For the year ended 31 December 2016

CHAIRMAN'S STATEMENT

I am pleased to present the financial performance of the Bank for the year ended 31 December 2016.

Operating Environment
The operating environment was characterised by low Foreign Direct Investments (FDI), worsening Balance of Payment (BOP) position, a huge national debt overhang and cash shortages. Depressed aggregate demand, high operating costs, the strengthening US dollar, subdued commodity prices on the international market and deteriorating investor confidence continued to hamper economic performance during the year. Acute cash shortages during the year were later eased by the introduction of bond notes, setting of withdrawal limits and promotion of usage of plastic money by the Reserve Bank of Zimbabwe.

The Government, through effective foreign currency allocations, the clearing of the debt outstanding to the International Monetary Fund (IMF) and incentivising exports, brought hope towards an improvement of the operating environment. Although year-on-year inflation closed 2016 at -0.93%, month-on-month inflation was positive during the last quarter of the year.

The country's balance of trade remained skewed in favour of imports as local industry capacity utilisation remained below 50%. The 2017 GDP growth target is forecast at 3.7% from the 2016 estimate of 3.1%.

Financial Sector Developments
Banking sector deposits registered a 15.83% increase to US$6.51 billion as at 31 December 2016 from US$5.62 billion in 2015. Banking sector deposits were dominated by demand and time deposits, which accounted for 54.63% and 26.85% of total deposits, respectively, as at 31 December 2016.

The Reserve Bank of Zimbabwe has put in place various measures aimed at instilling confidence in the market as well as enhancing production. Some of the measures that have been put in place include the US$200 million AFTRADES interbank facility, the introduction of bond notes, lowering cost of access to banking products and the rehabilitation of the manufacturing sector.

Financial Performance
The Bank reported a profit of US$0.66 million in the year 2016, up 154% from the previous financial year. Through the on-going restructuring exercise aimed at improving asset quality, the Bank managed to reduce the NPLs ratio to 3.1% which is within the regulatory threshold of 5%. The Bank also increased its asset base overall by 27%. The Bank continues to be aggressive in its loan collection and recovery efforts whilst also underwriting a new book with caution.

The Bank's business developments efforts are steadily bearing fruit as evidenced by the surge in the deposit base from US$38.83 million as at 31 December 2015 to US$56.62 million as at 31 December 2016. A new and much stronger balance sheet is now emerging whilst a solid base for sustainable profits has now been set.

Capitalisation
The Bank continues to pursue its re-capitalization efforts in order to achieve minimum capital of US$100 million by the year 2020 in line with its five year recapitalization plan.

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 a comprehensive risk management framework supported by well documented policies and procedures to assist in the management of all forms of risk exposures namely credit risk, market risk, liquidity risk, legal risk, compliance risk and other types of risks.

Corporate 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 places high importance on active engagement with its shareholders and as such, regular meetings are held with shareholders in order to get their input.

As at 31 December 2016, The Board comprised an Independent Non-Executive Chairman, two Executives and four Non-Executive Directors. The Board meets at least at least once every quarter. The Non-Executive Directors bring judgement which is independent to that of management to Board deliberations. The Executive Directors are responsible for the day-to-day business operations of the Bank.

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, the Board 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 Finance 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 Principal Officers to enable them to discharge their responsibilities effectively. All Directors have access to employees in the Bank and to the advice and guidance from the Principal Officers 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 relevant skills, knowledge, aptitude and experience to perform the functions required of a commercial bank.

The offices of Chairman, Vice Chairman and Managing Director are held by different individuals whose roles and responsibilities are clearly defined and have been approved by the Board.The Chairman is responsible for the conduct of the Board and ensures that Board discussions are conducted in such a way that all views are taken into account and so that no individual Director or small group of Directors dominates proceedings. The Vice Chairman's role is to provide support and guidance to the Chairman and to deputize for the Chairman as required. The Managing Director has the overall responsibility for running the business on a day-to-day basis and chairs the Executive Committee Meetings.

Outlook
The Bank continues to pursue its five year strategic plan through focusing on property development, mortgage financing and commercial banking. The strategy allows the bank to satisfy its customers, increase shareholder value, and improve service delivery through roll-out of a full range of e-banking and financial inclusion products.

