Unaudited Financial Results for the half year ended 30 June 2018

Chairman's Statement

The Bank sustained strong growth in profitability, posting a solid set of results for the first half of the year. While the macro economic environment continued to improve, there are still underlying challenges in respect of foreign currency constraints, which restricted capacity to service cross border payments and availability of cash. Through this period, management and staff continued to demonstrate dedication and effort to service clients, further underpinning the strong growth achieved in 2017.

The macroeconomic backdrop

The economic environment in the first half of 2018 has been characterised by renewed confidence as the Government increasingly focuses on implementing reforms to improve both public and private investor confidence. This effort is supported by a Foreign Policy framework which prioritises re-engagement with the international community, combined with an economic blue print, aimed at promoting a business friendly economic environment anchored on foreign direct investment.

Mining and agriculture sectors are strong contributors to the economic recovery, with gold deliveries for the six months to June reaching a reported 21 tonnes, and tobacco production for the 2018 marketing season reaching an all-time record of over 245 million kilograms.

While the economy is on a recovery path, there remains some key risks and sensitivities particularly with respect to the continuing foreign currency shortages culminating in a market wide cross border payments back-log, and a budget deficit which continued to increase and crowd out fiscal space.

Earnings

The Bank registered a profit after tax of $13.6 million translating to a basic earnings per share of 0.63 cents for the period (2017 – 0.44 cents per share), as interest income improved on prior year.

Capital and liquidity

At the current run rate, the Bank is well on course to meet the 2020 minimum core capital level of $100 million from growth and retention of profits. The Bank's total capital adequacy ratio closed the half year at 25%, well above the regulatory minimum of 12% which reflects significant capacity to grow assets. Similarly the Bank's liquidity ratio at 76% is significantly above the regulatory minimum of 30%.

Investment in the community

During the period under review the Bank continued its social investment programs in partnership with the Boost Fellowship, Junior Achievement Zimbabwe and the Zimbabwe Farmers Union. The Bank donated $70 000 to the Young Farmers Association through the Zimbabwe Farmers Union (ZFU) in the first half of the year. The Bank also participated in the worldwide Global Money Week initiative putting up an exhibition, visited by more than 2500 youths, under the theme 'The History of Money'. During the first half of the year the Banks' colleagues volunteered over 1000 hours in their local communities and the combined reach for all programs was in excess of 9000 beneficiaries.

Governance

The Bank remains committed to the highest standards in corporate governance, over and above observing the requirements of the Reserve Bank of Zimbabwe, the Zimbabwe Stock Exchange and other regulators.

During the period under review two esteemed colleagues, Anthony Mandiwanza the former Chairman and Canan Dube, retired from the Board. Their invaluable experience and wise counsel will be missed greatly. The Bank and the Board wish them well in their new endeavours. The Board welcomed one new Independent Non-Executive Director, Patrick Devenish and another Non-Executive Director, Mike Twigger.

At the executive level, the Bank appointed Ciaran McSharry as the Chief Finance Officer, who joined the Board in May 2018.

Appreciation

The transitional period that the business is undergoing requires above normal levels of commitment on the part of Board members, management and staff across the Bank. I would like to thank management and all colleagues at the Bank for continuing to apply themselves diligently and professionally to the task at hand, striving always to serve customers and clients better, while at the same time ensuring that the transition program is delivered on time together with continued growth of the balance sheet and profitability.

Going forward

I am pleased to advise that the transition programme is progressing satisfactorily and investment in a new and enhanced technology platform is on track. This investment will establish a platform to improve channel offerings into the future, while at the same time continuing to execute and enhance the growth strategy and focus on the needs of our valued customers and clients.

In addition a key step in the transition from Barclays PLC was the shareholder approval in July 2018 of the change of name to First Capital Bank Limited, with effect from October this year. Over the next few months, and in terms of the Transitional Trademark Licence agreement signed with Barclays PLC, the Bank will be co-branded with Barclays for the period to October 2020.

From this strong base, the Bank looks forward to a very bright future with optimism, confident of its ability to continue on the growth trajectory in the business and continue to deliver value into the future.

Dividend

The Bank remains focused on the need to grow its capital base in order to sustain planned growth and build the core capital base towards the 2020 regulatory minimum of $100 million. The Bank is also reviewing its balance sheet to ensure it is optimally structured and focused on its core banking activities. The Board therefore did not propose an interim dividend for the period under review.

S. D. Mtsambiwa
Chairman
16 August 2018

Managing Director's Review of Operations

The first half of 2018 reflects a solid growth trajectory. This is on the back of a firm commitment to execute on the number of initiatives underway within the bank whilst at the same time sustaining strong focus on serving the Bank's customers and clients.

Relentless focus on serving the Bank's customers and clients

Customers and clients remain at the centre of the Bank's efforts. The Bank is determined to continue to serve customers to help them achieve their best. During the period under review the Bank introduced new products and enhanced existing ones. Commercial Asset Financing (CAF) for Commercial and Business Banking clients was reintroduced. CAF now offers the Bank's customers with flexible forms of medium term borrowings through product options that include leases. Small to Medium Size businesses that build a sound track record with the Bank now stand to access a flexible bridging finance product offering. Within the Retail business, the Bank recently introduced a Diaspora offering, designed to provide savings and transactional services to Zimbabweans living outside the country. The Bank is encouraged by the response it has received on this offering in the major source markets.

Information technology development projects underway are firmly on course. These include e-channels which will further enhance customer experience once launched. The penetration rate on existing e-channels continued to increase. The Bank's local 24 hour contact centre established at the turn of this year has proven to be a key service utility for the Bank's customers and a source of insights to be leveraged for the development and deployment of new solutions.

The refurbishment of existing infrastructure remains a key priority. Planned refurbishment work on some of the Bank's outlets is on course.

The transition program on track

The Bank is clear about the significant opportunities presented by the transition it is going through. Whilst continuing to build on the strong heritage and reputation built over the 106 years the Bank has operated in the Zimbabwean market, the current transition is a unique opportunity to reconfigure the business to be more responsive to customer needs that are unique to the local environment. The Bank is pursuing efforts to offer a wider range of products, paving the way for deeper reach within targeted customer segments. The presence of FMBcapital Holdings PLC entities in four other markets in Southern Africa allows the Bank the opportunity to partner customers and clients with presence or trade relations in those markets.

$37 million worth of new lines of credit and trading limits were established during the period under review and more similar arrangements are being pursued. Offshore facilities established with Barclays Group entities for the benefit of the Bank's clients continue to be sustained.

Both Barclays Bank PLC and FMBcapital PLC continue to support the Bank to ensure a smooth transition. In terms of a Transitional Trade Mark Licence agreement signed with Barclays Bank PLC, the Bank will also evolve its brand over the period to October 2020.

Whilst the transition is underway, customers and clients are assured of the relentless focus, by the same Bank and dedicated colleagues that have always served them in this market

The financial result

The Bank's results reflect resilience and strong performance against a macro-economic environment which, whilst some improvements were noted, remained quite challenging. Cash shortages and constrained market capacity to service cross border payments persisted.

Net interest income grew by 88% from the same period in the prior year driven by growth in interest earning assets. Surplus liquidity was invested mainly in government securities to optimise return on assets, whilst efforts to grow customer assets continued. Gross loans and advances to customers grew by 27% from $117 million at the end of 2017 to $148 million as at 30 June 2018.

Net interest income constituted 47% of total income compared to 29% for prior year, due to the growth in interest earning assets. Further, growth in the loan book resulted in an improved loan to deposit ratio that closed at 33% from 27% a year earlier. Deposits grew by 19% over the period. However, the impairment charge increased to $1.7 million as at 30 June 2018 from $1 million for prior year on the back of the increased general provisions driven by the growth in loan book and investments in treasury bills as well as provisions made to align with the requirements of the new International Financial Reporting Standard 9 (IFRS9). The Bank continues to sustain disciplined lending practices especially considering the high credit risk environment currently prevailing in the market.

The cost to income ratio of 60% for the period under review improved by 200 basis points compared to prior year benefitting from strong revenue growth. Costs are however, expected to increase in the second half of the year due to information technology projects and planned property refurbishment work currently under way. The Bank sustained a strong liquidity position over the period. This, combined with a strong capital base will support planned growth going forward. The Bank's core capital of $94.8 million as at 30 June 2018 is nearing the $100 million regulatory minimum required by 2020.

Human capital

Human capital is the Bank's backbone. The Bank cherishes the expertise its colleague franchise brings to bear and remains committed to providing growth opportunity to its staff and management. The Bank continues to run its flagship Graduate Trainee and Undergraduate Student Internship programs. Each program is designed to provide young students with opportunities that will challenge and inspire them to reach their full potential.

The employees own 15% of the Bank through an Employee Share Ownership Trust, where they will benefit through dividends.

Committed to the future

The Bank continues to explore ways to ensure its balance sheet structure is designed to strengthen its core banking activities and, as a Zimbabwe Stock Exchange listed entity, to optimise returns for its diverse shareholder base.

I thank the Board for its guidance and support as the Bank enters this new phase of exciting opportunities and prospects.

S. Matsekete
Managing Director
16 August 2018

Unaudited Financial Results for the half year ended 30 June 2018

Corporate Governance Statement

The Board of Directors of Barclays Bank of Zimbabwe Limited ("the Board/ Barclays") is committed to and recognises the importance of strong governance practices. The board understands that a comprehensive corporate governance framework is vital in supporting executive management in its execution of strategy and in driving long term sustainable performance. In order to achieve good governance, the Board subscribes to principles of international best practice in corporate governance as guided by, among others, the Banking Act, the Corporate Governance Guideline, the National Code on Corporate Governance and the King IV report on Corporate Governance. The Board continuously reviews its internal governance standards and practices, to ensure that it modifies and aligns them with local and international corporate governance requirements as appropriate.

As part of its continuing efforts to achieve good governance, the Board promotes the observance of the highest standards of corporate governance in Barclays Bank and ensures that this is supported by the right culture, values and behaviours from the top down.

Barclays Bank is committed to the principles of fairness, accountability, responsibility and transparency. To this end the Board is accountable to its shareholders and all its stakeholders including the Bank's employees, customers, suppliers, regulatory authorities and the community from which it operates through transparent and accurate disclosures.

Board responsibilities

The Board is responsible for setting the strategic direction of the Bank as well as determining the way in which specific governance matters are approached and addressed, approving policies and plans that give effect to the strategy, overseeing and monitoring the implementation of strategy by management and ensuring accountability through among other means adequate reporting and disclosures. The Board is guided by the Board Charter in the execution of its mandate.

Board Chairman and non-executive directors

The Board of directors is led by an independent non-executive Chairman, whose primary duties include providing leadership of the Board and managing the business of the Board through setting its agenda, taking full account of issues and concerns of the Board, establishing and developing an effective working relationship with the Executive directors, driving improvements in the performance of the Board and its committees, assisting in the identification and recruitment of talent to the Board, managing performance appraisals for directors including oversight for the annual Board effectiveness review and proactively managing regulatory relationships in conjunction with management. In addition, the non-executive directors proactively engage with the Bank's management to challenge and improve strategy implementation, counsel and support management and to ensure the implementation of controls, processes and policies which enable risk to be effectively assessed and managed. The Chairman works together with the non-executive directors to ensure that there are effective checks and balances between executive management and the Board. The majority of the Board members are independent non-executive directors which provide the necessary independence for the effective discharge of the Board's duties and compliance with regulatory requirements.

Executive directors

The executive management team is led by the Managing Director. Management's role is to act as trustees of the shareholder's capital. Their main responsibilities include reporting to the Board on implementation of strategy, effectiveness of risk management and control systems, business and financial performance, preparation of financial statements and on an ongoing basis, keeping the Board fully informed of any material developments affecting the business.

Directors' remuneration

The Board Remuneration Committee sets the remuneration policy and approves the remuneration of the executive directors and other senior executives as well as that of the non-executive directors. The remuneration package of executive directors includes a basic salary and a performance bonus which is paid based on the performance of the company as well as that of the individual. The Bank also has in place a share option scheme, meant to be a long term retention incentive for employees.

Board diversity.

The Barclays Board recognises the importance of diversity and inclusion in its decision making processes. The board is made up of six independent non-executive directors, three non-executive directors and two executive directors. Three members of the board (30%) are female. The Board members have an array of experience in commercial and retail banking, accounting, legal, corporate finance, marketing, business administration, economics, human resources management and executive management.

Access to information

Openness and transparency are key enablers for the Board to discharge its mandate fully and effectively. The non-executive directors have unrestricted access to all relevant records and information of the Bank as well as to management. Further, the board is empowered to seek any professional advice or opinion it may require to allow for the proper discharge of its duties. As one of its key deliverables, management is mandated to keep the Board informed on an ongoing basis, of material developments in and affecting the Bank.

Share Dealings / Insider trading

The directors, management and staff of Barclays Bank of Zimbabwe Limited are prohibited from dealing in the company's shares whether directly or indirectly, during the closed periods which are the periods that are a month before the end of the interim or full year reporting period until the time of the publication of the interim or full year results. Further, directors, management and staff are prohibited from dealing in the company's shares whenever the company is going through certain corporate actions or when they are in possession of non-public information that has the potential of impacting the share price of the company.

