For the half year ended 30 June 2016

CHAIRMAN'S STATEMENT

I am pleased to present the financial performance of the Bank for the half-year ended 30 June 2016.

Operating Environment
Despite a number of challenges which saw the downward movement of GDP growth to around 1.4% for 2016, there are notable developments introduced by both Fiscal and Monetary Authorities worth highlighting. Creditor country re-engagement and debt restructuring remained a priority in the period under review. As a member of the Alliance for Financial Inclusion Network, Zimbabwe has intensified the implementation of the Zimbabwe National Financial Inclusion Network strategy 2016-2020. In preparation for this development monetary authorities have embraced a raft of measures which include the reduction of bank charges and increased use of plastic money meant to pave way for the smooth implementation of this strategy. The economy also witnessed the announcement of the $200 million Afreximbank backed export incentive facility.

On a global scale, markets were subdued following Britain's referendum majority vote which saw it exiting the European Union. Approximately $3 trillion dollars was wiped off the global markets bringing a wave of economic uncertainty.

Financial Sector Developments
The Bank Amendment Act No. 12 of 2015 was gazetted during the course of the half-year, and the Bank has since put in place an implementation matrix that will help ensure compliance with the amendments.

Financial Performance
The profit after taxation was $0.29 million during the period under review, which was a material improvement from the loss position recorded during the same period in 2015. The Bank continued to pursue austerity cost cutting and containment measures, which saw a 20% downward movement in operating expenses from $5.6 million during the half-year ended 30 June 2015 to $4.5 million during the half-year ended 30 June 2016.

Interest expense at $4.1 million over the 6 month period to June 2016 almost doubled the 2015 expense of $2.1 million mainly due to the additional interest on long term debt instruments.

The Bank continued to pursue a hybrid of loan recoveries and new business generation, particularly with corporates showing capacity to recover from the current challenging economic environment. To this end, the Bank's loan book reduced from $28.6 million as at 31 December 2015 to $13.2 million as at 30 June 2016, resulting in a compliant NPL ratio.

Capitalisation
The Bank completed a restructuring exercise that resulted in the conversion of current liabilities amounting to $5.1 million into equity, resulting in the subsequent increase in the Bank's core capital. The Bank's capital remains compliant with adjudicated levels and the Bank is on course to attaining the 2020 minimum threshold of $100 million.

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.

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 into account shareholders' views.

As at 30 June 2016, 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
The Bank has already engaged in and looks to continuously improve on its participatory role in the financial inclusion strategy of the country. In view of this and other existing strategies, the Bank will be able to cushion the effects of the deteriorating economic environment and create capacity to address legacy issues and improve on the institutional growth prospects.

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 30 JUNE 2016

	Note	Unaudited 30 June 2016 US$	Audited 31 Dec 2015 US$
ASSETS			
Cash and cash equivalents	7	3 738 934	4 064 605
Financial assets held for trading	8	5 515 157	1 250 558
Loans and advances to customers	9	13 262 166	28 670 928
Held to maturity investments	10	-	386 988
Property and equipment	11	2 271 415	2 588 652
Investment property	12	139 131 004	116 433 699
Deferred taxation	13	1 569 310	1 669 674
Other assets	14	3 664 818	2 834 749
TOTAL ASSETS		**169 152 804**	**157 899 853**
EQUITY AND LIABILITIES			
EQUITY AND RESERVES			
Share capital	18	31 512 400	26 181 975
Retained earnings		11 041 492	10 752 093
Capital reserves		15 929 772	15 929 772
TOTAL EQUITY AND RESERVES		**58 483 664**	**52 863 840**
LIABILITIES			
Deposits from customers	15	45 462 220	38 834 098
Debentures	16	29 815 203	35 143 646
Other liabilities	17	35 391 717	31 058 269
TOTAL LIABILITIES		**110 669 140**	**105 036 013**
TOTAL LIABILITIES, EQUITY AND RESERVES		**169 152 804**	**157 899 853**

