**	**67 416**	**4 275 380**
At 31 December 2015	**1 429 020**	**132 656**	**734 387**	**244 317**	**48 272**	**2 588 652**

		2015 US$	2014 US$
12	**INVESTMENT PROPERTY**		
12.1	**Analysis of movement**		
	Opening balance	86 427 124	36 215 814
	Additions	37 852 482	50 389 624
	Disposals	(6 846 737)	-
	Fair value adjustment	(999 171)	(178 314)
		116 433 699	**86 427 124**

12.2 Investment property comprises of buildings and undeveloped stands. Investment property is stated at fair value, which has been determined based on valuations performed by an accredited independent and professional valuer as at 31 December 2015. The valuation was carried out in accordance with the Royal Institute of Chatered Surveyors Appraisal and Valuation Manual and the Real Estate Institute of Zimbabwe Standards.

In detrermining the market values of the subject properties, the professional independent valuer considered the following:

- Comparable market evidence based on purchase transactions of similar buildings and residential stands.
- Professional judgement was exercised to take cognisance of the fact that properties in the transactions were not exactly comparable in terms of size, quality and location to the properties owned by the Bank.
- The reasonableness of the market values of commercial properties so determined as per the above information, was assessed by reference to the properties in the transaction; and
- The value per square meter of lettable space and land resources for subject properties and comparables were analysed.

With regards to valuation of residential properties, the comparison method was used. This method entails carrying out a valuation by directly comparing the subject property, which has beed sold or rented out.

The procedure was performed as follows:

- Surveys and data collection on similar past transactions;
- Analysis of the collected data; and
- Comparison of the analysis with the subject properties and then carrying out the valuation of the subject properties.

Adjustments were made to the following aspects:

- Age of property - state of repair and maintenance;
- Aesthetic quality - quality of fixtures and fittings;
- Structural condition - location; and
- Accomodation offered - size of land.

12.3 During the year, the Bank acquired investment properties valued at $37.9 million through the settlement of various non-performing loan exposures. A fair value adjustment through profit and loss of $999,171 had been effected ,at the end of the reporting year.

12.4 Investment property with a book value of $5.6 million was disposed off during the year for a total consideration of $4.9 million. The resulting loss on disposal amounting to $659 067 was written off through profit and loss.

12.5 Collateral issued

The Bank ceded property worth $38 million as security to the Bank's Debentures and Preference Shares Trust. The Bank seeks to add value to the land through property development, thereby creating capacity to settle creditors when the debt instruments mature in 2018.

		2015 US$	2014 US$
13	**DEFERRED TAXATION**		
	Deferred tax related to items charged or credited to statement of comprehensive income during the year is as follows:		
	Additions to property and equipment	(546 074)	(39 865)
	Investment property at fair value	(288 453)	(327 213)
	Tax effect on tax losses and provision for credit losses	2 504 201	1 183 978
		1 669 674	**816 900**
14	**OTHER ASSETS**		
14.1	**Analysis**		
	Prepayments	31 441	78 927
	Work-in-progress - Property development	1 140 958	-
	Income receivable	198 561	989 658
	Sundry assets	1 463 789	2 553 151
		2 834 749	**3 621 736**
14.2	**Included in sundry assets are the following intangible assets:**		
	At cost	1 802 961	1 800 350
	Accumulated amortisation and impairement	(1 268 289)	(992 086)
		534 672	**808 264**
	Movement in intangible asset		
	Opening balance	**808 264**	**1 151 993**
	Additions	2 610	-
	Disposal	-	(11 150)
	Amortisation charge	(276 202)	(332 579)
	Closing balance	**534 672**	**808 264**

Notes to Financial Statements
For the year ended 31 December 2015

		2015 US$	2014 US$
15	**DEPOSITS FROM CUSTOMERS**		
15.1	**Analysis of balances**		
	Current and savings accounts	13 653 025	50 121 671
	Foreign lines of credit	3 181 058	16 921 834
	Due to banks	13 645 699	21 127 473
	Term deposits	8 354 316	19 779 513
		38 834 098	**107 950 491**

Foreign lines of credit relate to borrowings from foreign banks or financial institutions. These have average tenures of upto 5 years with an average interest rate of 8% and are secured by a variety of instruments which included liens over bank accounts, guarantees and sub borrower securities. Included in deposits are mortgage backed deposits secured to the tune of US$10 million for PTA Bank.