Appreciation
The Bank will always be indebted to its clients and stakeholders for their invaluable support. I also take this opportunity to appreciate the effort and dedication of the Bank's Board of Directors, Executives, Management and Staff. Thank you and may you please continue with your dedicated efforts to steer the Bank to unparalleled success.

W.T. MANASE
CHAIRMAN

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

	Note	Audited 2016 US$	Audited 2015 US$
ASSETS			
Cash and cash equivalents	7	21 390 196	4 064 605
Financial assets held through profit and loss	8	5 016 248	1 250 558
Loans and advances to customers	9	21 477 748	28 670 928
Held to maturity investments	10	-	386 988
Property and equipment	11	2 455 095	2 588 652
Investment property	12	142 366 000	116 433 699
Investment in subsidiary	13	105 870	105 870
Deferred taxation	14	2 198 041	1 669 674
Other assets	15	5 699 935	2 728 579
TOTAL ASSETS		**200 709 133**	**157 899 853**
EQUITY AND LIABILITIES			
EQUITY AND RESERVES			
Share capital	19	31 512 400	26 181 975
Retained earnings		11 202 873	10 752 093
Capital reserves		15 929 772	15 929 772
TOTAL EQUITY AND RESERVES		**58 645 045**	**52 863 840**
LIABILITIES			
Deposits from customers	16	56 622 173	38 834 098
Debentures	17	29 815 203	35 143 646
Other liabilities	18	55 626 712	31 058 269
TOTAL LIABILITIES		**142 064 088**	**105 036 013**
TOTAL LIABILITIES, EQUITY AND RESERVES		**200 709 133**	**157 899 853**

)
) **DIRECTORS**
)

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	Audited 2016 US$	Audited 2015 US$
Interest income	3	8 264 995	8 816 402
Interest expense	3	(8 013 008)	(4 519 438)
Net interest income		**251 987**	**4 296 964**
Commission, fee income and other operating income	4.1	6 282 511	1 559 213
Fair value adjustment and profit / (loss) on disposal of property and equipment	4.2	357 048	(2 228 598)
Operating income		**6 891 546**	**3 627 579**
Operating expenditure	5	(9 983 891)	(10 944 215)
Impairment reversal on loans and advances	9.6	3 224 266	7 013 621
Profit / (loss) before taxation		**131 921**	**(303 015)**
Taxation	6	528 367	562 525
Profit for the year after taxation		**660 288**	**259 510**
Other comprehensive income		-	-
Total comprehensive income for the year		**660 288**	**259 510**

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016

	Share capital US$	Retained earnings US$	Non distributable reserves US$	Total US$
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**
Year ended 31 December 2016				
Balance at beginning of the year	**26 181 975**	**10 752 093**	**15 929 772**	**52 863 840**
Issue of irredeemable non-cumulative preference shares	5 086 307	-	-	5 086 307
Issue of convertible cumulative redeemable preference shares	244 118	-	-	244 118
Total comprehensive income for the year	-	660 288	-	660 288
Dividends on irredeemable non-cumulative preference shares	-	(209 508)	-	(209 508)
Balance at end of the year	**31 512 400**	**11 202 873**	**15 929 772**	**58 645 045**

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	Audited 2016 US$	Audited 2015 US$
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit / (loss) before taxation		131 921	(303 015)
Adjustments for non-cash items:			
Depreciation	11	702 728	1 069 961
Amortisation	15	241 292	276 202
Impairment reversal	9	(3 224 266)	(7 013 621)
Other non cash items		(356 908)	1 606 169
(Profit) / loss on disposal of equipment		(140)	528 288
Loss before changes in operating assets and liabilities		**(2 505 373)**	**(3 836 016)**
Changes in operating assets and liabilities			
Increase in advances and other assets		(21 748 998)	(3 897 855)
Increase / (decrease) in deposits and other liabilities		42 148 993	(1 815 645)
		17 894 622	**(9 549 516)**
Taxation paid		-	(290 250)
Net cash outflow from operating activities		**17 894 622**	**(9 839 766)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment and intangible assets		(574 877)	(69 607)
Proceeds from sale of investment property		-	4 908 750
Proceeds from sale of equipment		5 846	249 729
Net cash (utilised in) / from investing activities		**(569 031)**	**5 088 872**
Net decrease in cash and cash equivalents		17 325 591	(4 750 894)
Cash and cash equivalents at beginning of the year	7	4 064 605	8 815 499
Cash and cash equivalents at end of the year	**7**	**21 390 196**	**4 064 605**
Comprising			
Balances with the Reserve Bank of Zimbabwe		17 828 658	513 707
Balances with other banks and cash		3 561 538	3 550 898
		21 390 196	**4 064 605**

Notes to Financial Statements
For the year ended 31 December 2016

A full set of the audited financial statements is available for inspection at the Bank's registered address.