DIRECTORS

STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 30 JUNE 2016

	Note	Unaudited 30 June 2016 US$	Unaudited 30 June 2015 US$
Interest income	3	4 729 078	4 261 793
Interest expense	3	(4 127 008)	(2 068 847)
Net interest income		**602 070**	**2 192 946**
Commission, fee income and other operating income	4.1	928 124	959 113
Operating income		**1 530 194**	**3 152 059**
Operating expenditure	5	(4 499 054)	(5 596 561)
Impairment reversal on loans and advances	9.6	3 358 623	2 267 690
Profit / (loss) before taxation		**389 763**	**(176 812)**
Taxation	6	(100 364)	45 529
Profit / (loss) for the half-year after taxation		**289 399**	**(131 283)**
Other comprehensive income		-	-
Total comprehensive profit / (loss) for the half-year		**289 399**	**(131 283)**

STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 30 JUNE 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 preference shares	2 856 645	-	-	2 856 645
Total comprehensive income for the year	-	259 510	-	259 510
Dividend on preference shares	-	(106 689)	-	(106 689)
Balance at end of the year	**26 181 975**	**10 752 093**	**15 929 772**	**52 863 840**
Half-year ended 30 June 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 preference shares	244 118	-	-	244 118
Total comprehensive income for the half-year	-	289 399	-	289 399
Balance at end of the half-year	**31 512 400**	**11 041 492**	**15 929 772**	**58 483 664**

STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 30 JUNE 2016

	Unaudited 30 June 2016 US$	Unaudited 30 June 2015 US$
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit / (loss) before taxation	389 763	(176 812)
Adjustments for non-cash items:		
Depreciation and amortisation	552 280	673 895
Impairment reversal	(3 358 623)	(2 267 690)
Other non cash items	(16)	-
Profit on disposal of property and equipment	-	(35 477)
Operating cash flows before changes in operating assets and liabilities	**(2 416 596)**	**(1 806 084)**
Changes in operating assets and liabilities		
Increase in advances and other assets	(8 763 904)	(3 952 916)
Increase / (decrease) in deposits and other liabilities	10 963 553	(1 091 621)
	(216 947)	**(6 850 621)**
Taxation paid	-	-
Net cash outflow from operating activities	**(216 947)**	**(6 850 621)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, equipment and intangible assets	(114 068)	(43 615)
Proceeds from sale of equipment	5 344	91 927
Net cash (utilised in) / generated from investing activities	**(108 724)**	**48 312**
Net decrease in cash and cash equivalents	**(325 671)**	**(6 802 309)**
Cash and cash equivalents at beginning of the period	4 064 605	8 815 499
Cash and cash equivalents at end of the period	**3 738 934**	**2 013 190**

Notes to Financial Statements
For the half year ended 30 June 2016

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.

		Unaudited 30 June 2016 US$	Unaudited 30 June 2015 US$
3	**NET INTEREST INCOME**		
	Interest income from:		
	Loans and advances	4 620 196	3 817 651
	Investment securities	108 882	444 142
		4 729 078	**4 261 793**
	Interest expense on:		
	Deposits from banks	(1 787 953)	(928 985)
	Deposits from customers	(1 649 915)	(1 139 862)
	Interest accruing on debt instruments issued	(689 140)	-
		(4 127 008)	**(2 068 847)**
	Net interest income	**602 070**	**2 192 946**
4	**NON-INTEREST INCOME**		
4.1	**Commission, fee income and other operating income**		
	Commission and fee income	840 176	632 280
	Other operating income	87 948	326 833
		928 124	959 113
5	**OPERATING EXPENDITURE**		
5.1	**Analysis**		
	Staff costs (note 5.2)	2 000 464	3 570 160
	Administrative expenses	1 874 310	1 280 506
	Auditor's fees	54 000	60 000
	Directors' fees	12 000	12 000
	Depreciation and armotisation	558 280	673 895
		4 499 054	**5 596 561**
5.2	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$80 205 (2015: US$64 482).		
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**		
	Corporate tax	100 364	-
	Deferred taxation	-	(45 529)
		100 364	**(45 529)**
	Taxation credit reconciliation		
	Profit / (loss) before taxation	389 763	(176 812)
	Tax calculated at a rate of 25.75%	100 364	(45 529)
		100 364	**(45 529)**
6.2	**Tax rate reconciliation**		
	Notional tax	25.00%	-25.00%
	AIDS levy	0.75%	-0.75%
		25.75%	**-25.75%**