		2015 US$	2014 US$
15.2	**Maturity**		
	Withdrawals on demand and within one month	34 756 692	83 899 464
	1 month and up to 3 months	896 348	7 019 320
	3 months and up to 1 year	-	109 873
	Maturity after 1 year but within 5 years	3 181 058	16 921 834
		38 834 098	**107 950 491**
15.3	**Sectoral anlysis of customer depostis**		
	Construction	143 452	418 078
	Agriculture	329 828	7 447 214
	Financial institutions and offshore lines of credit	17 309 489	43 169 637
	Distribution	445 705	1 973 402
	Mining	23 985	28 009
	Transport	42 064	53 607
	Private	2 086 195	4 433 503
	Manufacturing	3 612 799	767 042
	Commercial	7 662 234	23 196 478
	Communications	451 532	15 061 556
	Quasi-government institutions	6 726 815	11 401 965
		38 834 098	**107 950 491**
16	**DEBENTURES**		
16.1	**Analysis of Balances**		
	Debentures issued	**35 143 646**	**-**

16.2 During the year, the Bank successfully entered into compromise arrangements with some depositors whose balances were above US$100 000. This arrangement, on the back of signed proxies, led to the holding of an Extra-ordinary General Meeting (EGM) on 2 March 2015 which paved way for the issuance of preference shares and/or debentures, effectively converting short term creditors to long term (3 years) instrument holding investors. A total of US$35 143 646 worth of debentures were issued during the year. These debentures carry a coupon rate of 2% per annum, and are secured by investment property worth US$38 million.

		2015 US$	2014 US$
17	**OTHER LIABILITIES**		
17.1	**Analysis of balances**		
	Accrued expenses	9 882 662	8 659 305
	Due to ZMACO	14 911 856	-
	Other provisions	6 263 751	317 149
		31 058 269	**8 976 454**

17.2 During the year, the Bank entered into a Novation agreement with PTA Bank and the Zimbabwe Asset Management Corporation (ZAMCO) for the transfer of the balance of US$9.3 million the Bank owed PTA Bank to ZAMCO. The new ZAMCO facility matures in 2018 and attracts interest at a rate of 10% per annum.

In a separate arrangement to the Novation with PTA Bank, ZAMCO also took over US$4.4 million of the line of credit due and payable to Afrexim Bank under the same terms as those applicable to PTA Bank.

		2015 US$	2014 US$
18	**SHARE CAPITAL**		
18.1	**Authorised**		
	195 000 000 ordinary shares of US$0,10 each	19 500 000	19 500 000
	15 000 000 (2014: 5 500 000) preference shares of US$1 each	15 000 000	5 500 000
		34 500 000	**25 000 000**
18.2	**Issued and fully paid**		
	125 000 000 ordinary shares of US$0,10 each	12 500 000	12 500 000
	10 825 330 (2014: 3 500 000) irredeemable non-cumulative preference shares of US$1 each	10 825 330	3 500 000
	2 856 645 convertible cumulative redeemable preference shares of US$1 each	2 856 645	-
		26 181 975	**16 000 000**

18.3 Non-cumulative preference shares

During the year, the Bank successfully entered into compromise arrangements with some depositors whose balances were above US$100 000. This arrangement, on the back of signed proxies, led to the holding of an Extra-ordinary General Meeting (EGM) on 2 March 2015 which paved way for the issuance of preference shares and/or debentures effectively converting short term creditors to long term (3 years) instrument holding investors.

The Bank's Shareholders therefore approved to increase the number of authorised preference shares from 5 500 000 to 15 000 000 to create room for issuance of additional preference shares, a process which is currently being regularised with the Registrar of Companies. The Board of Directors was given mandate to effect the issuance of the preference shares.

A total of 11 385 675 preference shares were issued, 7 325 330 being irredeemable non-cumulative preference shares, whilst 2 856 645 were convertible cumulative redeemable preference shares. The irredeemable non cumulative preference shares qualify as Tier 1 capital.

		2015 US$	2014 US$
19	**RELATED PARTY TRANSACTIONS**		
19.1	Loans to Key Management Personnel		
	Balance at beginning of the year	323 271	567 905
	New advances	-	215 856
	Repayments	(323 271)	(460 490)
	Balance at end of the year	**-**	**323 271**
19.2	**Benefits to Key Management Personnel**		
	Key Management Personnel		
	Short term and long term benefits	1 278 093	1 966 973
	Post employment benefits	67 921	208 894
		1 346 014	**2 175 867**

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

		2015 US$	2014 US$
19.3	**Non Executive Directors' Fees**		
	Directors' fees	**14 600**	**24 000**

19.4 Holding Company Transactions and Balances

Following the acquisition of 60% of the ordinary share capital of the Bank on 01 July 2007, Metbank Limited is a subsidiary of Loita Finance Holdings Limited, incorporated in Mauritius. There were no transactions between Metbank and the holding company during the period.

20. CONTINGENT LIABILITIES, COMMITMENTS AND LEASING ARRANGEMENTS

	2015 US$	2014 US$
Contingent Liabilities		
Guarantees and performance bonds	6 980 534	2 225 351
Legal claims	1 242 353	1 642 353
	8 222 887	**3 867 704**

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To meet the financial needs of customers, the Bank enters into various irrevocable commitments and contingents liabilities. These consist of financial guarantees and letters of credit and other undrawn commitments to lend.