Communication with stakeholders

Barclays Bank of Zimbabwe Limited communicates with its stakeholders through various platforms including the Annual General Meeting, analyst briefings, town halls, press announcements of interim and full year financial results, notices to shareholders and stakeholders and annual reporting to shareholders and stakeholders. The Board and management of Barclays Bank of Zimbabwe Limited also actively engage regulatory authorities including the Reserve Bank of Zimbabwe, the Zimbabwe Stock Exchange and the Deposit Protection Corporation.

Internal Audit

Barclays Internal Audit is an independent control function which supports the business by assessing how effectively risks are being controlled and managed. It works closely with the business helping drive improvements in risk management. This is done through reviewing how the business undertakes its processes as well as reviewing systems used by the business. The internal audit function reports its findings to management and guides them in making positive changes to business processes, systems and the control environment. The Internal Audit function also monitors progress to ensure management effectively remediates any internal control weaknesses identified as quickly as possible. The Barclays Bank of Zimbabwe Limited Head of Internal Audit reports directly to the Chairman of the Board Audit Committee and administratively to the Managing Director.

Declaration of interest

The Board of Barclays Bank of Zimbabwe Limited believes in the observance of ethical business values from the top to the bottom. To this end, the Board has in place a policy that manages conflict of interest including situational and transactional conflict. Directors disclose their interests on joining the Board and at every meeting of the directors they disclose any additional interests and confirm or update their declarations of interest accordingly.

Ethics

In our endeavour to instil a culture of sound business ethics, all employees and directors are requested to attest to an Anti- Bribery and Corruption declaration which essentially seeks to ensure that our directors, management and staff observe the highest standards of integrity in all their dealings and at all times. The bank has a zero tolerance policy to bribery and corruption. In addition, the business has a whistle-blowing facility managed by Deloitte through which employees can raise any concerns they may have anonymously.

Director induction and development

Board conformance and performance is enhanced through continuous learning. As part of its learning program, the Board has in place a comprehensive induction plan for on-boarding new directors. During the first half of the year 2018, two Board members Messrs P. Devenish and M. Twigger joined the Board and went through the induction programme. Further, as part of continuing director development, Board members will attend director training programs scheduled for the last half of the year.

Board activities

The Board of Directors held three board meetings in the first half of the year 2018 being two quarterly meetings one of which incorporated a strategy review meeting and a board evaluation review meeting. Each board Committee held at least two quarterly meetings. The areas of focus included the setting of strategic direction, the review of strategy and business operations, credit sanctioning as per approved limits, review of internal controls and financial reports, review of the quality of the loan book, review and oversight of the Bank's risk management processes and oversight on the recruitment, remuneration and performance reviews of senior management. A table detailing director's attendance of meetings during the first half of 2018 is shown in the last part of this report below.

Board and director evaluation

The Board conducts an annual evaluation process which assesses the performance and effectiveness of individual directors, the Board Chairman, Committees and overall performance of the Board. This process is facilitated by an external party to allow for objectivity. The evaluation process involves directors completing evaluation questionnaires and having one on one meetings with the facilitator. The results of the evaluation are collated, a report is produced and feedback provided to the Board. The Board also submits the evaluation report to the Reserve Bank of Zimbabwe. The Board conducted its evaluation for the year ended 2017 and a report was submitted to the RBZ. Overall, board performance was rated as strong by the directors.

Board committees

The Board has delegated some of its duties and responsibilities to sub-committees to ensure the efficient discharge of the Board's mandate. The ultimate responsibility of running the Bank however still remains with the Board. The subcommittees of the Board are regulated by terms of reference which are reviewed every year or as and when necessary. The Committees meet at least once every quarter and are all chaired by Independent non-executive directors as detailed below.

Audit Committee

The primary functions of the Committee are to oversee the financial management discipline of the Bank, review the Bank's accounting policies, the contents of the financial reports, disclosure controls and procedures, management's approach to internal controls, the adequacy and scope of the external and internal audit functions, compliance with regulatory and financial reporting requirements, oversee the relationship with the Bank's external auditors, as well as providing assurance to the Board that management's control assurance processes are being implemented and are complete and effective. At each meeting, the Committee reviews reported and noted weaknesses in controls and any deficiencies in systems and the remediation plans to address them. The Committee also monitors the ethical conduct of the Bank, its executives and senior officers and advises the Board as to whether or not the Bank is complying with the aims and objectives for which it has been established. During the period under review, there were no material losses as a result of internal control breakdowns.

The committee is wholly comprised of independent non-executive directors. The members of the Committee as at 30 June 2018 were:-

B. Moyo (Chairman)
E. Fundira
T. Moyo

Board Credit Committee

The Board Credit Committee is tasked with the overall review of the Bank's lending policies. At each meeting, the Committee deliberates and considers loan applications beyond the discretionary limits of management. It ensures that there are effective procedures and resources to identify and manage irregular or problem credit facilities, minimize credit loss and maximize recoveries. It also directs, monitors, reviews and considers all issues that may materially impact on the present and future quality of the Bank's credit risk management. The Committee comprises one executive member and three non-executive directors. The members of the Committee as at 30 June 2018 were:-

E. Fundira (Chairperson)
H. Anadkat
S. Moyo
S. Matsekete

Loans Review Committee

This Committee has the overall responsibility for the complete review of the quality of the Bank's loan portfolio to ensure that the lending function conforms to sound lending policies and keeps the Board and management adequately informed on noted risks. It assists the Board with discharging its responsibility to review the quality of the Bank's loan portfolio. At every meeting, it reviews the quality of the loan portfolio with a view to ensuring compliance with the banking laws and regulations and all other applicable laws as well as internal policies. The members of the Committee as at 30 June 2018 were:-

T. Moyo (Chairperson)
P. Devenish
M. Twigger

Human Resources and Nominations Committee

The Human Resources and Nominations Committee assists the Board in the review of critical personnel issues as well as acting as a Remuneration and Terminal Benefits Committee. The Committee reviews and approves overall recommendations on employee remuneration as well as approving managerial appointments. The Committee ensures that the remuneration of directors is in line with the nature and size of the operations of the Bank as well as the Bank's performance. In addition, the Committee also considers nominations to the Board and succession planning for the Board. The Committee comprises four non-executive directors and one executive director. The members of the Committee as at 30 June 2018 were:-

P. Devenish (Chairman)
S. D. Mtsambiwa
S. N. Moyo
H. Anadkat
S. Matsekete

Board Risk Committee

The Board Risk Committee is charged with the responsibility to oversee the Bank's overall enterprise risk environment under three broad areas of Operational Risk, Credit Risk Management and Market Risk. These are controlled and managed independently from risk taking functions and other committees of the Bank. The committee is responsible for the policies and procedures designed to monitor, evaluate and respond to risk trends and risk levels across the Bank ensuring that they are kept within acceptable levels. As at 30 June 2018 members of the committee were:-

S. N. Moyo (Chairperson)
B. Moyo
D. Dikshit

Board Migration Committee

The Board set up a special Board Committee to oversee the migration of the Bank`s processes, products and systems, from the Barclays PLC platforms to the new platforms that the bank will be using going forward, following the successful conclusion of the Barclays PLC divestiture. The Committee was made up of the following members as at 30 June 2018:-

B. Moyo (Chairperson)
T. Moyo
M. Twigger
D. Dikshit
S. Matsekete

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Unaudited Financial Results for the half year ended 30 June 2018

Corporate Governance Statement

In addition to the Board Committees, management operates through a number of committees including the Executive Management Committee and the Assets and Liabilities Committee. The Committees' terms of reference are as below.

Executive Committee (EXCO)

The Executive Committee is the operational management forum responsible for the delivery of the Bank's operational plans. The Executive Committee acts as a link between the Board and management and is responsible for implementation of operational plans, annual budgeting and periodic review of strategic plans, as well as identification and management of key risks. The Executive Committee also reviews and approves guidelines for employee remuneration. The Executive Committee assists the Managing Director to manage the Bank, to guide and control the overall direction of the business of the Bank and acts as a medium of communication and co-ordination between business units and the Board. The Committee comprises of executive directors and senior management.

Assets and Liabilities Committee (ALCO)/Treasury Committee

The Treasury Committee is tasked with ensuring the achievement of sustainable and stable profits within a framework of acceptable financial risks and controls. The Treasury Committee ensures maximization of the value that can be generated from active management of the Bank's balance sheet and financial risk within agreed risk parameters. It manages the funding and investment of the Bank's balance sheet, liquidity and cash flow, as well as exposure of the Bank to interest rate, exchange rate, market and other related risks. It ensures that the Bank adopts the most appropriate strategy in terms of the mix of assets and liabilities given its expectation of the future and potential consequences of interest rate movements, liquidity constraints and foreign exchange exposure and capital adequacy. It also ensures that strategies conform to the Bank's risk appetite and level of exposure as determined by the Risk Management Committee. The Committee comprises executive directors and heads of functions key to the proper discharge of the Committee's responsibilities.

Board and committees attendance first half of 2018

Main Board

Name	Total Meetings	Present	LOA**
A. S. Mandiwanza*	3	3	Nil
C. F. Dube*	3	3	Nil
E. Fundira	3	2	1
B. Moyo	3	3	Nil
S. D. Mtsambiwa	3	2	1
P. Devenish*	1	1	Nil
M. Twigger*	1	Nil	1
T. Moyo	3	2	1
S. N. Moyo	3	3	Nil
H. Anadkat	3	3	Nil
D. Dikshit	3	3	Nil
S. Matsekete	3	3	Nil
C. McSharry	1	1	Nil

Audit committee

Name	Total Meetings	Present	LOA**
B. Moyo	2	2	Nil
C. F. Dube	1	1	Nil
E. Fundira	2	2	Nil
T. Moyo	2	1	1

Human resources & nominations committee

Name	Total Meetings	Present	LOA**
S. D. Mtsambiwa	2	2	Nil
A. S. Mandiwanza	2	1	1
S. N. Moyo	2	2	Nil
H. Anadkat	2	2	Nil
S. Matsekete	2	2	Nil

Credit committee

Name	Total Meetings	Present	LOA**
E. Fundira	7	7	Nil
H. Anadkat	7	4	3
S. Moyo	7	7	Nil
S. Matsekete	7	7	Nil

Loans review committee

Name	Total Meetings	Present	LOA**
C. F. Dube	2	2	Nil
T. Moyo	2	2	Nil
D. Dikshit	2	1	1
S. Matsekete	2	2	Nil

Risk committee

Name	Total Meetings	Present	LOA**
B. Moyo	2	2	Nil
S. D. Mtsambiwa	1	1	Nil
S. N. Moyo	2	2	Nil
D. Dikshit	2	1	1

Migration Committee

Name	Total Meetings	Present	LOA**
B. Moyo	3	3	Nil
C. F. Dube	3	2	1
S. Moyo	3	3	Nil
T. Moyo	3	2	1
D. Dikshit	3	2	1
S. Matsekete	3	3	Nil

* Mr Antony Mandiwanza and Mr Canan Dube retired from the board with effect from 30 May 2018.
* Mr Patrick Devenish and Mr Mike Twigger were appointed to the board with effect from 26 May 2018.

** LOA – Leave of absence granted.

Directors shareholding

The following is a schedule of the directors' shareholdings in the Bank as at 30 June 2018;

S. D. Mtsambiwa	Nil
E. Fundira	2 130
B. Moyo	Nil
S. N. Moyo	Nil
T. Moyo	Nil
H. Anadkat	*
D. Dikshit	*
P. Devenish	Nil
M. Twigger	Nil
S. Matsekete	10 000
C. McSharry	Nil

*Mr Hitesh Anadkat and Mr Dheeraj Dikshit hold some indirect interest in Afcarme Holdings Zimbabwe (Private) Limited, which in turn holds shares in the Bank.

Half year financial results

The Directors are responsible for the preparation and integrity of the financial results and related financial information contained in this report. The financial statements are prepared in accordance with generally accepted local and international accounting practices and they incorporate full and responsible disclosure to ensure that the information contained therein is both relevant and reliable. These unaudited results have been prepared under the supervision of Ciaran McSharry (FCCA Registered Accountant No.1447680).

Compliance

The Board is of the view that the Bank complied with the applicable laws and regulations throughout the reporting period.