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.

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

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

		Audited 2016 US$	Audited 2015 US$
3	**NET INTEREST INCOME**		
	Interest income from:		
	Loans and advances	7 180 184	7 050 299
	Investment securities	1 084 811	1 766 103
		8 264 995	**8 816 402**
	Interest expense on:		
	Deposits from banks	(2 618 291)	(573 018)
	Deposits from customers	(4 490 307)	(3 349 728)
	Interest accruing on debt instruments issued	(904 410)	(596 692)
		(8 103 008)	**(4 519 438)**
	Net interest income	**251 987**	**4 296 964**
4	**NON-INTEREST INCOME**		
4.1	**Commission, fee income and other operating income**		
	Commission and fee income	5 493 716	1 452 897
	Other operating income	788 795	106 316
		6 282 511	**1 559 213**
4.2	**Other income / (losses)**		
	Fair value adjustment on investment property	356 908	(999 171)
	Write-off of property and equipment	-	(570 360)
	Profit / (loss) on disposal of investment property and property and equipment	140	(659 067)
		357 048	**(2 228 598)**
5	**OPERATING EXPENDITURE**		
	Staff costs	4 338 896	6 322 790
	Administrative expenses	4 581 598	3 160 086
	Auditor's fees	100 577	100 577
	Directors' fees	18 800	14 600
	Depreciation and armotisation	944 020	1 346 162
		9 983 891	**10 944 215**
6	**TAXATION**		
	The following constitutes the major components of income tax expense recognised in the statement of comprehensive income.		
6.1	**Major components of tax expense**		
	Capital gains tax	-	290 250
	Deferred taxation	(528 367)	(852 775)
		(528 367)	**(562 525)**
	Taxation credit reconciliation		
	Profit / (loss) before taxation	131 921	(303 016)
	Tax calculated at a rate of 25.75%	33 970	(78 026)
	Capital gains tax	-	290 250
	Net tax effect on non-taxable/non-deductible items	(562 337)	(774 748)
		(528 367)	**(562 525)**
6.2	**Tax rate reconciliation**		
	Notional tax	-25.00%	-25.00%
	AIDS levy	-0.75%	-0.75%
	Permanent differences	426.27%	-255.68%
		400.52%	**-281.43%**
6.3	**Assessed loss**		
	Assessed loss for the year amounted to US$11,980,701 (2015: US$9,725,054) with a tax credit of US$528,367 (2015: US$852,775).		

Notes to Financial Statements
For the year ended 31 December 2016

		Audited 2016 US$	Audited 2015 US$
7	**CASH AND CASH EQUIVALENTS**		
	Balances with the Reserve Bank of Zimbabwe		
	Current account balances	17 828 658	513 707
	Balances with other banks and cash		
	Placements with local banks	30 924	3 099 859
	Cash and Nostro account balances	3 530 614	451 039
		3 561 538	**3 550 898**
	Total	**21 390 196**	**4 064 605**
8	**FINANCIAL ASSETS THROUGH PROFIT AND LOSS**		
8.1	**Analysis of movement**		
	Opening balance	1 250 558	-
	Additions	7 776 462	1 250 558
	Disposals	(4 010 772)	-
	Closing balance	**5 016 248**	**1 250 558**
8.2	**Maturity analysis**		
	Maturity within 1 month	81 078	-
	Maturity after 1 month but within 6 months	1 299 030	-
	Maturity after 6 months but within 1 year	8 622	1 250 558
	Maturity after 1 year but within 5 years	3 627 518	-
		5 016 248	**1 250 558**
9	**LOANS AND ADVANCES TO CUSTOMERS**		
9.1	**Analysis**		
	Loans	16 622 782	3 716 297
	Advances	5 492 197	30 109 361
		22 114 979	**33 825 658**
9.2	**Allowances for credit losses**		
	Allowances for credit losses (note 9.6)	(620 777)	(3 845 043)
	Suspended interest on doubtful debts	(16 454)	(1 309 687)
		(637 231)	**(5 154 730)**
	Net loans and advances	**21 477 748**	**28 670 928**
9.3	**Maturity analysis**		
	Maturity within 1 month	795 040	2 794 317
	Maturity after 1 month but within 6 months	1 792 938	12 363 757
	Maturity after 6 months but within 1 year	15 848 130	109 071
	Maturity after 1 year but within 5 years	3 041 640	13 403 783
		21 477 748	**28 670 928**