Even though these obligations may not be recognized on the statement of financial position, they do contain credit risk and are therefore part of the overall risk of the bank (see note 21.1.1 - credit risk).

Letters of credit and guarantees commit the bank to make payments on behalf of the customers in the event of a specific act, generally related to import of goods. Guarantees and standby letters of credit carry a similar credit risk to loans.

Legal Claims

Litigation is a common occurrence in the Banking industry due to the nature of the business undertaken. The Bank has formal controls and policies for managing claims. Once professional advice has been obtained and the amount of loss reasonably estimated, the bank makes adjustments to account for any adverse effects which the claims may have on its financial standing. At 31 December 2015, the Bank had several unresolved legal claims.

The Bank has been advised by its legal advisors that it is possible, but not probable, that the legal actions against the bank will succeed. Accordingly, no provisions have been made in these financial statements for those claims where the bank has been advised that the legal claims are not probable to succeed. The possible outflow which could result from such litigation, based on the current status of the legal proceedings, is estimated to be no more than US$1 242 353 while the timing of the outflow is uncertain.

21. RISK MANAGEMENT

21.1 Introduction

Risk is inherent in the Bank's activities and is managed through an ongoing process of identification, measurement, monitoring, controlling, and reporting. The risk management approaches deployed by the Bank are aligned with the strategic objective of increasing shareholder value. To that effect the Bank continues to improve its bank-wide risk management framework. Each Unit of the Bank has assumed ownership of the risks inherent in its processes and each individual within the Bank is accountable for the risk exposures relating to his or her responsibilities. Due to the nature of banking business, the Bank is exposed mainly to credit risk, market risk, operational risk and liquidity risk. The Bank has resolved to mitigate these risks not in silos but in a holistic manner.

Risk Management Structure

The Board of Directors is responsible for the overall risk management process of the Bank through the appointed Board Risk, Compliance and Capital Management Committee which has the responsibility to monitor the overall risk process within the Bank. The Board Risk Committee has the overall responsibility for the development of the risk strategy and provides oversight to the Bank-wide risk management process.

The Risk Management Department is responsible for driving the implementation process and reporting on all matters pertaining to the risk profile of the Bank. The department works closely with Units of the Bank to ensure that the risk strategy is implemented and desired goals are realized. Each department within the Bank is responsible for the control of its risks in line with the Bank's risk guidelines, policies and procedures. This includes monitoring the risk of exposures against limits and the assessment of risks of new products and structured transactions.

The Finance Department and Treasury Department are responsible for managing the Bank's assets and liabilities and the overall financial structure. They are primarily responsible for the funding and liquidity risks of the Bank. The Bank's policy is that risk management processes throughout the

Notes to Financial Statements

For the year ended 31 December 2015

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Bank are audited annually by the Internal Audit function, which examines both the adequacy of the procedures and the Bank's compliance with the procedures. Internal Audit discusses the results of all assessments with management, and reports its findings and recommendations to the Finance and Audit Committee.

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.

21.1.1Credit Risk

Credit risk is the risk that the Bank will incur a loss because its customers or counter parties fail to discharge their contractual obligations. The Bank manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for geographical and industry concentrations, and by monitoring exposures in relation to such limits.

The Bank also ensures that applicants for credit facilities are assessed using an internal credit rating system before the facility is granted and their performance is continuously monitored so as to maintain a quality loan book. The credit mitigation techniques include collateral, netting arrangements, guaranties and insurance. The internal rating process and the credit risk mitigation techniques have been incorporated in the Bank's credit risk policy and procedures (refer to note 21.1.12).

The credit quality of financial assets is managed by the Bank using internal credit ratings. The table shown in noe 21.1.12 shows the credit quality by class of asset for all financial assets exposed to credit risk, based on the bank's internal credit rating system. The amounts presented are gross of impairment allowances.

21.1.2 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 21.1.14).

21.1.3 Liquidity Risk

Liquidity risk is defined as the risk that the Bank may fail to fund increases in assets or meet obligations as they fall due without incurring unacceptable losses. This may be caused by the Bank's inability to liquidate assets or to obtain funding to meet its liquidity needs. Liquidity risk could be a result of a market disruption or liquidity squeeze whereby the Bank may only be able to unwind specific exposures at significantly discounted values. To limit this risk, management, through the Assets and Liabilities Committee (ALCO) has arranged diversified funding sources for the Bank in addition to its core deposit base, and adopted a policy of managing assets with liquidity in mind and of monitoring future cash flows and liquidity on a daily basis. The Bank has developed internal control processes and contingency plans for managing liquidity risk. This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure additional funding if required.

