Unaudited Financial Results for the half year ended 30 June 2015

Chairman's Statement

Barclays Bank of Zimbabwe remains resolute in its chosen Purpose to help people achieve their ambitions – in the right way. All of the bank's efforts continue to be inspired by this Purpose.

Significant head winds in the business environment

The first half of 2015 has seen significant headwinds in the business environment. Economic analysts have continued to revise downwards the 2015 gross domestic product outlook. Depressed international commodity prices and the effect of weaker currencies in key source markets have seen the balance of trade remaining in deficit. In the manufacturing sector, capacity utilisation has come down to below 40%. More business operators are inclining their strategies towards defensive tactics as opposed to accelerated growth. There has therefore been a trend by bank customers to defer their capital projects whilst some are forced to take drastic measures to reduce operating costs.

Year on year inflation continued to be negative closing June 2015 at -2.8%. This reflects the effect of both price corrections and pressure on aggregate demand in the economy.

Interest rates in the market have continued to trend downwards. The Bank fully supports efforts by the Reserve Bank of Zimbabwe to ensure that borrowers are charged fair interest rates in the thrust to promote responsible lending and borrowing in the market. The interest rate profile of Barclays Bank of Zimbabwe's loan portfolio has continued to be within the ranges being recommended.

Market deposits have remained largely transitory whilst credit risk in the environment remains high. The Bank has had to focus even harder on its liquidity and risk management processes to ensure depositors are not only secure but also continue to transact on their balances with utmost convenience.

Encouraging regulatory and industry developments

The first half saw a number of initiatives being pursued or implemented by authorities. There were also some legal and regulatory developments over the period which should serve to promote investor confidence. The National Code of Corporate Governance was launched in April 2015 and sets the right tone to uphold high standards of governance and conduct in both the private and public sectors of the economy. The Bank always seeks to uphold best practice in corporate governance and is encouraged by this initiative.

Barclays Bank of Zimbabwe fully supports the Reserve Bank of Zimbabwe thrust to encourage businesses to recalibrate their cost structures and enhance efficiency. During the period the Reserve Bank of Zimbabwe also took a number of measures aimed at strengthening the banking industry. Plans to demonetise the Zimbabwe Dollar were followed through which should strengthen confidence in the longevity of the multi-currency system. Significant steps were taken to resuscitate interbank trading. Efforts on the Credit Reference System continued and Barclays Bank of Zimbabwe considers this to be critical in dealing with the credit risk environment and to enhance the discipline and efficiency of lending and borrowing activities in the market. Barclays Bank of Zimbabwe fully supports these efforts and embeds them in its own strategies and action programs.

Customers and clients at the centre of what we do

Over the period, the loan product offering has grown and been widened within predefined risk appetite. The Bank has also continued to sustain significant lines of credit for customers leveraging its global networks within the Barclays Group. Significant investment has gone into technology platforms and the enhancement of e-channels for the long term benefit of customers across all segments. The Bank has also been refreshing customer records to ensure that they are protected and secure as they transact with various counterparties.

Earnings performance

The Bank registered a profit after tax of $1.3million dollars for the period. This result is a basic earnings per share of 0.06 cents for the period (2014 – 0.08 cents per share). Income growth has been below target. Focus will continue, through a number of initiatives, to contain costs and to grow the revenue base.

Capital adequacy and liquidity

The Bank meets the current minimum capital requirements and as at 30 June 2015 registered a total capital adequacy ratio of 18% ahead of the regulatory minimum of 12%. The Bank will seek to maximise retained earnings to build towards the $100 million regulatory minimum core capital threshold by 2020.

The liquidity ratio closed the period at 48%, ahead of the regulatory minimum of 30%. Global Credit Rating Company issued its latest rating report on Barclays Bank of Zimbabwe in May 2015. The rating awarded is AA- on the long term security class, with the rating outlook assessed as Stable. The Bank's Board continues to focus highly on liquidity management under the current economic conditions.

Community involvement

On the Bank's balanced scorecard, citizenship continues to be a priority. The thrust on citizenship is also reflected in how management ensures that each colleague carries this in their performance objectives. The flagship programs undertaken by the Bank during the period are the partnership with the Zimbabwe Farmers' Union and a number of volunteerism initiatives by colleagues. The Bank's community involvement programs continue to be targeted at empowering youths in our society.