		Unaudited 30 June 2016 US$	Audited 31 Dec 2015 US$
7	**CASH AND CASH EQUIVALENTS**		
	Balances with the Reserve Bank of Zimbabwe		
	Current account balances	**685 200**	**513 707**
	Balances with other banks and cash		
	Placements with local banks	2 196 122	3 099 859
	Cash and Nostro account balances	857 612	451 039
		3 053 734	**3 550 898**
	Total	**3 738 934**	**4 064 605**
8	**FINANCIAL ASSETS HELD FOR TRADING**		
8.1	**Analysis**		
	Financial assets held for trading	**5 515 157**	**1 250 558**
8.2	**Maturity analysis**		
	Maturity within 1 month	-	-
	Maturity after 1 month but within 6 months	1 239 807	-
	Maturity after 6 months but within 1 year	683 901	-
	Maturity after 1 year but within 5 years	3 591 449	1 250 558
		5 515 157	**1 250 558**
	Maturity is based on the remaining period from 30 June 2016 to contractual maturity.		
9	**LOANS AND ADVANCES TO CUSTOMERS**		
9.1	**Analysis**		
	Loans	2 602 456	3 716 297
	Advances	11 185 104	30 109 361
		13 787 560	**33 825 658**
9.2	**Provision for doubtful debts**		
	Loans and advances are net of:		
	Provisions for doubtful debts (note 9.6)	(486 420)	(3 845 043)
	Suspended interest on doubtful debts	(38 974)	(1 309 687)
		13 262 166	**28 670 928**
9.3	**Maturity analysis**		
	Maturity within 1 month	2 067 216	2 794 317
	Maturity after 1 month but within 6 months	2 954 337	12 363 757
	Maturity after 6 months but within 1 year	1 446 404	109 071
	Maturity after 1 year but within 5 years	6 794 209	13 403 783
		13 262 166	**28 670 928**

Maturity is based on the remaining period from 30 June 2016 to contractual maturity.

Notes to Financial Statements
For the half year ended 30 June 2016

		Unaudited 30 June 2016 US$	Audited 31 Dec 2015 US$
9.4	**Sectoral analysis of loans and advances**		
	Agriculture	1 228 238	15 939 132
	Construction	1 277	90 624
	Distribution	1 650 369	1 880 446
	Individuals	1 286 252	2 618 471
	Manufacturing	922	281 148
	Services	8 618 947	10 773 920
	Mining	309	1 614 044
	Communications	466	334
	Transport	1 000 780	627 539
		13 787 560	**33 825 658**
	Provision for doubtful debts and suspended interest	(525 394)	(5 154 730)
		13 262 166	**28 670 928**
9.5	**Non performing loans**		
	Total loans and advances on which interest is suspended	676 431	21 991 908

		Specific US$	General US$	Total US$
9.6	**Provisions for doubtful debts**			
	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	(3 321 275)	(37 348)	(3 358 623)
	Balance at 30 June 2016	**206 733**	**279 687**	**486 420**

		Unaudited 30 June 2016 US$	Audited 31 Dec 2015 US$
10	**HELD TO MATURITY INVESTMENTS**		
10.1	**Analysis**		
	Debentures	**-**	**386 988**

10.2 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 interest balance of US$386 988 which remained outstanding on 31 December 2015 was settled during the half-year ended 30 June 2016.

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	45 745	13 500	44 544	10 279	-	114 068
Disposals	-	(44 100)	(2 980)	-	-	(47 080)
Balance at 30 June 2016	**2 041 217**	**879 654**	**2 860 856**	**506 204**	**416 472**	**6 704 403**
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 period	76 028	87 112	222 993	25 053	14 791	425 977
Disposals	-	(39 507)	(2 245)	-	-	(41 752)
Balance at 30 June 2016	**642 480**	**825 203**	**2 305 653**	**276 661**	**382 991**	**4 432 988**
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 30 June 2016	1 398 737	54 451	555 203	229 543	33 481	2 271 415