The Bank stresses the importance of current accounts and savings accounts as sources of funds to finance lending to customers. They are monitored using the loans to deposit ratio, which compares loans and advances to customers as a percentage of customer current and savings accounts, together with term funding with a remaining term to maturity in excess of one year (refer to note 21.1.15).

21.1.4 Foreign Exchange Risk

Foreign exchange risks arise from future commercial transactions and recognised assets and liabilities. This is the risk from movement in the relative rates of exchange between currencies. The risk is controlled through control of open position as per ALCO directives, Reserve Bank of Zimbabwe requirements and analysis of the market. The Bank manages this risk through monitoring long and short positions and assessing the likely impact of forecasted movements in exchange rates on the Bank's profitability (refer to note 22).

21.1.5 Operational Risk

Operational risk is the risk of loss due to inadequate or failed internal processes, people, systems, external and legal events. Operational risk can have financial, non-financial impact of varying degrees to the Bank. Like any other risk category, operational risk can also have severe impact on the reputation of the bank. The Bank endeavours to manage these risks through a control framework and by monitoring and responding to potential risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes, such as the use of internal audit. The measurement of operational risk involves the analysis of operational loss data and continuous on-site assessments of performance of operational controls for all business processes.

Stress testing

The Bank carries out stress testing on a regular basis in order to investigate potential vulnerabilities of the institution to exceptionally severe but plausible events pertaining to credit risk, interest rate risk, foreign exchange risk and liquidity risk. The stress testing carried out enables the bank to assess its resilience to severe shocks from within or from the market. Severe shocks are events with a low likelihood of occurrence but with high impact on the financial condition of the Bank. The bank shall continue to use stress testing as an early warning system and to compliment other risk management initiatives. Stress testing helps to determine the preparedness of the bank to absorb losses resulting from shock events. The stress testing methodology applied enables comparison of pre-shock capital levels and prudential ratios with corresponding post-shock values leading to the conclusion that the bank is resilient or not.

21.1.6 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.

21.1.7 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.

21.1.8 Legal Risk

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

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

21.1.9 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.

21.1.10 Strategic Risk

Strategic risk is the risk of an unattractive or adverse impact on capital and earnings due to business policy decisions (made or not made), changes in the economic environment, deficient or insufficient implementation of decisions, or a failure to adapt to changes in the environment.

The Board is ultimately responsible for the development, approval and application of the Bank's strategic risk policies. The Board approves the Bank's strategy, whilst management is responsible for implementation and ensuring that regular reviews are done in line with changes in operating conditions.

21.1.11 Capital adequacy

Capital adequacy measurement is designed to assess the stability of a financial institution with emphasis being placed on the credit risk of the 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) (refer to note 24).

The minimum total risk based capital ratio for a banking institution as per the regulations is 10%. The risk weightings depend on the credit, market and associated risks. The higher the exposures the more the capital needed.

21.1.12 CREDIT RISK ANALYSIS

21.1.12.1 Maximum Exposure to Credit Risk by Grade

	2015 US$ Gross maximum exposure	2015 US$ Value of security	2015 US$ Net maximum exposure	2014 US$ Gross maximum exposure	2014 US$ Value of security	2014 US$ Net maximum exposure
Total pass	1 928 579	-	1 928 579	4 671 496	5 873 536	(1 202 040)
Total special mention	9 905 170	-	9 905 170	725 751	1 170 599	(444 848)
Total substandard	3 379 214	2 804 259	574 955	20 865 038	20 209 196	655 842
Total doubtful	8 736 393	6 858 530	1 877 863	12 388 259	8 845 771	3 542 488
Total loss	9 876 302	7 402 217	2 474 085	26 018 174	16 462 717	9 555 457
	33 825 658	**17 065 006**	**16 760 652**	**64 668 718**	**52 561 819**	**12 106 899**

Maximum Exposure to Credit Risk by Sector

	2015 US$ Gross maximum exposure	2015 US$ Value of security	2015 US$ Net maximum exposure	2014 US$ Gross maximum exposure	2014 US$ Value of security	2014 US$ Net maximum exposure
Agriculture	15 939 152	12 295 971	3 643 181	17 312 552	12 557 000	4 755 552
Construction	90 624	74 313	16 311	10 745	154 542	(143 797)
Distribution	1 880 430	1 699 057	181 373	8 289 987	4 387 561	3 902 426
Individuals	2 618 471	120 277	2 498 194	5 895 929	1 435 253	4 460 676
Manufacturing	281 148	-	281 148	1 220 554	153 859	1 066 695
Services	10 773 916	2 304 688	8 469 228	25 542 104	29 012 405	(3 470 301)
Mining	1 614 044	570 000	1 044 044	5 588 494	4 452 038	1 136 456
Communications	334	-	334	145 007	144 874	133
Transport	627 539	700	626 839	663 346	264 287	399 059
	33 825 658	**17 065 006**	**16 760 652**	**64 668 718**	**52 561 819**	**12 106 899**