Governance

In addition to regular Board and Board Committee business, The Board conducted special business reviews over the period to ensure that its strategy remained on course. There were no changes to the Board during the period.

Going forward

Your Bank continues to follow the safe bank model adopted from the time the economy dollarized and sees a greater need, in the short term, to adopt cautious growth in the wake of the head winds the economy currently faces. The Bank believes that the economy has huge potential to be realised if efforts to harmonise and stabilise economic policies are sustained in a manner that promotes investment by both local and foreign investors.

Dividend

The Bank needs to continue to increase its capital base and therefore does not propose a dividend for the period under review.

A.S. Mandiwanza
Chairman
29 July 2015

Managing Director's Statement

Strengthening our position in the market is a continued focus and we believe that we have built a 'Go-To' business structure underpinned by our main pillars of scalability, sustainable growth and relevance.

Our performance

Our interim results reflect the growth trajectory in customer assets. We continue to grow our loan book without losing focus on the quality of the portfolio. Net interest income grew by 14% from growth in loans and advances to customers. Service fees and commission however remained flat due to suboptimal growth in transaction volumes mainly in the commercial segments. We are focused on driving our e-channels and providing a product offering that continues to meet customer needs.

Our loan loss ratio remains below 1%. Credit risk has continued to be high in the market and as we grow our loan book the loan loss ratio will reflect the mix of the portfolio and our sustained efforts to preserve the quality of the loan book. The retail book has grown ahead of first half targets whilst utilisation levels for corporate clients have been slightly below targets with some customers rescheduling their projects and managing their own cash flows more tightly.

The cost to income ratio closed the period at 89% compared to 86% for the 2014 comparative period. We would expect the ratio to improve as we increase our earning capacity through managed deployment of our balance sheet. Costs for the period increased at a higher rate reflecting, in part, some expenditures on specific infrastructure projects being undertaken.

The liquidity and capital base for the Bank remain strong and is projected to adequately support planned growth. Into the second half we will continue planned maintenance work for some of our properties whilst addressing ongoing safety and health improvements. We will continue to build on our technology platforms. We consider all these projects to be critical as we reposition the bank.

The measures that we use to assess our control environment have shown improvement quarter on quarter. We are however cognisant of emerging risks from the environment that we continue to pay attention to.

Agility in service delivery

Increased agility is becoming a fundamental contributor to business profitability as global banking channels are directly influenced by technological advancements. The period under review has seen significant progress in e-channel initiatives that are designed to enhance customer experience whilst reducing the cost-to-serve.

The Bank has on boarded a number of billers onto its internet banking platform. We launched a platform within Treasury and Markets that allows customers to place foreign exchange orders from the convenience of their offices. The introduction of the new Chip and Pin card has enhanced the security of our card offering.

Investment in people and the community

The development of our human capital remains a key priority for our business. This is brought to life through the Barclays Africa Graduate Trainee Programme. In addition, each year the business provides opportunities for one-year internships across business units for university students. As much as corporates continue to face economic challenges resulting in the discontinuation of such programmes, at Barclays we strongly believe in providing opportunities to grow our future human capital. We implore others to join us on this journey to invest in future customers, businesses and leaders.

During the period the Bank continued to provide secondment opportunities in other markets within the group to permanent staff members as part of their development plans. This has also served to provide colleagues with opportunities to realise their full potential and aspirations.

Our partnership with the Zimbabwe Farmers Union has seen more than 13 000 young people benefiting from financial skills training to date. Through skills transfer, young farmers are being helped to develop their financial skills as well as their understanding and application of farming business concepts.

Looking ahead

The business environment has proven to be more difficult than we had anticipated. In growing the loan book, the Bank will seek to ensure that the security of depositors is maintained. We take a longer term view on some of the projects we are incurring expenditure on and these will continue into the second half. We will increase our focus to strengthen the control environment and risk management processes.

Within the current environment we have identified pockets of opportunity with businesses that are still viable and sustainable. Going forward, as a fundamental part of our strategy, we will continue to pursue initiatives that will assist our customers on their journey to prosper.