By Order of the Board

V. Mutandwa
Company Secretary
16 August 2018

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Unaudited Financial Results for the half year ended 30 June 2018

Statement of Comprehensive Income
for the half year ended 30 June 2018

	Notes	30.06.2018 US$000	30.06.2017 US$000
Interest income	2	19 156	10 187
Interest expense	3	(303)	(149)
Net interest income		18 853	10 038
Net fee and commission income	4	13 507	15 458
Net trading income	5	7 376	9 128
Net investment income	6	440	154
Other income	7	360	382
Total non-interest income		21 683	25 122
Total income		40 536	35 160
Impairment losses	11	(1 695)	(1 018)
Net operating income		38 841	34 142
Staff costs	8	(12 591)	(11 359)
Infrastructure costs	9	(5 221)	(4 564)
Administration and general expenses	10	(6 348)	(6 049)
Operating expenses		(24 160)	(21 972)
Profit before tax		14 681	12 170
Taxation	12	(1 070)	(2 631)
Profit for the period		13 611	9 539
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Net fair value gain on investment securities		108	(115)
Deferred tax		(28)	30
Total fair value through other comprehensive income		80	(85)
Total other comprehensive gain/(loss) for the period, net of tax		80	(85)
Total comprehensive income for the period		13 691	9 454
Basic earnings per share (cents)		0.63	0.44
Diluted earnings per share (cents)		0.63	0.44

BAC 3264

Statement of Financial Position
as at 30 June 2018

	Notes	30.06.2018 US$000	30.06.2017 US$000	31.12.2017 US$000
Assets				
Cash and bank balances	13	83 534	259 593	278 570
Derivative financial instruments	14	5	1	4
Investment securities	15	153 929	2 049	5 235
Loans and receivables from banks	16	158 204	56 999	110 952
Loans and advances to customers	17	143 124	113 545	112 038
Other assets	18	11 092	6 553	7 578
Property and equipment	19	19 902	21 180	20 621
Investment properties	20	5 145	5 250	5 145
Non-current assets held for sale	21	14 829	14 629	14 829
Current tax assets		645	-	637
Total assets		590 409	479 799	555 609
Derivative financial instruments	14	3	4	2
Balances due to other banks	22	8 260	2 205	6 233
Deposits from customers	23	462 058	388 380	443 783
Provisions	24	2 259	1 933	2 376
Other liabilities	25	13 141	10 175	12 435
Deferred tax liabilities		2 203	1 768	2 465
Current tax liabilities		-	637	-
Bank balances due to group companies	34	-	18	-
Total liabilities		487 924	405 120	467 294
Capital and reserves				
Share capital	27	215	215	215
Share premium		23 764	23 642	23 764
Non-distributable reserve	27	7 785	7 785	7 785
Fair value through other comprehensive income reserve	27	3 010	330	2 930
Revaluation reserve	27	3 425	3 488	3 456
Impairment reserve-FVOCI financial assets	27	835	-	-
Share-based payment reserve	27	1 227	1 196	1 205
Retained income		62 224	38 023	48 960
Total equity		102 485	74 679	88 315
Total equity and liabilities		590 409	479 799	555 609

Statement of Cash Flows
for the half year ended 30 June 2018

	Notes	30.06.2018 US$000	30.06.2017 US$000	31.12.2017 US$000
Cash flow from operating activities				
Profit before income tax		14 681	12 170	25 298
Adjustments for non-cash items:				
Depreciation of property and equipment	9	1 218	1 266	2 523
Impairment loss on financial assets	11	1 695	1 018	102
Effect of fair value loss on investment property		-	-	(205)
Dividends received		-	(154)	-
Income from non-current asset held for sale	7	(149)	(110)	-
Profit on disposal of property and equipment	7	(19)	(91)	(104)
Interest accrual on financial assets		(11 063)	(2 637)	(4 100)
Staff loan prepayment amortisation		(25)	(14)	(44)
Share based payment expense		22	31	92
Net derivative (assets)/liabilities		(2)	3	(2)
Cash flow from operating activities before changes in working capital		6 358	11 482	23 560
(Increase)/decrease in loans and advances to customers		(32 755)	25 779	28 231
(Increase)/decrease in other assets		(3 514)	165	(205)
Increase/(decrease) in deposits from customers		19 585	(3 329)	52 074
Increase in other liabilities		590	32	2 671
Income taxes paid		(1 236)	(1 843)	(5 881)
Transfers into restricted bank balances		(3 717)	-	(9 093)
Net cash (utilised)/generated in operating activities		(14 689)	32 286	91 357
Cash flow from investing activities				
Purchase of property and equipment	19	(515)	(1 208)	(2 040)
Proceeds from sale of property and equipment		27	137	175
Dividend received from investment securities		440	154	1 106
Purchase of investment securities		(262 217)	(44 402)	(135 443)
Proceeds from sale and maturities of investment securities		76 890	53 580	93 347
Net cash (used)/generated in investing activities		(185 375)	8 261	(42 855)
Cash flows from financing activities				
Proceeds from issue of shares under a share based payment plan		-	-	71
Net cash received from financing activities		-	-	71
Net (decrease)/increase in cash and cash equivalents		(200 064)	40 547	48 573
Cash and cash equivalents at the beginning of the year		260 709	212 136	212 136
Cash and cash equivalents at the end of the period	13.2	60 645	252 683	260 709

Statement of Changes in Equity
for the half year ended 30 June 2018

	Share capital US$000	Share premium US$000	Non-distributable reserve US$000	Fair value through other comprehensive income reserve US$000	Revaluation reserve US$000	Impairment reserve-FVOCI financial assets US$000	Share-based payment reserves US$000	Retained earnings US$000	Total equity US$000
Balance at 1 January 2018	215	23 764	7 785	2 930	3 456	-	1 205	48 960	88 315
Profit for the year	-	-	-	-	-	-	-	13 611	13 611
Other comprehensive income for the year	-	-	-	80	-	-	-	-	80
Total comprehensive income for the year	-	-	-	80	-	-	-	13 611	13 691
Recognition of share-based payments	-	-	-	-	-	-	22	-	22
Realisation of revaluation reserves	-	-	-	-	(31)	-	-	31	-
Impairment on FVOCI financial assets	-	-	-	-	-	835	-	-	835
Effect of initial application of IFRS9	-	-	-	-	-	-	-	(509)	(509)
Tax effect of initial application of IFRS9	-	-	-	-	-	-	-	131	131
Total net effect of IFRS9	-	-	-	-	-	835	-	(378)	457
Balance at 30 June 2018	215	23 764	7 785	3 010	3 425	835	1 227	62 224	102 485

	Share capital US$000	Share premium US$000	Non-distributable reserves US$000	Fair value through other comprehensive income reserve US$000	Revaluation reserves US$000	Impairment reserve-FVOCI financial assets US$000	Share-based payment reserves US$000	Retained earnings US$000	Total equity US$000
Balance at 1 January 2017	215	23 642	7 785	415	3 519	-	1 164	28 453	65 193
Profit for the year	-	-	-	-	-	-	-	19 790	19 790
Other comprehensive income for the year	-	-	-	2 515	-	-	-	-	2 515
Total comprehensive income for the year	-	-	-	2 515	-	-	-	19 790	22 305
Recognition of share-based payments	-	-	-	-	-	-	92	-	92
Realisation of revaluation reserves	-	-	-	-	(63)	-	-	63	-
Issue of ordinary shares under share-based payment plan	-	122	-	-	-	-	(51)	-	71
Contribution from group towards compensation for loss of office	-	-	-	-	-	-	-	654	654
Balance at 31 December 2017	215	23 764	7 785	2 930	3 456	-	1 205	48 960	88 315

Unaudited Financial Results for the half year ended 30 June 2018

Notes to the Financial Results
for the half year ended 30 June 2018

1. General information and accounting policies

1.1. General information

Barclays Bank of Zimbabwe Limited ("the Bank") provides retail, corporate and investment banking services in Zimbabwe. The Bank which is incorporated and domiciled in Zimbabwe is a registered commercial bank under the Zimbabwe Banking Act Chapter (24:20). The ultimate parent company is FMBcapital Holdings PLC incorporated in Mauritius. The Bank has a primary listing on the Zimbabwe Stock Exchange.

1.2. Basis of preparation

The Bank's unaudited financial results have been prepared in accordance with the IAS34 Interim Financial Reporting as well as the requirements of the Companies Act (Chapter 24.03) and the Banking Act (Chapter 24.20). They do not include all the financial information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to getting an understanding of the changes in the Bank's financial position and performance since the last financial statements as at and for the year ended 31 December 2017.

1.3. Basis of measurement

The unaudited financial results for the period have been prepared on the historical cost basis except for the following;
(i) Equity investments at fair value through other comprehensive income (FVOCI)
(ii) Investment property measured at fair value;
(iii) Derivative assets/liabilities measured at fair value;
(iv) Buildings are measured using the revaluation model. Revaluation is performed after every 3 years.
(v) Financial assets at fair value through other comprehensive income (Investment securities-debt)
(vi) Non-current assets held for sale (Investment in joint venture) measured at the lower of carrying amount and fair value less cost to sale.

1.4. Functional and presentation currency

These unaudited financial statements are presented in United States of America dollars (USD) which is the Bank's functional currency. In the current environment the determination of functional currency is a significant judgment area. The Accounting Profession reviewed the requirements of the standards in 2017 and concluded that the USD was still the functional currency.

1.5. Accounting policies

The accounting policies applied in the preparation of the unaudited financial results are consistent with the most recent financial statements for the year ended 31 December 2017 except for the adoption of International Financial Reporting Standard 9 (IFRS9-Financial Instruments) and International Financial Reporting Standard 15 (IFRS15-Revenue from contracts with customers) detailed below.

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Adoption of new and revised accounting standards
IFRS15- Revenue from contracts with customers adoption

IFRS15 establishes a framework for determining when and how much revenue is recognised. Under IFRS15, revenue is recognised when the customer obtains control of goods or services. It replaces International accounting standard 18 (IAS18-Revenue) and the related interpretations. There has been no significant change to the timing and value of revenue recognised from the existing policies. Therefore the Bank has adopted IFRS15 from the date of initial application with no restatement of 2017 financials.

IFRS9-Financial Instruments adoption

The Bank has adopted IFRS9 as issued by the International Accounting Standards Board (IASB) in July 2014 with effect from 1 January 2018, which resulted in changes in accounting policies and adjustments to the amounts previously recognised in the financial statements. The adoption of IFRS9 has resulted in changes in accounting policies for recognition, classification and measurement of financial assets and financial liabilities and impairment of financial assets. IFRS9 also significantly amends other standards dealing with financial instruments such as IFRS7' Financial Instruments: Disclosures'.

The Bank did not early adopt IFRS9 in previous periods. As permitted by the transitional provisions of IFRS9, the Bank elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognised in the opening retained earnings and other reserves of the current period.

Consequently, for notes disclosures, the consequential amendments to IFRS7 disclosures have only been applied to the current period. The comparative period notes disclosures repeat those disclosures made in prior year.

Effect of adopting IFRS9 on the classification and measurement of Financial assets and liabilities

The following table explains the original measurement categories under IAS39 and the new measurement categories under IFRS9 for each class of the Bank's financial assets as at 1 January 2018. In addition it shows the reconciliation between the carrying amount at 31 December 2017 under IAS39 and the opening balance at 1 January 2018 under IFRS9.

The effect of adopting IFRS9 on the carrying amounts of financial assets at 1 January 2018 relates solely to the new impairment requirements, as described further below. There were no movement of balances between asset classes.

Financial instrument	IAS39 classification and measurement	IFRS9 new classification and measurement	IAS39 carrying amount at 31.12.2017	IFRS9 re-measurement (impairment impact) (increase)/ decrease	IFRS9 opening amount at 31.01.2018
			US$000	US$000	US$000
Loans and advances to customers	Loans and receivables (amortised cost)	Financial assets at amortised cost	112 038	419	112 457
Loans and receivables from banks (held for investment purposes)	Loans and receivables (amortised cost)	Financial assets at amortised cost	110 952	(928)	110 024
Investment securities (held for liquidity purposes)	Available-for-sale investments (FVOCI)	Financial assets at FVOCI	1 026	-	1 026
Investment securities (held for trading)	Held for trading (FVPL)	Financial assets at FVPL	-	-	-
Investment securities (equity investments)	Available-for-sale investments (FVOCI)	Financial assets at FVOCI	4 209	-	4 209
Cash and bank balances	Loans and receivables (amortised cost)	Financial assets at amortised cost	278 570	-	278 570
Other assets	Loans and receivables (amortised cost)	Financial assets at amortised cost	7 578	-	7 578
Total			514 373	(509)	513 864

The adoption of IFRS9 has not had a significant effect on the Bank's accounting policies related to financial liabilities and derivative financial instruments therefore IFRS9 largely retains the existing requirements in IAS39 for the classification and measurement of financial liabilities. However, the measurement of financial assets eliminates the previous IAS39 categories for financial assets held to maturity, loans and receivables and available for sale financial instruments.

The net impact of $508 738 was adjusted through retained earnings in the statement of changes in equity.

Classification of Financial instruments

Under IFRS9, on initial recognition, a financial asset is classified as measured at:
i. Amortised cost
ii. Fair value through other comprehensive income (FVOCI) – debt investments
iii. Fair value through other comprehensive income (FVOCI)– equity investments
iv. or Fair value through Profit and Loss (FVTPL).

The classification of financial assets under IFRS9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification. The business models are explained as follows:

i) Hold to collect contractual cash-flow - Amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:
- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

ii) Hold to collect contractual cash-flow and selling - FVOCI
- A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:
- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

iii) Other business model - Equity investments (FVOCI)
- On initial recognition of an equity investment that is not held for trading, the Bank irrevocably elects to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

iv) Hold to sell - (FVTPL)
- All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets and debt instruments held for trading.
- A financial asset is initially measured at fair value plus, transaction costs that are directly attributable to its acquisition for financial assets and liabilities not at fair value through profit and loss.
  Transaction costs for financial assets and liabilities carried at fair value through profit and loss are expensed in profit and loss.

The following accounting policies apply to the subsequent measurement of financial assets.

Financial instrument	Business model	IFRS9 subsequent measurement
Loans and advances to customers	Hold to collect contractual cash-flows	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss. Interest income on stage 1 and stage 2 loans is recognised on the outstanding loan balance based on effective interest. For stage 3 loans interest is only recognised on the expected recoverable balance.
Loans and receivables from banks (held for investment purposes)	Hold to collect contractual cash-flows	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange on derecognition is recognised in profit or loss.
Investment securities-debt (held for liquidity purposes)	Hold to collect contractual cash-flows and sell	These assets are subsequently measured at fair value. Interest income and impairment is recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Investment securities-equity	Other business model	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly are recognised in OCI and are never reclassified to profit or loss.
Investment securities-debt (held for trading)	Hold to sell	These assets are subsequently measured at fair value. Net gains are recognised in profit or loss.