21.1.13 Credit quality by sector and grading
Total Position as at 31 December 2015

	2015 US$ Total pass	2015 US$ Total special mention	2015 US$ Total substandard	2015 US$ Total doubtful	2015 US$ Total loss	2015 US$ Total
Agriculture	393 639	2 509	3 226 875	6 924 791	5 391 338	15 939 152
Construction	909	-	82 341	7 374	-	90 624
Distribution	68 062	2 736	740	794 265	1 014 627	1 880 430
Individuals	1 343 607	227 083	65 329	936 798	45 654	2 618 471
Manufacturing	1 398	278 775	93	515	367	281 148
Services	119 760	9 393 938	2 704	72 650	1 184 864	10 773 916
Mining	282	101	-	-	1 613 661	1 614 044
Communications	334	-	-	-	-	334
Transport	588	28	1 132	-	625 791	627 539
	1 928 579	**9 905 170**	**3 379 214**	**8 736 393**	**9 876 302**	**33 825 658**

Total Position as at 31 December 2014

	2014 US$ Total pass	2014 US$ Total special mention	2014 US$ Total substandard	2014 US$ Total doubtful	2014 US$ Total loss	2014 US$ Total
Agriculture	65 469	3 728	2 442 027	7 471 431	7 329 897	17 312 552
Construction	3 166	-	-	7 574	5	10 745
Distribution	53 108	6 237	1 519 480	2 103 443	4 607 719	8 289 987
Individuals	2 442 104	303 721	118 173	2 081 315	950 616	5 895 929
Manufacturing	603 961	411 310	104 832	58 649	41 802	1 220 554
Services	1 494 919	184	16 668 624	496 020	6 882 357	25 542 104
Mining	1 661	201	-	22 834	5 563 798	5 588 494
Communications	102	-	-	144 874	31	145 007
Transport	7 006	370	11 902	2 119	641 949	663 346
	4 671 496	**725 751**	**20 865 038**	**12 388 259**	**26 018 174**	**64 668 718**

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21.1.14 INTEREST RATE REPRICING AND GAP ANALYSIS

21.1.14.1 Total position at 31 December 2015

	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	964 746	-	3 099 859	-	-	4 064 605
Loans and advances to customers	2 794 317	12 363 757	109 071	13 403 783	-	28 670 928
Financial assets held through profit or loss	-	-	1 250 558	386 988	-	1 637 546
Deferred taxation	-	-	-	-	1 669 674	1 669 674
Property and equipment	-	-	-	-	2 588 652	2 588 652
Investment property	-	-	-	-	116 433 699	116 433 699
Other assets	-	-	-	-	2 834 749	2 834 749
	3 759 063	**12 363 757**	**4 459 488**	**13 790 771**	**123 526 774**	**157 899 853**
EQUITY AND LIABILITIES						
Shareholders' equity	-	-	-	-	52 863 840	52 863 840
Deposits from customers	11 953 396	12 743 908	10 955 736	3 181 058	-	38 834 098
Debentures	-	-	-	35 143 646	-	35 143 646
Other liabilities	-	-	-	31 058 269	-	31 058 269
	11 953 396	**12 743 908**	**10 955 736**	**69 382 973**	**52 863 840**	**157 899 853**
Interest rate re-pricing gap	**(8 194 333)**	**(380 151)**	**(6 496 248)**	**(55 592 202)**	**70 662 934**	
Cumulative gap as at 31 December 2015	**(8 194 333)**	**(8 574 484)**	**(15 070 732)**	**(70 662 934)**	**-**	

Total position at 31 December 2014

	Up to 1 month US$	1 month to 6 months US$	6 months to 1 year US$	Over 1 year US$	Non-interest bearing US$	Total US$
ASSETS						
Bank and cash balances	291 284	-	8 524 215	-	-	8 815 499
Loans and advances to customers	46 881 154	1 046 298	948 487	3 948 382	-	52 824 321
Financial assets	-	2 675 029	-	-	-	2 675 029
Deferred taxation	-	-	-	-	816 900	816 900
Property and equipment	-	-	-	-	4 275 380	4 275 380
Investment property	-	-	-	-	86 427 124	86 427 124
Other assets	-	-	-	-	3 621 736	3 621 736
	47 172 438	**3 721 327**	**9 472 702**	**3 948 382**	**95 141 140**	**159 455 989**
EQUITY AND LIABILITIES						
Shareholders' equity	-	-	-	-	42 529 044	42 529 044
Deposits from customers	83 899 464	7 019 320	109 873	16 921 834	-	107 950 491
Other liabilities	-	-	-	8 976 454	-	8 976 454
	83 899 464	**7 019 320**	**109 873**	**25 898 288**	**42 529 044**	**159 455 989**
Interest rate re-pricing gap	**(36 727 026)**	**(3 297 993)**	**9 362 829**	**(21 949 906)**	**52 612 096**	
Cumulative gap as at 31 December 2014	**(36 727 026)**	**(40 025 019)**	**(30 662 190)**	**(52 612 096)**	**-**	