G.T. Guvamatanga
Managing Director
29 July 2015

Unaudited Financial Results for the half year ended 30 June 2015

Corporate Governance Statement

The conduct of business at Barclays is guided by a set of values that the Board seeks to drive the behaviours of colleagues across all levels and the manner in which the bank conducts its business. These values are Respect, Integrity, Service, Excellence and Stewardship. The Board of Directors is committed to the establishment, monitoring and practice of the highest corporate governance standards in the operations of Barclays Bank of Zimbabwe Limited (the Bank). Among its top priorities is ensuring effective control and timely and accurate disclosure of material information about the Bank. Laws, regulatory directives and guidelines are complied with and/or observed. The Bank subscribes to the principles of international best practice in governance as guided by, among others, local regulatory and Barclays Group Corporate Governance guidelines as well as codes of best practice.

The Board of Directors is committed to the creation and sustenance of shareholder value and ensuring that the Bank's conduct in all areas is beyond reproach.

Main Board

The Board of Directors is led by an independent non-executive Chairman, thereby ensuring effective and constructive checks and balances between executive management and the Board. The Board of Directors held five (5) Board meetings as at 30 June 2015 pursuant to execution of the Board's mandate. Special focus was given to execution of the strategy of the Bank with one (1) of the Board meetings being a strategy review meeting. The Board comprises two executive directors and four independent non-executive directors.

The Board has delegated some of its duties and responsibilities to sub-committees to ensure the efficient discharge of the Board's mandate. The sub-committees of the Board are as detailed below.

Audit Committee

The primary functions of the Committee are to review the company's accounting policies, 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. The committee also has oversight over the management of the Banks enterprise risk. The Committee is wholly comprised of independent non-executive directors. The members of the Committee as at 30 June 2015 were:-

A. I. Lawson (Chairman)
C. F. Dube
E. Fundira

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 is composed of one independent non-executive director and one executive director for the period under review. The members of the Committee as at 30 June 2015 were:-

E. Fundira (Chairperson)
G. T. Guvamatanga

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 Committee is comprised of two independent non-executive directors and one executive director for the period under review. The members of the Committee as at 30 June 2015 were:-

C.F. Dube (Chairman)
A. I. Lawson
S. Matsekete

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 is comprised of two independent non-executive directors and one executive director. The members of the Committee as at 30 June 2015 were:-

C.F. Dube (Chairman)
A. S. Mandiwanza
G. T. Guvamatanga

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 is comprised of executive directors and senior management.

Assets and Liabilities/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.

Risk Management Committee (also known as Risk and Control Committee)

This Committee ensures that the management and operation of the Bank's business is done within the governance and control framework established by Barclays and other regulatory bodies. It determines and approves business level policies, ensuring alignment and consistency with the Barclays Group policies. It assists the Board of Directors in the discharge of its duties relating to corporate accountability and associated risks in terms of management, assurance and reporting. At every meeting, the Committee reviews internal audit reports and assesses the integrity of the risk control systems as well as ensuring that the risk policies and strategies are effectively managed. The Committee also monitors external developments relating to the practice of corporate accountability and reporting of specific associated risks, including emerging risks and their potential impact. The Committee comprises of executive directors and management.

Board Evaluation

The Board conducts an annual peer based performance evaluation of the effectiveness of its operations. The process entails the members collectively evaluating the effectiveness of the Board as well as each other individually as the members. The evaluation considers specific criteria such as structure of the Board, effectiveness of committees, strategic leadership, corporate responsibility, attendance and participation of members and overall weaknesses noted. Action plans are put in place to address identified weaknesses with a view to continuously improving the performance of the Board and the individual members. The Board Evaluation for 2014 was conducted and concluded in the first quarter of 2015. The 2014 Board Evaluation exercise was facilitated by an external consultant and the outcome was shared with the Reserve Bank of Zimbabwe, per regulatory requirement, in March 2015.

Directors' shareholding

The following is a schedule of the directors' shareholdings in the Bank as at 30 June 2015;

A.S. Mandiwanza	5 117
C.F. Dube	Nil
E. Fundira	2 130
G. T. Guvamatanga	Nil
S. Matsekete	10 000
A.I. Lawson	15 542

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 results are prepared in accordance with *IAS 34 Interim Financial Reporting* as well as the requirements of the Companies Act (Chapter 24.03) and the Banking Act (Chapter 24.20) and they incorporate responsible disclosure to ensure that the information contained therein is both relevant and reliable.