Impairment of financial assets

IFRS9 replaces the 'incurred loss' model in IAS39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS9, credit losses are recognised earlier than under IAS39. The financial assets at amortised cost consist of loans and advances, cash and cash equivalents and debt securities.

IFRS9 outlines a three stage model for impairment based on changes in credit quality since initial recognition as summarised below:
- Stage 1 - Financial instruments not credit impaired on initial recognition and are investment grade
- Stage 2 - If significant increase in credit risk is identified the asset is moved to stage 2
- Stage 3 - If the asset is credit impaired it is moved to stage 3.

Expected credit losses measurement (ECLs)
- ECLs are measured on either a 12 month or Lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether the asset is considered credit impaired
- The Bank uses a portfolio based approach to calculation of ECLs. The portfolios are segmented into retail and corporate and further by product
- Refer to note 29.3 for the detailed ECL notes.

The impairment impact of initial application of the new provisioning model in transitioning from IAS39 to IFRS9 is as shown below.

	Impact of impairment US$000
Impairment balance for IAS39 at 31 December 2017	4 811
Financial assets at amortised cost - Loans and advances	(419)
Financial assets at amortised cost - Debt investments	928
Other assets	-
Cash and bank balances	-
Total IFRS9 impairment opening balance at 1 January 2018	5 320

		30.06.2018 US$000	30.06.2017 US$000
2.	Interest income		
	Bank balances	32	49
	Loans and receivables from banks and investment securities	12 237	2 637
	Loans and advances to customers	6 887	7 501
	Total interest income	19 156	10 187
3.	Interest expense		
	Deposits from banks	-	(1)
	Deposits from customers	(303)	(148)
	Total interest expense	(303)	(149)
4.	Net fee and commission income		
	Fee and commission income		
	Account activity fees/ledger fees	3 631	4 872
	Insurance commission received	216	218
	Commission received	6 979	6 014
	Guarantees	542	64
	Card based transaction fees	1 132	1 573
	Cash withdrawal fees	1 337	2 774
	Total fee and commission income	13 837	15 515
	Fee and commission expense		
	Guarantee expense	(290)	(57)
	Other fees and commission	(40)	-
	Total fee and commission expense	(330)	(57)
	Net fee and commission income	13 507	15 458

Net fee and commission income above excludes amounts included in determining the effective interest rate on financial assets measured at amortised cost.

		30.06.2018 US$000	30.06.2017 US$000
5.	Net trading income		
	Net foreign exchange income	6 504	9 128
	Trading income - Financial instruments	872	-
	Net trading income	7 376	9 128
6.	Net investment income		
	Dividend income	440	154
	Net investment income	440	154
7.	Other income		
	Profit on disposal of property and equipment	19	91
	Rental income	192	181
	Income from non-current asset held for sale	149	110
	Total other income	360	382
8.	Staff costs		
	Salaries and allowances	(10 966)	(9 666)
	Social security costs	(102)	(97)
	Pension costs: defined contribution plans	(1 130)	(995)
	Directors` remuneration-for services as management	(371)	(570)
	Share options granted to directors and employees	(22)	(31)
	Total staff cost	(12 591)	(11 359)
9.	Infrastructure costs		
	Repairs and maintenance	(1 008)	(731)
	Other property costs	(1 321)	(854)
	Security costs	(561)	(561)
	Depreciation and impairment of property and equipment	(1 218)	(1 266)
	Operating lease rentals	(1 113)	(1 152)
	Total infrastructure costs	(5 221)	(4 564)
10.	Administrative and general expenses		
	Auditors' remuneration : Audit related services	(129)	(139)
	Total	(129)	(139)
	Consultancy, legal and professional fees	(435)	(146)
	Subscription, publications, stationery and communications	(2 437)	(1 990)
	Marketing, advertising and sponsorship	(151)	(188)
	Travel and accommodation	(429)	(340)
	Entertainment	(78)	(11)
	Cash transportation	(640)	(918)
	Directors fees	(113)	(202)
	Insurance costs	(1 095)	(985)
	Other administrative and general expenses	(841)	(1 130)
	Total administrative and general expenses	(6 348)	(6 049)
11.	Impairment losses		
	Stage 1 - 12 month ECL	(1 295)	-
	Stage 2 - Lifetime ECL not credit impaired	146	-
	Stage 3 - Lifetime ECL credit impaired	(590)	-
	Total	(1 739)	-
	Identified	-	(1 922)
	Unidentified	-	897
	Impairment raised during the reporting period	(1 739)	(1 025)
	Recoveries of written off loans	44	7
	Statement of comprehensive income charge	(1 695)	(1 018)

Unaudited Financial Results for the half year ended 30 June 2018

Notes to the Financial Results
for the half year ended 30 June 2018

		30.06.2018 US$000	30.06.2017 US$000
12.	Income taxes		
	Income tax recognised in profit or loss		
	Normal current tax–current year	(1 229)	(2 741)
	Deferred tax credit in the current year	159	110
	Total income tax recognised in the current year	(1 070)	(2 631)

Current income tax and deferred income tax have been fully provided for. Deferred income taxes are calculated on all temporary differences under the liability method using an effective tax rate of 25.75% (2017:25.75%).

13. Cash balances and equivalents

13.1. Cash and bank balances

	30.06.2018 US$000	30.06.2017 US$000	31.12.2017 US$000
Balances with Central Bank	50 467	245 922	248 384
Cash on hand	11 456	7 311	15 785
Balances due from group companies	-	6 049	-
Balances with banks abroad	21 611	311	14 401
Cash and bank balances	83 534	259 593	278 570

13.2. Cash and cash equivalents-cash flow statement

	30.06.2018 US$000	30.06.2017 US$000	31.12.2017 US$000
Cash and bank balances	83 534	259 593	278 570
Restricted balances with Central Bank	(7 348)	(4 746)	(7 342)
Restricted balances with banks abroad	(8 711)	-	(4 999)
Clearing balances due from banks	1 430	59	713
Bank balances due to group companies	-	(18)	-
Balances due to other banks	(8 260)	(2 205)	(6 233)
Total cash and cash equivalents – statement of cash flows	60 645	252 683	260 709

Bank balances are classified as financial assets at amortised cost.

Balances with the Central Bank and foreign banks are used to facilitate customer transactions which include payments and cash withdrawals. In 2016 the Central Bank through Exchange Control Operational Guide 8 (ECOGAD8) introduced prioritisation criteria which has to be followed when making foreign payments for customers. After prioritisation foreign payments are then made subject to availability of bank balances with foreign correspondent banks, resulting in possible delay of payment of telegraphic transfers. However, no delay is expected in the settlement of local transactions through the Real Time Gross Settlement system.

Included in cash and cash equivalents are bond notes and coins which are bearer instruments that are pegged at 1:1 with the United States dollar. United States dollar and bond notes and coins transactions are maintained in the same bank account.

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14. Derivative financial instruments

The Bank uses cross-currency swaps to manage the foreign currency risks arising from asset and deposit balances held which are denominated in foreign currencies. Forward exchange contracts are for trading and foreign currency risk management purposes.

Carrying amount

The fair value of the derivative financial instruments represents the present value of the positive or negative cash flows, which would have occurred if the rights and obligations arising from that instrument were closed out in an orderly market place transaction at end of period. Derivative financial instruments are measured at fair value through profit and loss (FVPL).

Contract amount

The gross notional amount is the sum of the absolute value of all bought and sold contracts. The amount cannot be used to assess the market risk associated with the position and should be used only as a means of assessing the Bank's participation in derivative contracts.

	Notional contract amount US$000	Assets US$000	Liabilities US$000
30.06.2018			
Currency swap	-	-	-
Foreign exchange spot trades	2 428	5	3
Total foreign exchange derivatives	2 428	5	3
31.12.2017			
Currency swap	2 190	4	2
Foreign exchange spot trades	-	-	-
Total foreign exchange derivatives	2 190	4	2

15. Investment securities

	30.06.2018 US$000	30.06.2017 US$000	31.12.2017 US$000
Treasury bills	149 720	925	1 026
Equity securities	4 209	1 124	4 209
Balance at end of period	153 929	2 049	5 235
Balance at beginning of the period	5 235	34 104	34 104
Additions	144 749	-	-
Maturities	-	(31 951)	(31 953)
Accrued interest	3 951	11	15
Changes in fair value	(6)	(115)	3 069
Balance at end of period	153 929	2 049	5 235

Treasury bills held for liquidity management are classified as financial assets at fair value through other comprehensive income (FVOCI). Equity securities are classified as FVOCI. Expected credit loss allowance on investment security of US$835 000 (2017: Nil) was credited to impairment reserve.

16. Loans and receivables from banks

	30.06.2018 US$000	30.06.2017 US$000	31.12.2017 US$000
Treasury bills	157 654	56 940	110 239
Clearing balances due from banks	1 430	59	713
Total before expected credit loss	159 084	56 999	110 952
Less: Expected credit loss	(880)	-	-
Total carrying amount at 30 June 2018	158 204	56 999	110 952

Treasury bills held for investment purpose are classified as financial assets at amortised cost. These financial assets are held to earn interest income over their tenor.

17. Loans and advances to customers

	Retail Banking US$000	Business Banking US$000	Corporate and Investment Banking US$000	Total US$000
30.06.2018				
Personal and term loans	40 255	14 021	54 450	108 726
Mortgages	8 509	-	-	8 509
Overdrafts	469	1 842	28 762	31 073
Interest in suspense	-	(365)	-	(365)
Gross loans and advances to customers	49 233	15 498	83 212	147 943
Less: Expected credit loss				
Stage 1 - 12 month ECL	(1 043)	(243)	(1 146)	(2 432)
Stage 2 - Lifetime ECL not credit impaired	(116)	-	(585)	(701)
Stage 3 - Lifetime ECL credit impaired	(956)	(730)	-	(1 686)
Total	(2 115)	(973)	(1 731)	(4 819)
Net loans and advances to customers	47 118	14 525	81 481	143 124
31.12.2017				
Personal and term loans	40 485	11 594	28 013	80 092
Mortgages	8 028	-	-	8 028
Overdrafts	331	2 589	26 205	29 125
Interest in suspense	-	(375)	(21)	(396)
Gross loans and advances to customers	48 844	13 808	54 197	116 849
Less: allowance for impairment				
Identified impairment	(1 603)	(453)	-	(2 056)
Unidentified impairment	(786)	(626)	(1 343)	(2 755)
Total	(2 389)	(1 079)	(1 343)	(4 811)
Net loans and advances to customers	46 455	12 729	52 854	112 038

Loans and advances to customers are classified as financial assets at amortised cost.

18. Other assets

	30.06.2018 US$000	30.06.2017 US$000	31.12.2017 US$000
Prepayments and stationery	6 100	1 778	2 139
Card transaction balances	2 225	2 196	2 206
Other debtors	409	229	876
Receivables from Group	-	38	-
Staff loans market interest rate adjustment	2 358	2 312	2 357
Total other assets	11 092	6 553	7 578
Current	9 124	2 430	5 535
Non-current	1 968	4 123	2 043
Total	11 092	6 553	7 578

Included in prepayments is US$2 686 312 relating to work in progress on the new banking system. The work is being provided by a foreign unrelated party and is expected to be completed in the first quarter of 2019.

19. Property and equipment

	Land and buildings US$000	Computers US$000	Equipment US$000	Furniture and fittings US$000	Motor vehicles US$000	Total US$000
30 June 2018						
Balance at beginning of the year	14 927	1 925	330	737	2 702	20 621
Additions	-	243	203	69	-	515
Disposals	-	-	(2)	(17)	(151)	(170)
Depreciation charge on disposals	-	-	2	8	144	154
Depreciation and impairment charge	(144)	(453)	(68)	(121)	(432)	(1 218)
Carrying amount at end of the period	14 783	1 715	465	676	2 263	19 902
Cost or valuation	17 594	5 950	2 665	1 698	4 960	32 866
Accumulated depreciation and impairment	(2 811)	(4 235)	(2 200)	(1 022)	(2 697)	(12 964)
Carrying amount at end of the period	14 783	1 715	465	676	2 263	19 902

Property and equipment was subjected to impairment testing and revaluation takes place after every three years. Land and buildings were revalued on 31 December 2015 by an independent valuer. If buildings were stated on the historical cost basis, the carrying amount would be US$ 11 295 868 (2017: US$ 11 398 054). No items of property and equipment were pledged as collateral as at 30 June 2018.

20. Investment properties

	30.06.2018 US$000	30.06.2017 US$000	31.12.2017 US$000
Fair value			
Balance at beginning of the period	5 145	5 250	5 250
Changes in fair value	-	-	(105)
Balance at the end of the period	5 145	5 250	5 145
Rental income derived from investment properties	192	181	328

Investment property comprises commercial properties that are leased to third parties. No contingent rents are charged. There was no change in fair value of investment property during the period (2017: US$(105)). Rental income from investment properties is recognised in other income. The fair value of investment properties was determined by external, independent property valuers, having the appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. The independent valuers provide the fair value of the Bank`s investment property portfolio annually. The last valuation was done in December 2017.

The fair value measurement of the investment property has been categorised as Level 3 in the fair value hierarchy (Note 32) based on the inputs to the valuation technique used.