21.1.15 LIQUIDITY RISK

21.1.15.1 Total position at 31 December 2015

	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	964 746	-	3 099 859	-	4 064 605
Loans and advances to customers	2 794 317	12 363 757	109 071	13 403 783	28 670 928
Financial assets held through profit or loss	-	-	1 250 558	386 988	1 637 546
Deferred taxation	-	-	-	1 669 674	1 669 674
Property and equipment	-	-	-	2 588 652	2 588 652
Investment property	-	-	-	116 433 699	116 433 699
Other assets	-	-	-	2 834 749	2 834 749
	3 759 063	**12 363 757**	**4 459 488**	**137 317 545**	**157 899 853**
EQUITY AND LIABILITIES					
Shareholders' equity	-	-	-	52 863 840	52 863 840
Deposits from customers	11 953 396	12 743 908	10 955 736	3 181 058	38 834 098
Debentures	-	-	-	35 143 646	35 143 646
Other liabilities	-	-	-	31 058 269	31 058 269
	11 953 396	12 743 908	10 955 736	122 246 813	157 899 853
Net liquidity gap	**(8 194 333)**	**(380 151)**	**(6 496 248)**	**15 070 732**	
Cumulative gap as at 31 December 2015	**(8 194 333)**	**(8 574 484)**	**(15 070 732)**		

Total position at 31 December 2014

	Up to 1 month US$	1 month to 6 months US$	6 months to 1 year US$	Over 1 year US$	Total US$
ASSETS					
Bank and cash balances	291 284	-	8 524 215	-	8 815 499
Loans and advances to customers	46 881 154	1 046 298	948 487	3 948 382	52 824 321
Other financial assets	-	2 675 029	-	-	2 675 029
Deferred taxation	-	-	-	816 900	816 900
Property and equipment	-	-	-	4 275 380	4 275 380
Investment property	-	-	-	86 427 124	86 427 124
Other assets	-	-	-	3 621 736	3 621 736
	47 172 438	**3 721 327**	**9 472 702**	**99 089 522**	**159 455 989**
EQUITY AND LIABILITIES					
Shareholders' equity				42 529 044	42 529 044
Deposits from customers	83 899 464	7 019 320	109 873	16 921 834	107 950 491
Other liabilities				8 976 454	8 976 454
	83 899 464	7 019 320	109 873	68 427 332	159 455 989
Net liquidity gap	**(36 727 026)**	**(3 297 993)**	**9 362 829**	**30 662 190**	
Cumulative gap as at 31 December 2014	**(36 727 026)**	**(40 025 019)**	**(30 662 190)**		

22 FOREIGN EXCHANGE GAP ANALYSIS

Total Position as at 31 December 2015

Base currency **US$ equivalent**	**ZAR US$**	**EUR US$**	**BWP US$**	**GBP US$**	**AUD US$**	**TOTAL US$**
Assets						
Cash	2 212	33	5	15	-	2 265
Nostro balances	487	190	-	139	-	816
Loans and Overdrafts	1 813	1 876	150	6 009	-	9 848
Total assets	**4 512**	**2 099**	**155**	**6 163**	**-**	**12 929**
Liabilities						
Deposits from customers	47 773	1 466	126	211	-	49 576
Total liabilities	**47 773**	**1 466**	**126**	**211**	**-**	**49 576**
Net Currency Position	**(43 261)**	**633**	**29**	**5 952**	**-**	**(36 647)**

Total Position as at 31 December 2014

Base currency **US$ equivalent**	**ZAR US$**	**EUR US$**	**BWP US$**	**GBP US$**	**AUD US$**	**TOTAL US$**
Assets						
Cash	1 727	40	2	83	60	1 912
Nostro balances	26	(77)	(35)	187	-	101
Loans and Overdrafts	92 673	1 705	37	4 270	-	98 685
Total assets	**94 426**	**1 668**	**4**	**4 540**	**60**	**100 698**
Liabilities						
Deposits from customers	71 486	1 771	158	235	-	73 650
Total liabilities	**71 486**	**1 771**	**158**	**235**	**-**	**73 650**
Net Currency Position	**22 940**	**(103)**	**(154)**	**4 305**	**60**	**27 048**

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		2015 US$	2014 US$
23	**POST EMPLOYMENT BENEFITS**		
23.1	**The amounts recognised in the income statement are as follows:**		
	Metbank Pension Fund contributions	116 000	289 829
	National Social Security Authority contributions	149 895	231 606
		265 895	**521 435**

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

23.3 National Social Security Authority Pension Fund
This is a separately funded defined benefit plan established under the National Social Security Act of 1987.The Bank contributes 3.5% of pensionable emoluments of eligible employees upto a maximum of US$700 per employee.