Maturity is based on the remaining period from 31 December 2016 to contractual maturity.

9.4	**Sectoral analysis of loans and advances**		
	Agriculture	1 582 614	15 939 132
	Construction	1 309 288	90 624
	Distribution	1 944 753	1 880 446
	Individuals	771 507	2 618 471
	Manufacturing	6 099 931	281 148
	Services	10 151 565	10 773 920
	Mining	251	1 614 044
	Communications	1 196	334
	Transport	253 874	627 539
		22 114 979	33 825 658
	Allowances for credit losses and suspended interest	(637 231)	(5 154 730)
		21 477 748	**28 670 928**
9.5	**Non performing loans**		
	Total loans and advances on which interest is suspended	**686 834**	**21 991 908**

		Specific US$	General US$	Total US$
9.6	**Allowances for credit losses**			
	Balance at 1 January 2015	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**
	Charge against profits	(3 275 120)	50 854	(3 224 266)
	Balance at 31 December 2016	**252 888**	**367 889**	**620 777**

		31 Dec 2016 US$	31 Dec 2015 US$
10	**HELD TO MATURITY INVESTMENTS**		
	Debentures	-	386 988

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 mature 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 2015. During the year the outstanding interest was paid off.

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 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**
Balance at 1 January 2016	1 995 472	910 254	2 819 292	495 925	416 472	6 637 415
Additions	268 950	151 391	134 156	12 480	7 900	574 877
Disposals	-	(44 100)	(3 910)	(870)	-	(48 880)
Balance at 31 December 2016	**2 264 422**	**1 017 545**	**2 949 538**	**507 535**	**424 372**	**7 163 412**
DEPRECIATION AND IMPAIRMENT LOSSES						
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**
Balance at 1 January 2016	566 452	777 598	2 084 905	251 608	368 200	4 048 763
Depreciation for the year	91 858	126 096	409 611	50 394	24 769	702 728
Disposals	-	(39 507)	(3 051)	(616)	-	(43 174)
Balance at 31 December 2016	**658 310**	**864 187**	**2 491 465**	**301 386**	**392 969**	**4 708 317**
CARRYING AMOUNT						
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**
At 1 January 2016	1 429 020	132 656	734 387	244 317	48 272	2 588 652
At 31 December 2016	**1 606 112**	**153 358**	**458 073**	**206 149**	**31 403**	**2 455 095**

Notes to Financial Statements
For the year ended 31 December 2016

		Audited 2016 US$	Audited 2015 US$
12	**INVESTMENT PROPERTY**		
12.1	**Analysis of movement**		
	Opening balance	116 433 699	86 427 124
	Additions	25 575 393	37 852 482
	Disposals	-	(6 846 737)
	Fair value adjustment	356 908	(999 171)
		142 366 000	**116 433 699**

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 2016. 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.