21. Non-current asset held for sale

	30.06.2018 US$000	30.06.2017 US$000	31.12.2017 US$000
Balance at beginning of year	14 829	14 629	14 519
Income from non-current asset held for sale	-	-	310
Total	14 829	14 629	14 829

The Bank continues to actively pursue disposal of its 50% shareholding in Makasa Sun (Private) Limited. The joint venture therefore continues to be classified as non-current asset held for sale as management's assessment is that it is highly probable that the sale will occur.

The investment in joint venture is measured at the lower of carrying amount or fair value less cost to sale.

22. Balances due to other banks

	30.06.2018 US$000	30.06.2017 US$000	31.12.2017 US$000
Bank balances due to banks abroad	1 688	-	449
Clearing balances due to other banks	6 572	2 205	5 784
Total	8 260	2 205	6 233

23. Deposits from customers

	Retail banking US$000	Business banking US$000	Corporate and investment banking US$000	Total US$000
30.06.2018				
Current accounts deposits	89 927	110 375	179 724	380 026
Call deposits	777	9 541	44 098	54 416
Savings accounts	16 408	3	-	16 411
Other	-	-	11 205	11 205
Total	107 112	119 919	235 027	462 058
31.12.2017				
Current account deposits	81 231	124 777	178 118	384 126
Call deposits	569	450	30 096	31 115
Savings accounts	16 077	2	-	16 079
Other	-	-	12 463	12 463
Total	97 877	125 229	220 677	443 783

Deposits from customers only include financial instruments classified as liabilities at amortised cost. Fair value of deposits from customers approximates carrying amount because of their short tenor. Included in customer accounts are deposits of US$11 204 966 (2017:US$12 463 068) held as collateral for loans advanced and letters of credit. Also refer to Note 13 which explains cash and bank balances.

	30.06.2018 US$000	%	30.06.2017 US$000	%	31.12.2017 US$000	%
Concentration of customer deposits						
Trade and services	177 468	38	134 566	22	142 129	32
Energy and minerals	4 952	1	3 196	2	36 252	8
Agriculture	30 045	7	30 049	2	42 749	10
Construction and property	467	-	154	-	4 139	1
Light and heavy industry	59 276	13	44 723	19	49 427	11
Physical persons	107 112	23	89 382	26	97 880	22
Transport and distribution	64 356	14	71 990	20	52 445	12
Financial services	18 382	4	14 320	9	18 762	4
Total	462 058	100	388 380	100	443 783	100

24. Provisions

	30.06.2018 US$000	30.06.2017 US$000	31.12.2017 US$000
Staff retention incentive and other related provisions	1 661	1 258	2 036
Outstanding employee leave	598	675	340
Total	2 259	1 933	2 376

The staff retention incentive represents a provision for a performance based staff incentive and is included in staff costs.

25. Other liabilities

	30.06.2018 US$000	30.06.2017 US$000	31.12.2017 US$000
Accrued expenses	5 793	3 227	5 369
Amounts due to related parties	-	235	-
Internal accounts including unpresented bank drafts	7 348	6 713	7 066
Total	13 141	10 175	12 435

26. Retirement benefit plans

26.1. Barclays Bank Pension Fund

The Barclays Bank Pension Fund ("The Fund") manages retirement funds for the active members and pensioners. The Fund is run by appointed Trustees. The assets of the Funds are managed as one composite pool, with no separation for the active members and pensioners. The awarding of pension increases and increase in accumulated values to active members is done in consideration of the performance of the Fund and any requirement to increase risk reserves.

Defined contribution plans

The defined contribution pension plan for active members, is one to which the Bank and employees both contribute, with the bank contributing a significant higher proportion. Under this scheme, retirement benefits are determined by reference to the employees' and the Bank's contributions to date and the performance of the Fund.

All employees are also members of the National Social Security Authority Scheme, to which both the employer and the employees contribute. The Bank contributes 3.5% of pensionable emoluments (maximum US$700) for eligible employees.

26.2. Defined benefit pension plans

The Fund provides for annuities for those pensioners who opted not to purchase the annuity from an external insurer at the point of retirement. All annuities are now purchased outside the Fund at the point of retirement with effect from 1 May 2015.

The provision of pension annuities to pensioners is a significant defined benefit. As a result, a valuation was performed based on IAS19: Employee Benefits for the whole Fund for both the assets and liabilities.

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Summary of the valuation is shown below:

	31.12.2018 US$000	30.06.2017 US$000	31.12.2017 US$000
Present value of pensioner obligation (defined benefit) (valued as at 31 December 2017)	17 248	17 191	17 248
Active members liability (defined contribution)	32 085	25 129	34 746
Deferred pensioners	4 151	3 613	4 702
Other liabilities - risk pools	1 323	1 090	1 323
Other sundry liabilities	1 037	828	943
Total liabilities	55 844	47 851	58 962
Total assets	68 770	52 602	68 686
Net surplus (attributable to the Fund)	12 926	4 751	9 724

This surplus is attributable to the Fund and the Trustees have discretion as to the application and appropriation of the surplus. The surplus could not be recognised as an asset by the Bank because the Bank will not receive any future benefits from the surplus in the form of contribution holidays or refunds as per the Fund rules. In addition the Bank is currently not making any additional contributions for the pensioners, therefore, there will be no benefit to the Bank arising from reduced contributions or contribution holiday.

27. Share Capital and reserves

Authorised share capital

	30.06.2018 US$000	31.12.2017 US$000
5 000 000 000 (2017: 5 000 000 000) ordinary shares of USc0.01 per share.	500	500

Issued share capital

	30.06.2018 US$000	31.12.2017 US$000
2 155 630 176 (2017: 2 155 630 176) ordinary shares of USc0.01 per share per share.	215	215
Share premium	23 764	23 764
Total	23 979	23 979

The total authorised number of ordinary shares at year end was 5 billion (2017:5 billion). The Bank's shares have a nominal value of USc0.01 from date of issue in United States dollars. The unissued share capital is under the control of the directors subject to the restrictions imposed by the Zimbabwe Companies Act (Chapter 24.03), the Zimbabwe Stock Exchange listing requirements and the Articles and Memorandum of Association of the Bank.

Impairment reserve

	30.06.2018 US$000	31.12.2017 US$000
Impairment on FVOCI financial assets	835	-
Total at 30 June 2018	835	-

Impairment reserve constitutes impairment on FVOCI debt securities. The fair value loss on FVOCI financial assets is included in other comprehensive income.

Non-distributable reserve

This relates to the balance of currency translation reserves not recapitalised into share capital and share premium arising from the fair valuation of assets and liabilities on 1 January 2009 when the Bank adopted the United States of America dollar as the functional and presentation currency.

Fair value through other comprehensive income reserve

This relates to fair value movements on investment securities held at fair value through OCI which include equity and debt securities. The impairment charge on these assets is accounted for under impairment reserve described above.

Revaluation reserve

Revaluation movement on property and equipment is classified under revaluation reserve. Additional detail on revaluation of assets is contained in Note 19.

Share based payment reserve

The fair value of share options granted to employees is classified under share based payment reserve. The reserve is reduced when the employees exercise their share options.

28. Financial instruments

Classification of financial instruments

	Financial assets at fair value through profit and loss US$000	Financial assets at amortised cost US$000	Financial assets at fair value through other comprehensive income (Investment securities) US$000	Financial liabilities at amortised cost US$000	Total US$000
Assets – 30 June 2018					
Cash and bank balances	-	83 534	-	-	83 534
Loans and advances to customers	-	143 124	-	-	143 124
Treasury bills	-	156 774	149 720	-	306 494
Unquoted equity securities	-	-	4 209	-	4 209
Clearing balances due from other banks	-	1 430	-	-	1 430
Other assets	-	2 634	-	-	2 634
Derivative financial assets	5	-	-	-	5
Total	5	387 496	153 929	-	541 430
Liabilities – 30 June 2018					
Deposits from customers	-	-	-	462 058	462 058
Deposits from other banks	-	-	-	8 260	8 260
Derivative financial assets	3	-	-	-	3
Bank balances due to group companies	-	-	-	-	-
Total	3	-	-	470 318	470 321

	Financial assets at fair value through profit and loss US$000	Financial assets at amortised cost US$000	Financial assets at fair value through other comprehensive income (Investment securities) US$000	Financial liabilities at amortised cost US$000	Total US$000
Assets – 31 December 2017					
Cash and bank balances	-	278 570	-	-	278 570
Loans and advances to customers	-	112 038	-	-	112 038
Treasury bills	-	110 239	1 026	-	111 265
Unquoted equity securities	-	-	4 209	-	4 209
Clearing balances due from other banks	-	713	-	-	713
Currency swaps	4	-	-	-	4
Total	4	501 560	5 235	-	506 799
Liabilities – 31 December 2017					
Customer Deposits	-	-	-	443 783	443 783
Balances due to other banks	-	-	-	6 233	6 233
Currency swaps	3	-	-	-	2
Total	2	-	-	450 016	450 018

29. Risk management

Financial risk management objectives

The Bank's business involves taking on risks in a targeted manner and managing them professionally. The core functions of the Bank's risk management are to identify all key risks for the Bank, measure these risks, manage the risk positions and determine capital allocations. The Bank regularly reviews its risk management policies and systems to reflect changes in markets, products and best market practice.

The Bank's aim is to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Bank's financial performance

The Bank defines risk as the possibility of losses or profits foregone, which may be caused by internal or external factors. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk and credit risk. Internal audit and Operational Risk and Control departments are responsible for the review of risk management and the control environment.

The risks arising from financial instruments to which the Bank is exposed include among other risks credit risk, liquidity risk, market risk and operational risk.

29.1. Capital risk management

Capital risk – is the risk that the Bank is unable to maintain adequate levels of capital which could lead to an inability to support business activity or failure to meet regulatory requirements

The Bank's objectives when managing capital, which is a broader concept than the 'equity' on the face of the statement of financial position, are:
- to comply with the capital requirements set by the banking regulators;
- to safeguard the Bank's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits to customers and other stakeholders and;
- to maintain a strong capital base to support the development of its business.

Capital adequacy and the use of regulatory capital are monitored by the Bank's management and the Directors, employing techniques based on guidelines developed by the Basel Committee as implemented by the Reserve Bank of Zimbabwe for supervisory purposes. The Bank's regulatory capital is managed by management and comprises three tiers;

- Tier 1 Capital: comprises contributed capital, accumulated profits, share based payment reserve and currency translation reserve and other fair value reserves.
- Tier 2 Capital: comprises impairment allowance, revaluation reserve and part of currency translation reserve.
- Tier 3 Capital: comprises operational and market risk capital.

The Reserve Bank of Zimbabwe requires each bank to maintain a core capital adequacy ratio of 8% and total capital adequacy ratio of 12%. The table below summarises the composition of regulatory capital and the ratios of the Bank.

	30.06.2018 US$000	30.06.2017 US$000	31.12.2017 US$000
Share capital	215	215	215
Share premium	23 764	23 642	23 764
Retained earnings	62 224	38 023	48 960
Share based payment reserve	1 227	1 196	1 205
Impairment reserve	835	-	-
Fair value through other comprehensive income reserve	3 010	330	2 930
Currency translation reserve	3 508	3 508	3 508
Total core capital	94 783	66 914	80 582
Less market and operational risk capital	(15 341)	(9 235)	(10 087)
Tier 1 capital	79 442	57 679	70 495
Currency translation reserve	4 277	4 277	4 277
Revaluation reserve	3 425	3 488	3 456
General provisions (limited to 1.25% of risk weighted assets)	2 432	2 412	2 755
Tier 2 capital	10 134	10 177	10 488
Total tier 1 & 2 capital	89 576	67 856	80 983
Market risk	2 766	521	1 003
Operational risk	12 574	8 715	9 084
Tier 3 capital	15 340	9 236	10 087
Total tier 1 and 2 & 3 capital base	104 916	77 092	91 070
Less deductions from capital	(4 209)	(1 152)	(4 218)
Total capital base	100 707	75 940	86 852
Credit risk weighted assets	205 115	183 947	182 526
Operational risk equivalent assets	157 181	108 934	113 545
Market risk equivalent assets	34 580	6 510	12 539
Total risk weighted assets (RWAs)	396 876	299 391	308 610
Tier 1 capital ratio	20%	19%	23%
Tier 1 and 2 capital ratio	23%	23%	27%
Total capital adequacy ratio	25%	25%	29%

Credit risk capital is subject to guidelines provided by the regulator which are based on Basel 1 principles. On this approach the banking book exposures are categorised into broad classes of assets with different underlying risk characteristics. Risk components are transformed into risk weighted assets using predetermined exposure and loss probability factors. Capital requirements for credit risk are derived from the risk weighted assets.

Market risk capital is assessed using the standardised approach, based on regulatory guidelines which consider the risk characteristics of assets. Risk components are transformed into risk weighted assets and therefore capital requirement based on predetermined exposure and loss probability factors.

Operational risk capital is assessed using the standardised approach. This approach is tied to average gross income over three years per regulated business lines as indicator of scale of operations. Total capital charge for operational risk equals the sum of charges per business lines.

29.2. Market risk

The Bank takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads, foreign exchange rates and equity prices.

The Bank separates exposures to market risk into either trading or banking book. Trading portfolios include those positions arising from market–making transactions where the Bank acts as principal with clients or with the market; this is mainly to support client trading activity.

Non trading book primarily arises from the interest rate management of the Bank's retail and commercial banking assets and liabilities.