		Unaudited 30 June 2016 US$	Audited 31 Dec 2015 US$
12	**INVESTMENT PROPERTY**		
12.1	**Analysis of movement**		
	Opening balance	116 433 699	86 427 125
	Additions	22 697 305	37 852 482
	Disposals	-	(6 846 737)
	Fair value adjustment	-	(999 171)
		139 131 004	**116 433 699**

12.2 Investment property comprises of buildings, and developed and undeveloped stands. Investment property is stated at fair value, which was last 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 been 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 period, the Bank acquired investment properties valued at US$22.7 million through the foreclosure and settlement of various non-performing loan exposures.

12.4 Collateral issued

The Bank has ceded property worth US$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.

Notes to Financial Statements
For the half year ended 30 June 2016

		Unaudited 30 June 2016 US$	Audited 31 Dec 2015 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)	(546 074)
	Investment property at fair value	(288 453)	(288 453)
	Tax effect on tax losses and provision for credit losses	2 403 837	2 504 201
		1 569 310	**1 669 674**
14	**OTHER ASSETS**		
14.1	**Analysis**		
	Prepayments	143 489	31 441
	Work-in-progress - Property development	1 632 950	1 140 958
	Income receivable	463 889	198 561
	Sundry assets	1 424 490	1 463 789
		3 664 818	**2 834 749**
14.2	**Included in sundry assets are the following intangible assets:**		
	At cost	1 802 961	1 802 961
	Accumulated amortisation and impairement	(1 400 592)	(1 268 289)
		402 369	**534 672**
	Movement in intangible asset		
	Opening balance	534 672	808 264
	Additions	-	2 610
	Amortisation charge	(132 303)	(276 202)
	Closing balance	**402 369**	**534 672**
15	**DEPOSITS FROM CUSTOMERS**		
15.1	**Analysis of balances**		
	Current and savings accounts	13 393 537	13 653 025
	Foreign lines of credit	7 962 067	3 181 058
	Due to banks	14 978 473	13 645 699
	Term deposits	9 128 143	8 354 316
		45 462 220	**38 834 098**

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.

		Unaudited 30 June 2016 US$	Audited 31 Dec 2015 US$
15.2	**Maturity**		
	Withdrawals on demand and within one month	37 261 484	34 756 692
	1 month and up to 3 months	238 669	896 348
	3 months and up to 1 year	-	-
	Maturity after 1 year but within 5 years	7 962 067	3 181 058
		45 462 220	**38 834 098**
15.3	**Sectoral anlysis of customer depostis**		
	Construction	154 322	143 452
	Agriculture	624 525	329 828
	Financial institutions and offshore lines of credit	22 975 856	17 309 489
	Distribution	506 892	445 705
	Mining	23 459	23 985
	Transport	1 601 279	42 064
	Private	4 583 857	2 086 195
	Manufacturing	857 218	3 612 799
	Commercial	6 928 080	7 662 234
	Communications	579 652	451 532
	Quasi-government institutions	6 627 080	6 726 815
		45 462 220	**38 834 098**
16	**DEBENTURES**		
16.1	**Analysis of balances**		
	Debentures issued	**29 815 203**	**35 143 646**

16.2 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$29 815 203 worth of debentures were outstanding at the end of the period. These debentures carry a coupon rate of 2% per annum and are secured by investment property worth US$38 million.

		Unaudited 30 June 2016 US$	Audited 31 Dec 2015 US$
17	**OTHER LIABILITIES**		
17.1	**Analysis of balances**		
	Accrued expenses	9 816 492	9 882 662
	Due to ZAMCO	15 874 753	14 911 856
	Aftrades Facility	3 524 899	-
	Other provisions	6 175 573	6 263 751
		35 391 717	**31 058 269**

17.2 During the year ended 31 December 2015, 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.

		Unaudited 30 June 2016 US$	Audited 31 Dec 2015 US$
18	**SHARE CAPITAL**		
18.1	**Authorised**		
	195 000 000 ordinary shares of US$0,10 each	19 500 000	19 500 000
	20 000 000 (2015: 15 000 000) preferen ce shares of US$1 each	20 000 000	15 000 000
		39 500 000	**34 500 000**
18.2	**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 (2015: 2 856 645) convertible preference shares of US$1 each	3 100 763	2 856 645
		31 512 400	**26 181 975**

18.3 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 30 June 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.