		Audited 2016 US$	Audited 2015 US$
13	**INVESTMENT IN SUBSIDIARY**		
13.1	Analysis		
	MCP Microfinance (Private) Limited (note 13.2)	**105 870**	**105 870**
13.2	The Bank owns 100% shareholding in MCP Microfinance (Private) Limited. The investment is shown at cost.		
14	**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	(616 255)	(546 074)
	Investment property at fair value	(174 062)	(288 453)
	Tax effect on tax losses and provision for credit losses	2 988 358	2 504 201
		2 198 041	**1 669 674**
15	**OTHER ASSETS**		
15.1	**Analysis**		
	Prepayments	227 107	31 441
	Work-in-progress - Property development	1 953 300	1 140 958
	Income receivable	187 941	198 561
	Sundry debtors	3 331 587	1 357 920
		5 699 935	**2 728 879**
15.2	**Included in other assets are the following intangible assets:**		
	At cost	1 682 961	1 802 961
	Accumulated amortisation and impairment	(1 435 580)	(1 268 288)
		247 381	**534 673**
	Movement in intangible asset		
	Opening balance	534 673	808 264
	Additions	-	2 610
	Reclassification of fan embarkment to prepayment	(46 000)	-
	Amortisation charge	(241 292)	(276 201)
	Closing balance	**247 381**	**534 673**
15.3	**Included in other assets are the following related party balances**		
	SME Bank Limited	61 851	61 851
15.4	The Bank has common shareholding with SME Bank Limited and the Bank incured expenses on behalf of the other party.		
16	**DEPOSITS FROM CUSTOMERS**		
16.1	**Analysis of balances**		
	Current and savings accounts	20 824 856	13 653 025
	Foreign lines of credit	3 181 058	3 181 058
	Due to banks	1 570 986	13 645 699
	Term deposits	31 045 273	8 354 316
		56 622 173	**38 834 098**

Foreign lines of credit relate to borrowings from foreign banks or financial institutions. These have average tenures of up to 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.

16.2	**Maturity**		
	Withdrawals on demand and within one month	3 682 178	34 756 692
	1 month and up to 3 months	29 758 937	896 348
	3 months and up to 1 year	20 000 000	-
	Maturity after 1 year but within 5 years	3 181 058	3 181 058
		56 622 173	**38 834 098**
16.3	**Sectoral anlysis of customer depostis**		
	Construction	341 229	143 452
	Agriculture	4 400 853	329 828
	Financial institutions and offshore lines of credit	8 770 972	14 128 431
	Distribution	1 001 327	445 705
	Mining	6 487	23 985
	Transport	161 507	42 064
	Private	1 301 638	2 086 195
	Manufacturing	1 530 223	3 612 799
	Commercial	9 378 572	10 843 292
	Communications	86 021	451 532
	Quasi-government institutions	29 643 344	6 726 815
		56 622 173	**38 834 098**
17	**DEBENTURES**		
17.1	**Analysis of balances**		
	Debentures issued	**29 815 203**	**35 143 646**

17.2 During the year ended 31 December 2015, 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$29 994 112 worth of debentures were outstanding at the end of the year. These debentures carry a coupon rate of 2% per annum and are secured by investment property worth US$38 million as disclosed on note 12.4.

		Audited 2016 US$	Audited 2015 US$
18	**OTHER LIABILITIES**		
18.1	**Analysis of balances**		
	Accrued expenses	10 683 789	9 882 662
	Treasury bills	22 800 000	-
	Due to ZMACO	16 549 435	14 911 856
	Other provisions	5 593 488	6 263 751
		55 626 712	**31 058 269**
18.2	**Included in Other Liabilities is a Related Party Balance**		
	SME Bank Limited (note 15.4)	**400 000**	**400 000**
19	**SHARE CAPITAL**		
19.1	**Authorised**		
	195 000 000 ordinary shares of US$0,10 each	19 500 000	19 500 000
	20 000 000 (2015: 15 000 000) preference shares of US$1 each	20 000 000	15 000 000
		39 500 000	**34 500 000**
19.2	**Issued and fully paid**		
	125 000 000 ordinary shares of US$0,10 each	12 500 000	12 500 000
	"15 911 637 (2015: 10 825 330) irredeemable non-cumulative preference shares of US$1 each"	15 911 637	10 825 330
	"3 100 763 convertible cumulative redeemable preference shares of US$1 each"	3 100 763	2 856 645
		31 512 400	**26 181 975**

19.3 Non-cumulative preference shares

During the year ended 31 December 2015, the Bank successfully entered into compromise arrangements with some depositors whose balances were above US$100 000. These arrangements, 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.

During the period under review, the Bank's Shareholders approved to increase the number of authorised preference shares from 15 000 000 to 20 000 000 to create room for issuance of additional preference shares, a process which was still being regularised with the Registrar of Companies as at 31 December 2016. The Board of Directors was given a mandate to effect the issuance of the preference shares. A total of 5 330 425 preference shares were issued, 5 086 307 being irredeemable non-cumulative preference shares, whilst 244 118 were convertible preference shares. The irredeemable non cumulative preference shares qualify as Tier 1 capital.