Market risk measurement techniques

The objective of market risk measurement is to manage and control market risk exposures within acceptable limits while optimising the return on risk.

The measurement techniques used to measure and control market risk include:

(i) Daily Value at Risk ("DVaR")

The Bank applies a 'value at risk' ("VaR") methodology to its banking portfolios to estimate the market risk of positions held if current positions were to be held unchanged for one business day.

Value at Risk is a statistically based estimate of the potential loss on the current portfolio from adverse market movements. It expresses the maximum amount the Bank might lose but only to a certain level of confidence. There is therefore a statistical probability that actual loss could be greater than the 'VaR' estimate. The 'VaR' model makes assumptions on the pattern of market movements based on historical holding periods. The use of this approach does not prevent losses outside of these limits in the event of more significant market movements. 'DVaR' is an estimate of the potential loss which might arise from unfavourable market movements, if the current positions were held unchanged for one business day, measured to a confidence of 99%. Daily losses exceeding the 'DVaR' figure are likely to occur, on average twice in every 100 business days.

(ii) Stress tests

Stress tests provide an indication of losses that could arise in extreme positions.

Foreign exchange stress risk (currency stress) is the potential loss against the Bank if there is a large foreign exchange movement (expected once in every five years).

The table below summarises the DVaR statistics for the Bank relating to currency stress.

One day risk Type of risk or activity	High US$000	Medium US$000	Low US$000	Year-end US$000
Currency VaR at 30 June 2018	6	3	-	6
Currency VaR at 31 December 2017	10	3	-	-

Two week risk Type of risk or activity	High US$000	Medium US$000	Low US$000	Year-end US$000
Currency VaR at 30 June 2018	19	11	1	18
Currency VaR at 31 December 2017	33	8	1	1

ALCO closely monitors this risk. The Bank is satisfied with its risk management processes and systems in place which have enabled the Bank to minimise losses.

Net interest income sensitivity ("NII")

NII measures the sensitivity of annual earnings to changes in interest rates. NII is calculated at a 10% change in interest rates.

The Bank's interest income sensitivity is shown below:

Changes in interest	30.06.2018 Impact on earnings US$000	31.12.2017 Impact on earnings US$000
1000bps increase in interest rates	16 316	22 623
1000bps decrease in interest rates	(16 316)	(22 623)
Benchmark	-	-

(iii) Economic capital

Economic capital methodologies are used to calculate risk sensitive capital allocations for businesses incurring market risk. Consequently the businesses incur capital charges related to their market risk.

29.2.1. Interest rate risk

Interest rate risk is the risk that the Bank will be adversely affected by changes in the level or volatility of market interest rates. The Bank is exposed to various risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The responsibility of managing interest rate risk lies with the Assets and Liabilities Committee (ALCO). On a day to day basis, risks are managed through a number of management committees. Through this process, the Bank monitors compliance within the overall risk policy framework and ensures that the framework is kept up to date. Risk management information is provided on a regular basis to the Risk and Control Committee and the Board.

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The table below summarises the Bank's interest rate risk exposure.

30 June 2018	Up to 1 month US$000	1 to 3 months US$000	3 to 6 months US$000	6 months to 1 year US$000	1 to 5 years US$000	Over 5 years US$000	Non-interest bearing US$000	Total US$000
Assets								
Cash and bank balances	83 534	-	-	-	-	-	-	83 534
Derivative assets	-	-	-	-	-	-	5	5
Investment securities	76 335	-	1	73 384	-	-	4 209	153 929
Loans and receivables from banks	16 928	83 568	54 488	3 220	-	-	-	158 204
Loans and advances to customers	143 124	-	-	-	-	-	-	143 124
Other assets	-	-	-	-	-	-	11 092	11 092
Property and equipment	-	-	-	-	-	-	19 902	19 902
Investment property	-	-	-	-	-	-	5 145	5 145
Non-current assets held for sale	-	-	-	-	-	-	14 829	14 829
Current tax assets	-	-	-	-	-	-	645	645
Total assets	319 921	83 568	54 489	76 604	-	-	55 827	590 409
Liabilities								
Derivative liabilities	-	-	-	-	-	-	3	3
Balances due to other banks	8 260	-	-	-	-	-	-	8 260
Deposits from customers	446 253	14 545	151	1 109	-	-	-	462 058
Provisions	-	-	-	-	-	-	2 259	2 259
Other liabilities	-	-	-	-	-	-	13 141	13 141
Deferred income tax liabilities	-	-	-	-	-	-	2 203	2 203
Total liabilities	454 513	14 545	151	1 109	-	-	17 606	487 924
Interest rate re-pricing gap	(134 592)	69 023	54 338	75 495	-	-	38 221	102 485
Cumulative gap	(134 592)	(65 569)	(11 231)	64 264	64 264	64 264	102 485	-

29.2.2. Foreign exchange risk

This is a risk that the value of a financial liability or asset denominated in foreign currency will fluctuate due to changes in the exchange rate. The Bank takes on exposures to the effects of fluctuations in the prevailing foreign currency exchange rates in the financial position and cash flows. Foreign exchange risk is managed through use of Daily Value at Risk techniques and Stress tests. In addition mismatches on foreign exchange assets and liabilities are minimised through the daily monitoring of the net foreign exchange exposure by treasury. Currency swaps are also used to manage foreign exchange risk where necessary.

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The table below summarises the Bank's financial instruments at carrying amounts, categorised by currency.

At 30 June 2018	USD US$000	GBP (USD equiv) US$000	Rand (USD equiv) US$000	Other foreign currency (USD equiv) US$000	Total US$000
Assets					
Cash and bank balances	82 389	46	973	126	83 534
Derivative financial instruments	-	-	-	5	5
Investment securities	153 929	-	-	-	153 929
Loans and receivables from banks	158 204	-	-	-	158 204
Loans and advances to customers	143 124	-	-	-	143 124
Other assets	2 634	-	-	-	2 634
Total assets	540 280	46	973	131	541 430
Liabilities					
Derivative financial instrument	-	-	-	3	3
Balances due to other banks	6 586	-	1 455	219	8 260
Deposits from customers	457 437	1 001	2 208	1 412	462 058
Other liabilities	13 141	-	-	-	13 141
Total liabilities	477 164	1 001	3 663	1 634	483 462
Net currency positions	63 116	(955)	(2 690)	(1 503)	57 968

29.3. Credit risk

Credit risk is the risk of financial loss should the Bank's customers, clients or market counterparties fail to fulfil their contractual obligations to the Bank. The Bank actively seeks to originate and manage credit risk in such a way as to achieve sustainable asset growth and risk adjusted returns in line with board-approved risk parameters. The credit risk that the Bank faces arises mainly from corporate and retail loans advances and counterparty credit risk arising from derivative contracts entered into with our clients. Other sources of credit risk arise from treasury bills, government bonds, settlement balances with counterparties and bank balances with Central Bank and other related banks. Credit risk management objectives are;

- Supporting the achievement of sustainable asset and revenue growth in line with our risk parameters
- Operating sound credit granting processes and monitoring credit risk using appropriate models to assist decision making
- Ensure credit risk taking is based on sound credit risk management principles and controls
- Continually improving collection and recovery

a) Risk limit and mitigation policies

The Bank uses a range of policies and practices to mitigate credit risk. These include credit scoring, marking limits against counter parties, credit insurance, and monitoring cashflows and utilisation against limit and collateral.

Principal collateral types used for loans and advances are:
- Mortgages over residential and commercial properties; and
- Charges over business assets such as premises, inventory and accounts receivable, moveable assets and shares.
- Cash cover

The legal department is responsible for conducting sufficient legal review to confirm that the approved collateral is legally effective. Ratio of value of loan to value of security is assessed on grant date and continuously monitored.

b) Credit risk grading

Corporate Exposures

The Bank uses internal credit risk gradings that reflect its assessment of the probability of default of individual counterparties. The Bank use internal rating models tailored to the various categories of counterparty. Borrower and loan specific information collected at the time of application (such as level of collateral; and turnover and industry type for wholesale exposures) is fed into this rating model. This is supplemented with external data such as credit bureau scoring information on individual borrowers. In addition, the models enable expert judgement to be fed into the final internal credit rating for each exposure. This allows for considerations which may not be captured as part of the other data inputs into the model.

The credit scores from this model are mapped to the regulatory scale with 10 grades. A relationship manager will incorporate any updated or new information/credit assessments into the credit system on an ongoing basis. In addition, the relationship manager will also update information about the creditworthiness of the borrower every year from sources such as public financial statements. This will determine the updated internal credit rating. Corporate exposures are monitored by grading exposures into early warning list for those customers who are believed to be facing difficulties. Customers are categorised into Early Warning Lists ("EWL") 1-3. Those in EWL1 have temporary problems and the risk of default is low. EWL2 implies there are doubts that the customer will pay but the risk of default is medium. EWL3 implies that there are doubts that the customer will pay and the risk of default is high.

Retail exposures

After the date of initial recognition, for retail business, the payment behaviour of the borrower is monitored on a periodic basis to develop a behavioural internal credit rating. Any other known information about the borrower which impacts their creditworthiness such as unemployment and previous delinquency history is also incorporated into the behavioural internal credit rating. These ratings are reflected on the following delinquency bucket; Neither past due nor impaired (Bucket 0); 1day to 30 days past due (Bucket 1); 30 days to 60 days past due (Bucket 2); 60 days to 89 days past due (Bucket 3) and 90 days+ past due (default,Bucket 4).

c) Expected credit losses measurement (ECLs)

IFRS9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarised below:
- A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the Bank.
- If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired. Please refer to note 29.3(d) below for a description of how the Bank determines when a significant increase in credit risk has occurred.
- If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'. Please refer to life time ECLs - default below for a description of how the Bank defines credit-impaired and default.

The expected credit loss (ECL) is measured on either a 12 - month (12M) or Lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected credit losses are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD), defined as follows:

The probability of default (PD) is the likelihood of a borrower defaulting on its financial obligation (as per "Definition of default and credit-impaired" below), either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation. PDs are modelled using historic data into 12 month and Lifetime PDs. Where data is not available proxies which resemble the risk of default characteristics of the exposure are used. The PDs are determined at portfolio level and segmented into various products.

PDs modelled using historical data are then adjusted for forward looking factors. PDs are mapped into regulatory grades as follows:

Corporate exposures

Stage 1	12 Month PD	Central Bank Account Grades 1 to 3 or Barclays Grade Good Book, or Pass
Stage 2	Life Time PD	Central Bank Account Grades 4 to 7, or Barclays Grades EWL 1 & EWL 2, or Special Mention
Stage 3	Default PD	Central Bank Account Grade 8 to 10, or Barclays Grades EWL 3 & Classified, or Substandard, or worse

Retail exposures

Stage 1	12 Month PD	Barclays grades bucket 0 & bucket 1, or good book & pass
Stage 2	Life Time PD	Barclays grades bucket 2 & bucket 3, or special mention
Stage 3	Default PD	Barclays grade bucket 4, or substandard, or worse

Treasury exposures

For debt securities in the treasury portfolio and interbank exposures, performance of the counterparty is monitored for any indication of default. PDs for such exposures are determined based on benchmarked national ratings mapped to external credit rating agencies grade. For other bank balances where there are external credit ratings PDs are derived using those external credit ratings.

Exposure at default (EAD) is the amount the Bank expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD). For a revolving commitment, the EAD includes the current drawn balance plus any further amount that is expected to be drawn up by the time of default, should it occur. For term loans EAD is the term limit while for short term loans and retail loans EAD is the drawn balance. Debt securities and interbank balances EAD is the current balance sheet exposure

Loss given default (LGD) represents the Bank's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD). LGD is calculated on a 12-month or lifetime basis, where 12-month LGD is the percentage of loss expected to be made if the default occurs in the next 12 months and Lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan. LGD is modelled based on historical data. LGD for sovereign exposure is based on observed recovery rates for similar economies.

i) 12 month ECLs; (Stage 1 - no increase in credit risk)

ECLs measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. The 12 month ECL is calculated for the following exposures
- Corporate loans with regulatory grades from 1 - 3
- Retail loans graded in bucket 0 and bucket 1
- Debt securities, loans to banks and bank balances which are not past due
- These are a product of 12 months PD, 12 months LGD and EAD.

ii) Life time ECLs (Stage 2 - significant increase in credit risk refer to 29.3d)

ECLs are measured based on expected credit losses on a lifetime basis. It is measured for the following exposures;
- Corporate loans with regulatory grades from grade 4 to grade 7 (Early Warning List 1 and Early Warning List 2)
- Retail loans in bucket 2 to 3 (bucket 2 is 30 days to 60 days past due, bucket 3 is 60 days to 90 days past due)
- Debt securities, loans to banks and bank balances where the credit risk has significantly increased since initial recognition
- These are a product of lifetime PD, lifetime LGD and EAD

iii) Life time ECLs (Stage 3 - default)

ECLs are measured based on expected credit losses on a lifetime basis. This is measured on the following exposures.
- All credit impaired/ in default corporate and retail loans and advances to banks and other debt securities in default.
- These are corporates in regulatory grade 8 - 10 (EWL3) and retail loans in bucket 4
- Exposures which are 90 days+ past due
- These are a product of default PD, lifetime LGD and EAD.

d) Significant increase in credit risk (SICR)

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Bank considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Bank's historical experience and informed credit assessment and including forward-looking information.