		Unaudited 30 June 2016 US$	Audited 31 Dec 2015 US$
19	**RELATED PARTY TRANSACTIONS**		
19.1	**Loans to Key Management Personnel**		
	Balance at beginning of the year	-	323 271
	Repayments	-	(323 271)
	Balance at end of the period	**-**	**-**
19.2	**Benefits to Key Management Personnel**		
	Key Management Personnel		
	Short term and long term benefits	693 999	711 637
	Post employment benefits	35 760	32 249
		729 759	**743 886**

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.

		Unaudited 30 June 2016 US$	Audited 31 Dec 2015 US$
19.3	**Non Executive Directors' Fees**		
	Directors' fees	**12 000**	**12 000**

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.

		Unaudited 30 June 2016 US$	Audited 31 Dec 2015 US$
20.	**CONTINGENT LIABILITIES, COMMITMENTS AND LEASING ARRANGEMENTS**		
	Contingent Liabilities		
	Guarantees and performance bonds	8 360 182	6 980 534
	Legal claims	1 140 625	1 242 353
		9 500 807	**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.

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 30 June 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$1 140 625 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 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.

21.1.1 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

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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.

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

	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	5 704 848	-	5 704 848	1 928 579		1 928 579
Total special mention	7 406 281	-	7 406 281	9 905 170		9 905 170
Total substandard	85 781	23 682	62 099	3 379 214	2 804 259	574 955
Total doubtful	547 271	245 182	302 089	8 736 393	6 858 530	1 877 863
Total loss	43 379	110	43 269	9 876 302	7 402 217	2 474 085
	13 787 560	**268 974**	**13 518 586**	**33 825 658**	**17 065 006**	**16 760 652**

21.1.12.2 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	1 496 642	38 974	1 457 668	15 939 152	12 295 971	3 643 181
Construction	48 296	-	48 296	90 624	74 313	16 311
Distribution	1 933 502	230 000	1 703 502	1 880 430	1 699 057	181 373
Individuals	1 435 686	-	1 435 686	2 618 471	120 277	2 498 194
Manufacturing	1 020	-	1 020	281 148	-	281 148
Services	7 870 745	-	7 870 745	10 773 916	2 304 688	8 469 228
Mining	327	-	327	1 614 044	570 000	1 044 044
Communications	466	-	466	334	-	334
Transport	1 000 876	-	1 000 876	627 539	700	626 839
	13 787 560	**268 974**	**13 518 586**	**33 825 658**	**17 065 006**	**16 760 652**

21.1.13 Credit quality by sector and grading
Total Position as at 30 June 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	1 228 238	55 821	23 782	188 287	514	1 496 642
Construction	1 277	-	39 627	7 374	18	48 296
Distribution	1 650 369	2 735	19	280 172	207	1 933 502
Individuals	1 286 252	14 216	21 434	71 384	42 400	1 435 686
Manufacturing	922	80	-	-	18	1 020
Services	536 235	7 333 379	919	54	158	7 870 745
Mining	309	-	-	-	18	327
Communications	466	-	-	-	-	466
Transport	1 000 780	50	-	-	46	1 000 876
	5 704 848	**7 406 281**	**85 781**	**547 271**	**43 379**	**13 787 560**