		Audited 2016 US$	Audited 2015 US$
20	**RELATED PARTY TRANSACTIONS**		
20.1	**Loans to Key Management Personnel**		
	Balance at beginning of the year	-	323 271
	Repayments	-	(323 271)
	Balance at end of the year	**-**	**-**
20.2	**Benefits to Key Management Personnel**		
	Key Management Personnel		
	Short term and long term benefits	1 409 987	1 278 093
	Post employment benefits	135 308	67 921
		1 545 295	**1 346 014**

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 Human Resources, Company Secretary, Head of Compliance, Chief Internal Auditor, Head Treasury, Head Operations, Head Information Technology, Head Retail Banking and Head Corporate Banking.

20.3	**Non Executive Directors' Fees**		
	Directors' fees	**18 800**	**14 600**
20.4	**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.		
20.5	**Included in Other Assets is a Related Party Balance owed by**		
	SME Bank Limited	61 851	61 851
	Amount owed to		
	SME Bank Limited	**400 000**	**400 000**
20.6	**Nature of Related Party Relationship**		
	SME Bank Limited - Common shareholding		
	MCP Microfinance (Private) Limited - Subsidiary. The subsidiary is still being set up and has not been consolidated into the Bank's financial statements.		
21.	**CONTINGENT LIABILITIES, COMMITMENTS AND LEASING ARRANGEMENTS**		
	Contingent Liabilities		
	Guarantees and performance bonds	3 094 007	6 980 534
	Legal claims	34 994	1 242 353
		3 129 001	**8 222 887**

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.

Notes to Financial Statements
For the year ended 31 December 2016

20. Continued…

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 2016, 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$34 994(2015: US$1 242 353) while the timing of the outflow is uncertain.

22. RISK MANAGEMENT

22.1 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 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.

22.1.1 Credit Risk

Credit risk is the risk that the Bank will incur a loss because its customers or counterparties 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.

The credit quality of financial assets is managed by the Bank using internal credit ratings. The table shown in note 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.

22.1.2 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).

22.1.3 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).

22.1.4Foreign 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).

22.1.5 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.

22.1.6 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.

22.1.7 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.

22.1.8 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.

22.1.9 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.

22.1.10 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.

22.1.11 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.

22.1.12 CREDIT RISK ANALYSIS

22.1.12.1 Maximum Exposure to Credit Risk by Grade

	2016 US$ Gross maximum exposure	2016 US$ Value of security	2016 US$ Net maximum exposure	2015 US$ Gross maximum exposure	2015 US$ Value of security	2015 US$ Net maximum exposure
Total pass	13 774 282	-	13 774 282	1 928 579	-	1 928 579
Total special mention	7 653 863	-	7 653 863	9 905 170	-	9 905 170
Total substandard	37 965	1 160	36 805	3 379 214	2 804 259	574 955
Total doubtful	536 279	270 182	266 097	8 736 393	6 858 530	1 877 863
Total loss	112 590	111	112 479	9 876 302	7 402 217	2 474 085
	22 114 979	**271 453**	**21 843 526**	**33 825 658**	**17 065 006**	**16 760 652**

22.1.12.2 Maximum Exposure to Credit Risk by Sector

	2016 US$ Gross maximum exposure	2016 US$ Value of security	2016 US$ Net maximum exposure	2015 US$ Gross maximum exposure	2015 US$ Value of security	2015 US$ Net maximum exposure
Agriculture	1 582 614	41 298	1 541 316	15 939 152	12 295 971	3 643 181
Construction	1 309 286	-	1 309 286	90 624	74 313	16 311
Distribution	1 943 238	230 000	1 713 238	1 880 430	1 699 057	181 373
Individuals	1 771 507	112	1 771 395	2 618 471	120 277	2 498 194
Manufacturing	6 099 931	-	6 099 931	281 148	-	281 148
Services	9 153 081	43	9 153 038	10 773 916	2 304 688	8 469 228
Mining	251	-	251	1 614 044	570 000	1 044 044
Communications	1 196	-	1 196	334	-	334
Transport	253 875	-	253 875	627 539	700	626 839
	22 114 979	**271 453**	**21 843 526**	**33 825 658**	**17 065 006**	**16 760 652**