Significant increase in credit risk - Quantitative measures
- Corporate loans - if the loan is reclassified from regulatory grades 1 - 3 to grades 4 - 7
- Retail loans - if the loan is reclassified from buckets 0 and 1 to buckets 2 to 3
- Treasury exposures which are past due.

Significant increase in credit risk - Qualitative measures retail
- Extension of credit terms
- Retrenchment/ dismissal of employee
- Employer facing financial difficulties
- Salary diversion.

Significant increase in credit risk - Qualitative measures corporate and treasury
- Borrower is on Early Warning list 1&2 (EWL 1 and EWL2)
- Significant adverse changes in business, financial or economic conditions in which the borrower operates in
- Actual or expected forbearance or restructuring of debt
- Early signs of cashflow/liquidity problems such as delay in servicing debt
- Significant decline in account turnover
- Breach of significant debt covenants
- Qualifying modified loans
- Delay in settlement of obligations.

The assessment of significant increase in credit risk incorporates forward looking information and is performed on a monthly basis at a portfolio level for all retail loans. Corporate and treasury exposures are assessed individually through the Early Warning list which is reviewed monthly and monitored by an independent team in credit risk department, and quarterly reviews by the Impairment Committee of exposures against performance criteria.

e) Default

The Bank considers a financial asset to be in default when:
- The borrower is unlikely to pay its credit obligations to the Bank in full, without recourse by the Bank to actions such as realising security (if any is held); or
- The financial asset is more than 90 days past due.

f) Forward –looking information incorporated in the ECL models

The assessment of SICR and the calculation of ECLs both incorporate forward-looking information. The Bank has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio. The key economic variables identified were GDP growth, interest rates and import cover ratio.

These economic variables and their associated impact on the ECL vary by financial instrument. Expert judgment has also been applied in this process. Forecasts of these economic variables (the "base economic scenario") are sourced from Reserve Bank Monetary Policy, Ministry of Finance Fiscal updates, World Bank/ IMF and BMI Research economic forecast and provide the best estimate view of the economy over the next five years.

After five years, to project the economic variables out for the full remaining lifetime of each instrument, a mean reversion approach has been used, which means that economic variables tend to either a long run average rate (e.g. a long run average growth rate (e.g. GDP) over a period of two to five years. The impact of these economic variables on the PD has been determined by performing statistical regression analysis to understand the impact changes in these variables have had historically on default rates.

g) Write – offs - The Bank will write off retail accounts following charge off of the account if the equivalent of an instalment is not recovered cumulatively over a 12-month period post charge off. Corporate accounts are written off once security has been realised depending on the residual balance and further recovery prospects. The corporate write off policy is not rules based, or time bound.

ECL model governance

The models used for PD, EAD and LGD calculations are governed on a day to day through the Impairments Committee. This committee comprises of senior managers in risk, finance and the business. Decisions and key judgements made by the Impairments Committee relating to the impairments and model overrides will be taken to Board Risk, Board Loans and Board Audit Committee. Credit risk processes from origination to monitoring and other operational processes around impairments now take into cognisance IFRS9 requirements.

Maximum exposure to credit risk by credit quality grade before credit enhancements

30 June 2018	Internal grade	ECL Stage	Loans and Advances to banks US$000	Loans and advances to customers US$000	Guarantees provided US$000	Investment securities US$000	Bank balances US$000	Other assets US$000	Total US$000
Credit exposure									
Neither past due nor impaired	1-3	1	159 084	137 749	13 259	149 720	72 078	2 634	534 524
Standard monitoring	4-7	2	-	8 367	-	-	-	-	8 367
Non-performing loans	8-10	3	-	2 192	-	-	-	-	2 192
Gross exposure			159 084	148 308	13 259	149 720	72 078	2 634	545 083
31 December 2017									
Credit exposure									
Neither past due nor impaired			110 952	113 111	5 490	1 026	262 785	3 082	496 446
Past due but not impaired			-	955	-	-	-	-	955
Individually impaired excluding non-performing			-	561	-	-	-	-	561
Non-performing loans			-	2 617	-	-	-	-	2 617
Interest in suspense			-	(396)	-	-	-	-	(396)
Gross exposure			110 952	116 848	5 490	1 026	262 785	3 082	500 183

The Bank has an internal rating scale which is mapped into the Basel II grading system. The internal rating is broadly classified into; neither past due nor impaired, standard monitoring and non-performing.

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Neither past due nor impaired
Loans and advances neither past due nor impaired and which are not part of renegotiated loans are considered to be investment grade.

Standard monitoring grade
These are loans and advances which are less than 90 days past due and in some cases not past due but the business has significant concern on the performance of that exposure.

Non-performing grade
These are loans and overdrafts on which interest is no longer accrued or included in income unless the customer pays back. These non-performing (past due) assets include balances where the principal amount and / or interest is due and unpaid for 90 days or more.

Loans and advances renegotiated
During the half year ended 30 June 2018, the Bank did not have any renegotiated loans and advances to customers and banks.

Expected credit losses analysis and reconciliation

30 June 2018	Stage 1 - 12 month ECL US$000	Stage 2 - Lifetime ECL not credit impaired US$000	Stage 3 - Lifetime ECL credit impaired US$000	Total US$000
Balance at beginning of the year	2 852	847	1 621	5 320
Movements with profit and loss impact;				
New financial assets purchased or originated	1 295	-	-	1 295
Transfers from stage 2 to stage 3	-	-	590	590
Transfers from stage 2 to stage 1	-	(146)	-	(146)
Total profit and loss impact	1 295	(146)	590	1 739
Other movements with no profit and loss impact				
Bad debts written off	-	-	(525)	(525)
Balance at 30 June 2018	4 147	701	1 686	6 534

Reconciliation of ECL by exposure	Retail loans US$000	Corporate loans US$000	Loans and advances to banks US$000	Investment securities US$000	Other assets US$000	Bank balances US$000	Total US$000
Balance at the beginning of the year	2 342	2 050	928	-	-	-	5 320
Charge to profit and loss	182	770	(48)	835	-	-	1 739
Write offs	(409)	(116)	-	-	-	-	(525)
Total impairment	2 115	2 704	880	835	-	-	6 534
Contribution by stage							
Stage 1 - 12 month ECL	1 043	1 389	880	835	-	-	4 147
Stage 2 - Lifetime ECL not credit impaired	116	585	-	-	-	-	701
Stage 3 - Lifetime ECL credit impaired	956	730	-	-	-	-	1 686
Total impairment	2 115	2 704	880	835	-	-	6 534

	Unidentified US$000	Identified US$000	Total US$000
31 December 2017			
Balance at the beginning of the year	3 309	1 975	5 284
Bad debts written off	-	(608)	(608)
Increase in impairment provision	(554)	689	135
Balance at end of the period	2 755	2 056	4 811

29.4. Loans and advances credit risk concentration

	30.06.2018 US$000	%	30.06.2017 US$000	%	31.12.2017 US$000	%
Industry/Sector						
Trade and services	18 811	13	25 620	21	20 451	17
Energy and minerals	4 117	3	8 974	8	6 239	5
Agriculture	32 973	22	11 952	10	10 542	9
Construction and property	655	-	1 742	1	1 201	1
Light and heavy industry	34 072	23	13 144	11	21 672	18
Physical persons	49 232	33	48 457	41	48 844	43
Transport and distribution	8 448	6	9 606	8	8 296	7
Total	148 308	100	119 495	100	117 245	100

30 June 2018	Total loans US$000	Past due/ Impaired loans US$000	Write offs/ (recoveries)	Impairment allowance US$000
Industry/Sector				
Trade and services	18 811	-	-	-
Energy and minerals	4 117	-	-	-
Agriculture	32 973	880	116	730
Construction and property	655	-	-	-
Light and heavy industry	34 072	-	-	-
Physical persons	49 232	1 312	409	956
Transport and distribution	8 448	-	-	-
Gross value at 30 June 2018	148 308	2 192	525	1 686

29.5. Liquidity risk

Liquidity risk is the risk that the Bank may fail to meet its payment obligations when they fall due and to replace funds when they are withdrawn, the consequences of which may be the failure to meet the obligations to repay deposits and fulfil commitments to lend. Liquidity risk is inherent in all banking operations and can be affected by a range of Bank specific and market wide events. The efficient management of liquidity is essential to the Bank in maintaining confidence in the financial markets and ensuring that the business is sustainable.

Ultimate responsibility for liquidity risk management rests with the board of directors, which has established an appropriate liquidity risk management framework for the management of the Bank's short, medium and long-term funding and liquidity management requirements.

Liquidity risk management objectives are;
- Growing and diversifying the funding base to support asset growth and other strategic initiatives, balanced with a strategy to reduce the weighted cost of funds;
- To maintain the market confidence in the Bank;
- Maintaining adequate levels of surplus liquid asset holdings in order to remain within the liquidity risk appetite;
- Set early warning indicators to identify the emergence of increased liquidity risk;
- To maintain a contingency funding plan that is comprehensive.

Liquidity risk management process
Liquidity risk is managed as;

a) Business as usual referring to the management of cash inflows and outflows of the bank in the ordinary course of business.

b) Stress liquidity risk – refers to management of liquidity risk during times of unexpected outflows. The Bank's Assets and Liabilities Committee ("ALCO") monitors and manages liquidity risk. The Bank's liquidity management process as carried out by the ALCO and Treasury units includes:

- Day to day funding and monitoring of future cash flows to ensure that funding requirements are met;
- Maintaining a high balance of cash and near cash balances that can easily be liquidated as protection against unforeseen funding gaps;
- Monitoring liquidity ratios against internal and regulatory benchmarks;
- Limits are set across the business to control liquidity risk;
- Early warning indicators are set to identify the emergence of increased liquidity risk;
- Sources of liquidity are regularly reviewed by ALCO to maintain a wide diversification of source of funding;
- Managing concentration of deposits.

Liquidity ratios

	30.06.2018 US$000	30.06.2017 US$000	31.12.2017 US$000
Total liquid assets	375 901	317 073	385 549
Deposits from customers	493 740	402 715	464 829
Liquidity ratio	76%	79%	83%
Reserve Bank of Zimbabwe minimum	30%	30%	30%

Liquidity profiling as at 30 June 2018
The amounts disclosed in the table below are the contractual undiscounted cash flows. The assets which are used to manage liquidity risk, which is mainly cash banked with Central Bank and other treasury investments, are also included on the table based on the contractual maturity profile.

On balance sheet items as at 30 June 2018	Less than 1 month US$000	1-3 months US$000	3-6 months US$000	6-12 months US$000	1-5 years US$000	5+ years US$000	Total US$000	Carrying amount US$000
Assets (contractual maturity dates)								
Cash and bank balances	83 534	-	-	-	-	-	83 534	83 534
Derivative financial instruments	5	-	-	-	-	-	5	5
Investment securities	76 335	-	-	78 461	-	-	154 796	153 929
Loans and receivables from banks	17 804	84 195	54 669	3 331	-	-	159 999	158 204
Loans and advances to customers	8 127	10 277	33 796	63 779	55 580	8 056	179 615	143 124
Other assets	2 634	-	-	-	-	-	2 634	11 092
Current income tax asset	-	645	-	-	-	-	645	645
Total assets	188 439	95 117	88 465	145 571	55 580	8 056	581 228	550 533
Liabilities								
Derivative financial instruments	3	-	-	-	-	-	3	3
Balances due to other banks	8 260	-	-	-	-	-	8 260	8 260
Deposits from customers	446 252	14 546	151	1 109	-	-	462 058	462 058
Provisions	598	-	-	1 661	-	-	2 259	2 259
Other liabilities	13 141	-	-	-	-	-	13 141	13 141
Total liabilities - (contractual maturity)	468 254	14 546	151	2 770	-	-	485 721	485 721
Liquidity gap	(279 815)	80 571	88 314	142 801	55 580	8 056	95 507	64 812
Cumulative liquidity gap	(279 815)	(199 244)	(110 930)	31 871	87 451	95 507	-	-

Contingent liabilities and commitments as at 30 June 2018

	Less than 1 month US$000	1-3 months US$000	3-6 months US$000	6-12 months US$000	1-5 years US$000	5+ years US$000	Total US$000	Carrying amount US$000
Guarantees and letters of credit	9 862	170	725	1 665	837	-	13 259	13 259
Commitment to lend	1 869	2 156	14 295	28 662	11 446	-	58 428	58 428
Total assets	11 731	2 326	15 020	30 327	12 283	-	71 687	-
Liabilities								
Guarantees and letters of credit	9 862	170	725	1 665	837	-	13 259	13 259
Commitment to lend	58 428	-	-	-	-		58 428	58 428
Total liabilities	68 290	170	725	1 665	837	-	71 687	-
Liquidity gap	(56 559)	2 156	14 295	28 662	11 446	-	-	-

29.6. Operational risk

This is the risk of losses arising from inadequate or failed internal processes, people and/or systems or from external events. A significant part of the Bank's operations are automated and processed in the core banking system. Key banking operations in corporate and investment banking, retail and business banking and treasury are heavily dependent on the Bank's core banking system. The core banking system also supports key accounting processes for financial assets, financial liabilities and revenue including customer interface on mobile, internet banking and related electronic platforms.

Practices to minimise operational risk are embedded across all transaction cycles. Risk workshops are held for the purpose of identifying major risks in the operating environment and methods of mitigating the risks. The Bank employs the standardised approach to determine capital required to cover operational risk. Each function carries out a risk and control assessment of their processes on a regular basis. The assessment results are reviewed by Operational Risk Management department. Barclays Internal Audit audits selected functions at given times.