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**

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21.1.14 INTEREST RATE REPRICING AND GAP ANALYSIS
21.1.14.1 Total position at 30 June 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	3 738 934	-	-	-	-	3 738 934
Loans and advances to customers	2 067 216	2 954 337	1 446 404	6 794 209	-	13 262 166
Financial assets held for trading	-	1 239 807	683 901	3 591 449	-	5 515 157
Deferred taxation	-	-	-	-	1 569 310	1 569 310
Property and equipment	-	-	-	-	2 271 415	2 271 415
Investment property	-	-	-	-	139 131 004	139 131 004
Other assets	-	-	-	-	3 664 818	3 664 818
	5 806 150	**4 194 144**	**2 130 305**	**10 385 658**	**146 636 547**	**169 152 804**
EQUITY AND LIABILITIES						
Shareholders' equity	-	-	-	-	58 483 664	58 483 664
Deposits from customers	37 261 484	238 669	-	7 962 067	-	45 462 220
Debentures	-	-	-	29 815 203	-	29 815 203
Other liabilities	-	-	-	35 391 717	-	35 391 717
	37 261 484	**238 669**	**-**	**73 168 987**	**58 483 664**	**169 152 804**
Interest rate re-pricing gap	(31 455 334)	3 955 475	2 130 305	(62 783 329)	88 152 883	
Cumulative gap as at 30 June 2016	(31 455 334)	(27 499 859)	(25 369 554)	(88 152 883)	-	

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	4 064 605	-	-	-	-	4 064 605
Financial assets held for trading	-	-	-	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
Other assets	-	-	-	-	2 834 749	2 834 749
	6 858 922	**12 363 757**	**109 071**	**15 041 329**	**123 526 774**	**157 899 853**
EQUITY AND LIABILITIES						
Shareholders' equity	-	-	-	-	52 863 840	52 863 840
Deposits from customers	34 756 692	896 348	-	3 181 058	-	38 834 098
Debentures	-	-	-	35 143 646	-	35 143 646
Other liabilities	-	-	-	31 058 269	-	31 058 269
	34 756 692	**896 348**	**-**	**69 382 973**	**52 863 840**	**157 899 853**
Interest rate re-pricing gap	(27 897 770)	11 467 409	109 071	(54 341 644)	70 662 934	
Cumulative gap as at 31 December 2015	(27 897 770)	(16 430 361)	(16 321 290)	(70 662 934)	-	

21.1.15 LIQUIDITY RISK
21.1.15.1 Total position at 30 June 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	3 738 934	-	-	-	3 738 934
Loans and advances to customers	2 067 216	2 954 337	1 446 404	6 794 209	13 262 166
Financial assets held for trading	-	1 239 807	683 901	3 591 449	5 515 157
Deferred taxation	-	-	-	1 569 310	1 569 310
Property and equipment	-	-	-	2 271 415	2 271 415
Investment property	-	-	-	139 131 004	139 131 004
Other assets	-	-	-	3 664 818	3 664 818
	5 806 150	**4 194 144**	**2 130 305**	**157 022 205**	**169 152 804**

21.1.15 LIQUIDITY RISK ...COnt.d
21.1.15.1 Total position at 30 June 2016

	Up to 1 month US$	1 month to 6 months US$	6 months to 1 year US$	Over 1 year US$	Total US$
EQUITY AND LIABILITIES					
Shareholders' equity	-	-	-	58 483 664	58 483 664
Deposits from customers	37 261 484	238 669	-	7 962 067	45 462 220
Debentures	-	-	-	29 815 203	29 815 203
Other liabilities	-	-	-	35 391 717	35 391 717
	37 261 484	**238 669**	**-**	**131 652 651**	**169 152 804**
Net liquidity gap	**(31 455 334)**	**3 955 475**	**2 130 305**	**25 369 554**	
Cumulative gap as at 30 June 2016	**(31 455 334)**	**(27 499 859)**	**(25 369 554)**		

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	4 064 605	-	-	-	4 064 605
Financial assets held for trading	-	-	-	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
Other assets	-	-	-	2 834 749	2 834 749
	6 858 922	**12 363 757**	**109 071**	**138 568 103**	**157 899 853**
EQUITY AND LIABILITIES					
Shareholders' equity	-	-	-	52 863 840	52 863 840
Deposits from customers	34 756 692	896 348	-	3 181 058	38 834 098
Debentures	-	-	-	35 143 646	35 143 646
Other liabilities	-	-	-	31 058 269	31 058 269
	34 756 692	**896 348**	**-**	**122 246 813**	**157 899 853**
Net liquidity gap	(27 897 770)	(11 467 409)	(109 071)	16 321 290	
Cumulative gap as at 31 December 2015	(27 897770)	(16 430 361)	(16 321 290)		