Notes to Financial Statements
For the year ended 31 December 2016

22.1.13 Credit quality by sector and grading

Total Position as at 31 December 2016

	2016 US$ Total pass	2016 US$ Total special mention	2016 US$ Total substandard	2016 US$ Total doubtful	2016 US$ Total loss	2016 US$ Total
Agriculture	1 331 498	49 576	4 395	189 678	7 467	1 582 614
Construction	1 297 709	-	5 194	-	6 383	1 309 286
Distribution	1 641 760	1 274	-	282 536	17 668	1 943 238
Individuals	1 606 205	15 147	18 226	61 792	70 137	1 771 507
Manufacturing	6 099 874	37	-	-	20	6 099 931
Services	1 545 753	7 587 661	9 360	2 273	8 034	9 153 081
Mining	251	-	-	-	-	251
Communications	1 137	-	-	-	59	1 196
Transport	250 095	168	790	-	2 822	253 875
	13 774 282	**7 653 863**	**37 965**	**536 279**	**112 590**	**22 114 979**

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**

22.1.14 INTEREST RATE REPRICING AND GAP ANALYSIS

22.1.14.1 Total position at 31 December 2016

	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	21 359 272	-	30 924	-	-	21 390 196
Loans and advances to customers	795 040	1 792 938	15 848 130	3 041 640	-	21 477 748
Financial assets held through profit or loss	81 078	1 299 030	8 622	3 627 518	-	5 016 248
Deferred taxation	-	-	-	-	2 198 041	2 198 041
Property and equipment	-	-	-	-	2 455 095	2 455 095
Investment property	-	-	-	-	142 366 000	142 366 000
Investment in subsidiary	-	-	-	-	105 870	105 870
Other assets	-	-	-	-	5 699 935	5 699 935
	22 235 390	**3 091 968**	**15 887 676**	**6 669 158**	**152 824 941**	**200 709 133**
EQUITY AND LIABILITIES						
Shareholders' equity	-	-	-	-	58 645 045	58 645 045
Deposits from customers	15 536 641	17 904 474	20 000 000	3 181 058	-	56 622 173
Debentures	-	-	-	29 815 203	-	29 815 203
Other liabilities	-	-	-	55 626 712	-	55 626 712
	15 536 641	**17 904 474**	**20 000 000**	**88 622 973**	**58 683 517**	**200 709 133**
Interest rate re-pricing gap	**6 698 749**	**(14 812 506)**	**(4 112 324)**	**(81 953 815)**	**94 179 896**	
Cumulative gap as at 31 December 2016	**6 698 749**	**(8 113 757)**	**(12 226 081)**	**(94 179 896)**	**-**	

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
Financial assets held through profit or loss	-	-	1 250 558	-	-	1 250 558
Loans and advances to customers	2 794 317	12 363 757	109 071	13 403 783	-	28 670 928
Held to maturity investments	-	-	-	386 988	-	386 988
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
Investment in subsidiary	-	-	-	-	105 870	105 870
Other assets	-	-	-	-	2 278 879	2 278 879
	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
Deposits from banks	-	-	-	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)**	**-**	

22.1.15 LIQUIDITY RISK

22.1.15.1 Total position at 31 December 2016

	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	**21 359 272**	**-**	**30 924**	**-**	**21 390 196**
Loans and advances to customers	795 040	1 792 938	15 848 130	3 041 640	21 477 748
Financial assets held through profit or loss	81 078	1 299 030	8 622	3 627 518	5 016 248
Deferred taxation	-	-	-	2 198 041	2 198 041
Property and equipment	-	-	-	2 455 095	2 455 095
Investment property	-	-	-	142 366 000	142 366 000
Investment in subsidiary	-	-	-	105 870	105 870
Other assets	-	-	-	5 699 935	5 699 935
	22 235 390	**3 091 968**	**15 887 676**	**159 494 099**	**200 709 133**
EQUITY AND LIABILITIES					
Shareholders' equity	-	-	-	58 683 517	58 683 517
Deposits from customers	15 536 641	17 904 474	20 000 000	3 181 058	56 622 173
Debentures	-	-	-	29 815 203	29 815 203
Other liabilities	-	-	-	55 626 712	55 626 712
	15 536 641	**17 904 474**	**20 000 000**	**147 268 018**	**200 709 133**
Net liquidity gap	**6 698 749**	**(14 812 506)**	**(4 112 324)**	**12 226 081**	
Cumulative gap as at 31 December 2016	**6 698 749**	**(8 113 757)**	**(12 226 081)**		