30. Ratings

The Central Bank conducts regular examinations of Banks and financial institutions it regulates. The last on-site examination of the Bank was as at 30 June 2016 and it assessed the overall condition of the Bank to be satisfactory. This is a score of "2" on the CAMELS rating scale. The CAMELS rating evaluates banks on capital adequacy, asset quality, management and corporate governance, liquidity and funds management and sensitivity to market risks.

The CAMELS and Risk Assessment System (RAS) ratings are summarised in the following tables;

CAMELS ratings

CAMELS component	Latest Rating - June 2016
Capital	1 – Strong
Asset quality	2 – Satisfactory
Management	2 – Satisfactory
Earnings	1 – Strong
Liquidity	2 – Satisfactory
Sensitivity to market risk	1 – Strong

Summary risk matrix - June 2016 onsite supervision

Type of risk	Level of inherent risk	Adequacy of risk management systems	Overall composite risk	Direction of overall composite risk
Credit	Low	Strong	Low	Stable
Liquidity	Moderate	Acceptable	Moderate	Stable
Foreign exchange	Low	Strong	Low	Stable
Interest rate	Low	Strong	Low	Stable
Strategic risk	Moderate	Strong	Moderate	Stable
Operational risk	Moderate	Strong	Moderate	Stable
Legal and compliance	Moderate	Acceptable	Moderate	Stable
Reputation	Moderate	Strong	Moderate	Stable
Overall	Moderate	Strong	Moderate	Stable

Interpretation of risk matrix
Level of inherent risk

Low - reflects lower than average probability of an adverse impact on a banking institution's capital and earnings. Losses in a functional area with low inherent risk would have little negative impact on the banking institution's overall financial condition.

Moderate - could reasonably be expected to result in a loss which could be absorbed by a banking institution in the normal course of business.

High - reflects a higher than average probability of potential loss. High inherent risk could reasonably be expected to result in a significant and harmful loss to the banking institution.

Adequacy of risk management systems
Weak - risk management systems are inadequate or inappropriate given the size, complexity and risk profile of the banking institution. Institution's risk management systems are lacking in important ways and therefore a cause of more than normal supervisory attention. The internal control systems will be lacking in important aspects, particularly as indicated by continued exceptions or by the failure to adhere to written policies and procedures.

Acceptable - management of risk is largely effective but lacking to some modest degree. While the institution might be having some minor risk management weaknesses, these have been recognised and are being addressed. Management information systems are generally adequate.

Strong - management effectively identifies and controls all types of risk posed by the relevant functional areas or per inherent risk. The Board and senior management are active participants in managing risk and ensure appropriate policies and limits are put in place. The policies comprehensively define the Bank's risk tolerance. Responsibilities and accountabilities are effectively communicated.

Overall composite risk
Low - would be assigned to low inherent risk areas. Moderate risk areas may be assigned to a low composite risk where internal controls and risk management systems are strong and effectively mitigate much of the risk

Moderate - risk management systems appropriately mitigates inherent risk. For a given low risk area, significant weaknesses in the risk management systems may result in a moderate composite risk assessment. On the other hand, a strong risk management system may reduce the risk so that any potential financial loss from the activity would have only a moderate negative impact on the financial condition of the organisation.

High - risk management systems do not significantly mitigate the high inherent risk. Thus, the activity could potentially result in a financial loss that would have a significant impact on the Bank's overall condition.

Direction of overall composite risk
Increasing - based on the current information, risk is expected to increase in the next 12 months.
Decreasing - based on current information, risk is expected to decrease in the next 12 months.
Stable - based on current information, risk is expected to be stable in the next 12 months.

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External Credit Ratings

Rating agent	Latest credit ratings 2017/18	Previous credit ratings 2016/17
Global Credit Rating Co.	A+	AA-

The last rating was done in May 2018 and expires in May 2019.

31. Fair value of financial instruments not measured at fair value

The disclosed fair value of these financial assets and financial liabilities measured at amortised cost approximate their carrying amounts because of their short term nature except for loans and advances which are at variable interest rates.

	30.06.2018		30.12.2017	
	Carrying amount US$000	Fair value US$000	Carrying amount US$000	Fair value US$000
Financial Assets				
Cash and bank balances	83 534	83 534	278 570	278 570
Loans and receivables from banks	158 204	158 204	110 952	110 952
Loans and advances to customers	143 124	143 124	112 038	112 038
Other Assets	2 634	2 634	3 082	3 082
Total	387 496	387 496	504 642	504 642
Financial Liabilities				
Balances due to other banks	8 260	8 260	6 233	6 233
Deposits from customers	462 058	462 058	443 783	443 783
Other Liabilities	13 141	13 141	12 435	12 435
Total	483 459	483 459	462 451	462 451

32. Fair value hierarchy of assets and liabilities held at fair value

32.1. Fair value hierarchy

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data(unobservable inputs).

	Level 1 US$000	Level 2 US$000	Level 3 US$000	Total US$000
Recurring fair value measurements				
Financial Assets				
Derivative assets	-	5	-	5
Treasury bills	-	-	149 720	149 720
Unquoted equity instruments	-	-	4 209	4 209
Balance at 30 June 2018	-	5	153 929	153 934
Balance at 31 December 2017	-	4	5 235	5 239
Financial Liabilities				
Derivative liabilities	-	3	-	3
Balance as at 30 June 2018	-	-	-	-
Balance as at 31 December 2017	-	3	-	3
Non-financial assets				
Investment property	-	-	5 145	5 145
Non-current assets held for sale	-	-	14 829	14 978
Balance as at 30 June 2018	-	-	19 974	20 123
Balance as at 31 December 2017	-	-	19 974	19 974

Reconciliation of recurring level 3 fair value measurements

	Investment securities US$000	Investment properties US$000	Non –current assets held for sale US$000	Total US$000
Balance at 1 January 2018	5 235	5 145	14 829	25 209
Additions	144 749	-	-	144 749
Accrued interest	3 951	-	-	3 951
Total gains and losses recognised in other comprehensive income	(6)	-	-	(6)
Balance at 30 June 2018	153 929	5 145	14 829	173 903
Balance at 1 January 2017	34 104	5 250	14 519	53 873
Accrued interest	15	-	-	15
Maturities	(31 953)	-	-	(31 953)
Total gains and losses recognised in profit or loss	-	(105)	310	205
Total gains and losses recognised in other comprehensive income	3 069	-	-	3 069
Balance at 31 December 2017	5 235	5 145	14 829	25 209

33. Segment reporting

Management has determined the operating segments based on the reports reviewed by the Country Management Committee (the chief operating decision-maker), which is responsible for allocating resources to the reportable segments and assesses its performance. All operating segments used by the Bank meet the definition of a reportable segment under IFRS8 Operating Segments. The Country Management Committee assesses the performance of the operating segments monthly based on a measure of profit or loss. This measurement basis excludes the effects of non-recurring expenditure from the operating segments such as restructuring costs and legal expenses. The measure also excludes the effects of equity-settled share-based payments and unrealised gains or losses on financial instruments.

The Bank has two broad business segments:

Retail and business banking – offers various products to medium and small businesses and private individuals. Services include direct debit facilities, current and savings accounts, investment savings products, debit cards, consumer loans and mortgages;

Corporate and investment banking – offers services to large corporates, financial institutions and government clients. Services include direct debit facilities, current accounts, money market deposits, overdrafts, loans and other credit facilities and foreign currency products. The business model centres on delivering specialists corporate and investment banking and financing solutions across asset classes.

Revenue allocated to the segments is from external customers who are domiciled in Zimbabwe. There were no trading revenues from transactions with a single external customer that amounted to 10% or more of the Bank's revenues. Costs incurred by support functions are allocated to the two main business segments on the basis of determined cost drivers.

Statement of comprehensive income

30 June 2018	Retail and Business Banking US$000	Corporate and Investment Banking US$000	Total US$000
Net interest income	10 782	8 071	18 853
Net fee and commission income	12 000	1 507	13 507
Net trading income	1 739	5 637	7 376
Net investment income	214	226	440
Other income	175	185	360
Total non-interest income	14 128	7 555	21 683
Total income	24 910	15 626	40 536
Impairment losses	(429)	(1 266)	(1 695)
Net operating income	24 481	14 360	38 841
Staff costs	(9 709)	(2 882)	(12 591)
Infrastructure costs	(4 152)	(1 069)	(5 221)
Administrative expenses	(4 747)	(1 601)	(6 348)
Operating expenses	(18 608)	(5 552)	(24 160)
Profit before tax	5 873	8 808	14 681
Taxation	(428)	(642)	(1 070)
Profit for the period	5 445	8 166	13 611
Total assets	301 109	289 300	590 409
Total liabilities	248 841	239 083	487 924

34. Related parties

The Bank is controlled by Afcarme Zimbabwe Holdings (Private) Limited incorporated and domiciled in Zimbabwe which owns 53% (2016:68%) of the ordinary shares. 15% is held by an Employee Share Ownership Trust (ESOT) and the remaining 32% of the shares are widely held. The ultimate parent of the Bank is FMBcapital Holdings PLC incorporated in Mauritius. There are other companies which are related to Barclays Bank of Zimbabwe Limited through common shareholdings or common directorship. In the normal course of business, placings of foreign currencies made with group companies are at market interest rates.

34.1. Directors and key management compensation

	30.06.2018 US$000	30.06.2017 US$000
Salaries and other short term benefits	1 103	1 181
Post-employment benefits	98	97
Share based payments	3	2
Total	1 204	1 280

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Bank directly or indirectly. These include the Managing Director, Chief Finance Officer, Chief Risk Officer, Banking Divisional Director, Commercial Divisional Director, Head of Operations, Chief Technology Officer, Chief Internal Auditor, Head of Compliance, Company Secretary and Human Resources Director.

34.2. Loans to directors and key management

	30.06.2018 US$000	30.06.2017 US$000	31.12.2017 US$000
Loans outstanding at I January	1 694	1 444	1 444
Loans issued during the period	85	376	543
Loans repayments during the period	(218)	(153)	(293)
Loans outstanding at end of period	1 561	1 667	1 694
Interest earned	54	52	110

Of the loans advanced to directors and other key management personnel US$1 227 453 is secured and repayable over 7-18 years. The balance of US$333 369 is unsecured and repayable monthly over 4 years at average interest rates of 6.3% (2017:6.3%). Loans and advances to non-executive directors during the half year ended 30 June 2018 were US$2 357 (2017:US$9 455) repayable within 4 years at average interest rates of 11%.

No impairment losses have been recognised in respect of loans advanced to related parties (2017:nil)

34.3. Deposits from directors and key management

	30.06.2018 US$000	30.06.2017 US$000	31.12.2017 US$000
Deposits at I January	96	141	142
Deposits received during the period	933	2 456	3 906
Deposits paid during the period	(640)	(2 009)	(3 952)
Deposits at 30 June 2018	389	588	96

34.4. Balances with group companies

Bank balances due from group companies	15	6 049	-
Bank balances due to group companies	-	(18)	-
Other balances due from group companies	-	38	-
Other balances due to group companies	-	(235)	-
Total	15	5 834	-

34.5. Foreign exchange contracts and swaps with related parties

	Up to 1 month US$000	1-3 months US$000	Total contract values US$000
ABSA	-	-	-
Barclays Bank of Botswana	-	-	-
Barclays PLC London	-	-	-
At 30 June 2018	-	-	-
At 31 December 2017	1 896	-	1 896

34.6. Balances with related parties – related through common directorship

	Deposits 30.06.2018 US$000	Loans and advances 30.06.2018 US$000	Deposits 30.06.2017 US$000	Loans and advances 30.06.2017 US$000	Deposits 31.12.2017 US$000	Loans and advances 31.12.2017 US$000
Current	11 589	18 273	34 886	1 897	37 569	3 500
Non-current	-	1 333	-	5 816	-	1 333
Total	11 589	19 606	34 886	7 713	37 569	4 833

Repayments on the loans to the related parties were made on due dates. New loans were also granted. The balances were assessed and no impairment losses have been recognised for balances with related parties through common directorship/trusteeship.

34.7. Related Parties - related through common shareholding

	30.06.2018 US$000	30.06.2017 US$000	31.12.2017 US$000
Balance due from Barclays Bank PLC	448	-	7 853
Balance due to Barclays Bank PLC	(14)	-	-
Total	434	-	7 853

35. Assets under administration

The Bank has assets for exporters and parastatals under its administration. These amounts were as a result of the transfer of exporter and parastatals' funds to the Reserve Bank of Zimbabwe "RBZ" in the previous years, after issuance of Exchange Control Directives by the RBZ. Final settlement of the principal amount to the exporters and parastatals was done through the Bank's name on the RBZ Central Securities Depository. The Bank's role is solely of an administrative nature, involving crediting interest and principal amounts into customers' accounts after payment by the Government of Zimbabwe and when a customer wants to move the treasury bills to another financial institution the Bank will notify the RBZ.

The treasury bills and the accrued interest are not on the Bank's Statement of financial position.

36. Going concern

The directors have assessed the ability of the Bank to continue as a going concern and believe that the preparation of these financial results on a going concern basis is still appropriate.

37. Events after the reporting date

There were no events noted after reporting date that required disclosure or to be adjusted for in the financial statements of Barclays Bank of Zimbabwe Limited.