22 FOREIGN EXCHANGE GAP ANALYSIS
Total position as at 30 June 2016

Base currency US$ equivalent	**ZAR US$**	**EUR US$**	**BWP US$**	**GBP US$**	**AUD US$**	**TOTAL US$**
Assets						
Cash	45	33	5	15	44	142
Nostro balances	280	490	-	-	-	770
Loans and Overdrafts	2 739	2 657	333	9 353	-	15 082
Total assets	**3 064**	**3 180**	**338**	**9 368**	**44**	**15 994**
Liabilities						
Deposits from customers	40 605	1 493	126	208	-	42 432
Total liabilities	**40 605**	**1 493**	**126**	**208**	**-**	**42 432**
Net Currency Position	**(37 541)**	**1 687**	**212**	**9 160**	**44**	**(26 438)**

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)**

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		Unaudited 30 June 2016 US$	Unaudited 30 June 2015 US$
23	**POST EMPLOYMENT BENEFITS**		
23.1	**The amounts recognised in the income statement are as follows:-**		
	Metbank Pension Fund contributions	35 137	62 482
	National Social Security Authority contributions	80 205	72 003
		115 342	**134 485**

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 30 June 2016 was as follows:

		Unaudited 30 June 2016 US$	Audited 31 Dec 2015 US$
24.1	**CAPITAL ADEQUACY**		
	Ordinary share capital	12 500 000	12 500 000
	Non redemable preference shares	15 911 637	10 825 330
	Retained profit	11 041 492	10 752 093
	Core Capital	39 453 129	34 077 423
	less Exposures to insiders and connected counterparties	-	-
		39 453 129	**34 077 423**
	less Capital allocated for operational risk	(1 779 414)	(2 051 493)
	Tier 1 capital	**37 673 715**	**32 025 930**
	General provisions	279 687	317 035
	Capital reserves	15 929 772	15 929 772
	Tier 2 capital	**16 209 459**	**16 246 807**
	Tier 3 capital :-Sum of market and operational risk capital	1 779 414	2 051 493
	Total regulatory capital	**55 662 588**	**50 324 230**
	Capital adequacy ratio	23.5%	23.7%
	Tier I Ratio	13.8%	13.3%
	Tier II Ratio	8.7%	9.2%
	Tier III Ratio	1.0%	1.2%
		23.5%	**23.7%**

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 swaps. 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.

All these efforts have resulted in the significant improvement in the Bank's profitability to the current profit level of US$0.29 million.

Given the initiatives above, the Directors believe that the Bank has adequate resources and capacity to continue in 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 June 2016 are as follows:-

June 2016 CAMELS* Ratings

Capital	Asset Quality	Management	Earnings	Liquidity	Sensitivity to Market Risk	Overall Rating
3- Fair	3- Fair	3- Fair	3- Fair	3- Fair	2 – Satisfactory	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.

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

Notes to Financial Statements
For the half year ended 30 June 2016

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 30 June 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.

During the period to 30 June 2016, the Board met two times in line with Bank policy. The record of attendance by Directors is as follows:

	Meetings held		
Member	**1**	**2**	**% Attendance**
Mr. W. Manase	√	√	100
Mr. B. N. Ndebele	√	√	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

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**	**% Attendance**
Mr. O. Matore	√	√	100
Mr. P. Chingoka	√	√	100
Dr. M. Maulana	√	√	100

KEY
√ : Present
LOA : Leave of absent granted

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	% Attendance
Mr. P. Chingoka	√	√	100
Mr. O. Matore	√	√	100
Mr. B. N. Ndebele	LOA	√	100
Dr. M. Maulana	√	√	100

KEY
√ :Present
LOA :Leave of absent granted

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	% 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	% Attendance
Mr. W. Manase	√	√	100
Mr. O. Bvute	√	√	100
Mr. P. Chingoka	√	√	100
Mr. B. N. Ndebele	√	√	100
Mr. E. Chawoneka	√	√	100

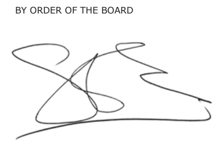
KEY
√ : Present

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 did not meet during the period 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



MS S. PASHAPA
COMPANY SECRETARY