24. CAPITAL MANAGEMENT

The Bank has adopted the Internal Capital Adequacy Assessment Policy which articulates the Bank's approach, assessment and management of risk and capital from an internal perspective.

The objective of the Bank's capital management process is to ensure that it complies with the Reserve Bank of Zimbabwe (RBZ) requirements. In implementing the current capital requirements, the RBZ requires the Bank to maintain a prescribed ratio of total capital to total risk weighted assets.

The Bank's objectives, when managing capital are:
- To comply with the capital requirements set by the Reserve Bank of Zimbabwe;
- To safeguard the Bank's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its businesses. Capital adequacy and the use of regulatory capital are monitored on a regular basis by the Bank's management, employing techniques based on the guidelines developed by the Basel Committee as implemented by the Reserve Bank of Zimbabwe (the "RBZ"), for supervisory purposes for the Bank. The required information is filed with the RBZ on a quarterly basis

The Bank's Regulatory capital consists of:
- Tier 1 capital, which includes ordinary share capital and premium, retained profits, non-distributable reserves and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes;
- Tier 2 capital, which includes qualifying subordinated liabilities, revaluation reserve, collective impairment allowances and the element of the fair value reserve relating to unrealized gains on equity instruments classified as available-for-sale; and
- Tier 3 capital or market and operational risk capital include market risk capital and operational risk capital. Operational risk includes legal risk. Market risk capital is allocated to the risk of losses in the on and off statement of financial position arising from movements in market prices.

The Bank's regulatory capital position as at 31 December 2015 was as follows:

	2015 US$	2014 US$
24.1 CAPITAL ADEQUACY		
Ordinary share capital	12 500 000	12 500 000
Non redemable preference shares	10 825 330	3 500 000
Retained profit	10 752 093	10 599 272
Core Capital	34 077 423	26 599 272
less Exposures to insiders and connected counterparties	-	(486 277)
	34 077 423	26 112 995
less Capital allocated for operational risk	(2 051 493)	(3 563 275)
Tier 1 capital	**32 025 930**	**22 549 720**
General provisions	317 035	70 332
Capital reserves	15 929 772	15 929 772
Tier 2 capital	**16 246 807**	**16 000 104**
Tier 3 capital :-Sum of market and operational risk capital	**2 051 493**	**3 563 275**
Total regulatory capital	**50 324 230**	**42 113 099**
Capital adequacy ratio	**23.7%**	**24.5%**
Tier I Ratio	**13.3%**	**12.4%**
Tier II Ratio	**9.2%**	**9.1%**
Tier III Ratio	**1.2%**	**2.0%**
	23.7%	**23.5%**

25. FAIR VALUES

In the application of the Company's accounting policies, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience, the work of independent professional valuers and other factors that are considered to be relevant. Actual outcomes may differ from these estimates. The estimates and underlying assumptions are reviewed on an on-going basis.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Investment property
The values of the investment properties are reviewed annually by independent professional valuers where the results of the movement of the values are adjusted for in the profit or loss as fair value adjustments under investment income or impairment. Independent professional valuers base their valuations on the open market values being the price at which a willing seller and a willing buyer, who are both well informed about the market conditions, are prepared to transact acting at arm's length. Independent professional valuers adjust the open market value for part of the property that will have been sold or committed to third parties and/or associates.

26.GOING CONCERN

The Bank's Board of Directors has made an assessment of the Bank's ability to continue operating as a going concern amid liquidity challenges the Bank is facing.

The Bank has put in place a raft of measures to address the potential impact of the liquidity challenges, key amongst them being the restructuring of the Bank's statement of financial position and refocusing the Bank's business model towards Property Development and Mortgage Financing. Key achievements which have significantly improved the stability of the Bank includes the successful issuance of long term debt instruments, the restructuring of the Bank's loan book to improve collections, the establishment of new lines of credit, and the successful debt to equity swap. The Bank has also planned the disposal of investment properties considering the significant portfolio of real estate on the Bank's statement of financial position to unlock liquid capital.

The Bank has also further streamlined its branch network and rationalized staff numbers in the process to create a more sustainable overhead structure.

All these efforts have resulted in the significant improvement in the Bank's profitability to the current profit level of US$0.26 million.

Given the initiatives above, the Directors believe that the Bank has adequate resources and capacity to continue operating for the foreseeable future. The Bank therefore continues to adopt the going concern basis in preparing its financial statements.