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 through profit or loss	-		1 250 558	-	1 258 558
Held to maturity investments	-	-	-	386 988	386 988
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
Investment in subsidiary	-	-	-	105 870	105 870
Other assets	-	-	-	2 728 879	2 728 879
	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)**		

23 FOREIGN EXCHANGE GAP ANALYSIS

Total position as at 31 December 2016

Base currency US$ equivalent	ZAR US$	EUR US$	BWP US$	GBP US$	AUD US$	TOTAL US$
Assets						
Cash	5 484	3 007	492	10 043	-	19 026
Nostro balances	231 099	7 806	-	-	-	238 906
Loans and Overdrafts	217	32	6	12	43	310
Total assets	**236 800**	**10 845**	**498**	**10 055**	**43**	**258 242**
Liabilities						
Deposits from customers	46 032	1 415	133	175	-	47 756
Total liabilities	**46 032**	**1 415**	**133**	**175**	**-**	**47 756**
Net Currency Position	**190 768**	**9 430**	**365**	**9 880**	**43**	**210 486**

Notes to Financial Statements
For the year ended 31 December 2016

23 Continued...

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)**

		Audited 2016 US$	**Audited 2015 US$**
24	**POST EMPLOYMENT BENEFITS**		
24.1	The amounts recognised in the income statement are as follows:-		
	Metbank Pension Fund contributions	73 056	116 000
	National Social Security Authority contributions	158 793	149 895
		231 849	**265 895**

24.2 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.

24.3 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.

25 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;
- o 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 2016 was as follows:

		Audited 2016 US$	**Audited 2015 US$**
25.1	**CAPITAL ADEQUACY**		
	Ordinary share capital	12 500 000	12 500 000
	Non redemable preference shares	15 911 637	10 825 330
	Retained profit	11 202 873	10 752 093
	Core Capital	39 614 510	34 077 423
	less Exposures to insiders and connected counterparties	-	-
		39 614 510	**34 077 423**
	less Capital allocated for operational risk	(2 034 607)	(2 051 493)
	Tier 1 capital	**37 579 903**	**32 025 930**
	General provisions	367 889	317 035
	Capital reserves	15 929 772	15 929 772
	Tier 2 capital	**16 297 661**	**16 246 807**
	Tier 3 capital :-Sum of market and operational risk capital	**2 034 607**	**2 051 493**
	Total regulatory capital	**55 912 172**	**50 324 230**
	Capital adequacy ratio	**19.0%**	**23.7%**
	Tier I Ratio	**14.8%**	**13.3%**
	Tier II Ratio	**6.4%**	**9.2%**
	Tier III Ratio	**0.8%**	**1.2%**

26. 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.

27. 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$0.66 million.

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

28. 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 31 December 2016 are as follows:-

December 2016 CAMELS* Ratings

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

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.

The Reserve Bank instructed the Bank to address its iliquid balance sheet structure which comprises predominantly of fixed assets. The Bank has in place a fixed assets reduction plan aimed at reducing fixed assets to within the recommended acceptable benchmark of 25% of its total assets.

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
October 2016	CCC

Notes to Financial Statements
For the year ended 31 December 2016

29. Corporate Governance report

29.1 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 2016 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 2016, the Board met four times in line with Bank policy. The record of attendance by Directors is as follows:

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

KEY	
√	Present
LOA	Leave of absent granted

29.2 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:

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

KEY	
√	Present
LOA	Leave of absent granted

29.3 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:

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

KEY	
√	Present
LOA	Leave of absent granted

29.4 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 current accounting period.

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

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

KEY	
√	Present
LOA	Leave of absent granted

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

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

KEY	
√	Present
LOA	Leave of absent granted

29.6 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 did not meet during the year under review.

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

Kzawanda

MS K. ZAWANDA
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