27. RISK AND CREDIT RATINGS INFORMATION

CAMELS Ratings
The Reserve Bank of Zimbabwe Conducts regular examinations of Banks and Financial Institutions it regulates. The results of the last inspection conducted by the Reserve Bank as at 30 September 2015 are as follows:-

September 2015 CAMELS* Ratings

Capital	Asset Quality	Management	Earnings	Liquidity	Sensitivity to Market Risk	Overall Rating
3 – Fair	5 – Critical	4 – Weak	4 – Weak	5 – Critical	3 – Fair	4– Weak

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

External Credit Ratings

Rating Agent	Global Credit Rating Company (GCR)
Date Issued	**Long Term Credit Rating**
September 2010	BB+
September 2011	BB+
September 2012	BB+
September 2013	BB
November 2014	LD
December 2015	CCC

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28. Corporate Governance report

28.1 The Board
The Board is responsible to the shareholders for setting the direction of the Bank through the establishment of strategies, objectives, key policies and management structures. It monitors the implementation of these strategies and policies through a structured approach to reporting and accountability and recognizes that it is responsible for developing relationships with its various stakeholders and it actively manages those relationships.

The Board is committed to high standards of corporate governance and believes that a sound governance structure engenders a successful company. Throughout the period ended 31 December 2015 the Bank has, in the Directors' opinion, complied fully with the tenets of good corporate governance. Metbank's Board recognizes the critical importance of having an effective Board of Directors. The Board also places the highest importance on active engagement with its shareholders; meetings are held regularly with shareholders and the Board takes account of shareholders' views.

In the period to 31 December 2015, the Board met two times in line with Bank policy.
The record of attendance by Directors is as follows:

	Meetings held				
Member	**1**	**2**	**3**	**4**	**% Attendance**
Mr. W. Manase	√	√	√	√	100
Mr. B. N. Ndebele	√	√	√	√	100
Mr. O. Matore	√	√	√	√	100
Mr. O. Bvute	√	√	LOA	√	75
Mr. P. Chingoka	√	√	√	√	100
Mr. E. Chawoneka	√	√	√	√	100
Dr. M. Maulana	P	√	√	√	100

KEY
√ Present
LOA Leave of absent granted
P Not yet a Director

28.2 Audit and Finance Committee
The Audit and Finance Committee consists of three members all of whom are independent nonexecutive directors.

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.

The record of attendance by members of the Committee is as follows:

	Meetings held				
Member	**1**	**2**	**3**	**4**	**% Attendance**
Mr. O. Matore	√	√	√	√	100
Mr. P. Chingoka	√	√	√	√	100
Dr. M. Maulana	P	√	LOA	√	66

KEY
√ Present
LOA Leave of absent granted
P Not yet a Director

28.3 Risk, Compliance and Capital Management Committee
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.

The record of attendance by members of the Risk and Compliance Committee is as follows:

	Meetings held				
Member	**1**	**2**	**3**	**4**	**% Attendance**
Mr. P. Chingoka	√	√	√	√	100
Mr. O. Matore	√	√	√	√	100
Mr. B. N. Ndebele	√	√	√	√	100
Dr. M. Maulana	P	√	LOA	√	66

KEY
√ Present
LOA Leave of absent granted
P Not yet a Director

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

The record of attendance by members of the Loans Review Committee is shown below:

	Meetings held				
Member	1	2	3	4	% Attendance
Mr. W. Manase	√	√	√	√	100
Mr. P. Chingoka	√	√	√	√	100

KEY
√ Present

28.5 Human Resources and Remuneration Committee
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.

The Committee met two times in the period under review. The record of attendance by members of the Human Resources and Remuneration Committee is shown below:

Meetings held					
Member	**1**	**2**	**3**	**4**	**% Attendance**
Mr. W. Manase	√	√	√	√	100
Mr. O. Bvute	√	√	√	√	100
Mr. P. Chingoka	√	√	√	√	100
Mr. B. N. Ndebele	√	√	√	√	100
Mr. E. Chawoneka	√	√	√	√	100

KEY
√ Present

28.6 Nomination Committee

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.

The Committee met once during the period under review. The record of attendance by members of the Nomination Committee is shown below:

	Meetings held	
Member	**1**	**% Attendance**
Mr. W. Manase	√	100
Mr. O. Bvute	√	100
Mr. P. Chingoka	√	100
Mr. O. Matore	√	100

KEY
√ Present

The effectiveness of individual Board members and the Board is assessed via peer to peer assessment, assessment of the chairman by the directors, chairman's assessment of individual Board members, as well as an overall assessment of the Board by an independent consultant.

BY ORDER OF THE BOARD

MS S. PASHAPA
COMPANY SECRETARY

Directors: W.T. Manase (Chairman), B.N. Ndebele*(Managing Director), O. Bvute, E. Chawoneka*, P.F. Chingoka, O. Matore, Dr. M. Maulana *Executive