The unaudited financial results were approved for issue by the Board of Directors on 29 July 2015.

Board and Committees Attendance H1 2015

Main Board

Name	Total Meetings	Total Present	Total Absent
A. S. Mandiwanza	5	5	Nil
C. F. Dube	5	5	Nil
G. T. Guvamatanga	5	4	1
A.I. Lawson	5	5	Nil
S. Matsekete	5	5	Nil
E. Fundira	5	5	Nil

Audit Committee

Name	Total Meetings	Total Present	Total Absent
A. I. Lawson	4	4	Nil
E. Fundira	4	4	Nil
C. F. Dube	4	4	Nil

Human Resources and Nominations Committee

Name	Total Meetings	Total Present	Total Absent
C.F. Dube	2	2	Nil
A.S. Mandiwanza	2	2	Nil
G. T. Guvamatanga	2	2	Nil

Credit Committee

Name	Total Meetings	Total Present	Total Absent
E. Fundira	8	8	Nil
G.T. Guvamatanga	8	8	Nil

Loans Review Committee

Name	Total Meetings	Total Present	Total Absent
C. F. Dube	2	2	Nil
A. I. Lawson	2	2	Nil
S. Matsekete	2	2	Nil

By Order of the Board

W Chimwaradze
Company Secretary
Date 29 July 2015

Unaudited Financial Results for the half year ended 30 June 2015

Statement of Financial Position
as at 30 June 2015

	Note	30.06. 2015 US$`000	30.06. 2014 US$`000	31.12. 2014 US$`000
Assets				
Cash and bank balances	2	79,287	106,672	86,831
Loans and advances to banks	3	663	204	92
Loans and advances to customers	4	125,315	111,009	121,656
Financial assets fair value through profit or loss	5	20	83	47
Investment securities	6	34,446	31,409	11,053
Other assets	8	30,446	6,894	32,254
Investment property	9	5,580	5,690	5,580
Investment in joint venture	10	14,652	15,385	15,282
Property and equipment	11	21,275	20,371	20,053
Current income tax asset		51	-	-
Total assets		311,735	297,717	292,848
Liabilities				
Financial liabilities fair value through profit or loss	5	12	40	25
Bank balances due to group companies	7	701	89	262
Deposits from banks	13	1,106	187	181
Deposits from customers	14	222,966	238,376	206,400
Other liabilities	16	31,759	6,460	31,267
Provisions	17	2,065	1,691	1,858
Current income tax liabilities		-	71	91
Deferred income tax liabilities		2,493	4,880	3,481
Total liabilities		261,102	251,794	243,565
Equity				
Share capital	18	215	215	215
Share premium	18	23,642	23,642	23,642
Other reserves	18	11,946	13,438	11,921
Retained earnings		14,830	8,628	13,505
Total equity		50,633	45,923	49,283
Total equity and liabilities		311,735	297,717	292,848

Statement of Profit & Loss and Other Comprehensive Income
for the half year ended 30 June 2015

	Note	30.06. 2015 US$`000	30.06. 2014 US$`000
Interest income	19	7,993	7,485
Interest expense	19	(213)	(645)
Net interest income		7,780	6,840
Impairment losses on loans and advances		(256)	(394)
Net interest income after loan impairment charges		7,524	6,446
Non-interest income	20	14,193	14,434
Total Income		21,717	20,880
Operating expenses	21	(19,637)	(18,400)
Operating profit		2,080	2,480
Share of profit of joint venture	10	119	106
Profit before income tax		2,199	2,586
Income tax charge	12	(900)	(849)
Profit for the period		1,299	1,737
Other comprehensive income			
Items that are or may be reclassified into profit or loss			
Net change in fair value of available-for-sale financial assets		(18)	(249)
Tax effect thereof		3	73
Total other comprehensive income for the period, net of tax		(15)	(176)
Total comprehensive income for the period		1,284	1,561
Basic earnings per share (US cents)		0.06	0.08
Diluted earnings per share (US cents)		0.06	0.08

Statement of Cash Flows
for the half year ended 30 June 2015

	Note	30.06.2015 US$`000	30.06.2014 US$`000	31.12.2014 US$`000
Cash flow from operating activities				
Profit before income tax		2,199	2,586	8,133
Adjustments for non-cash items:				
Impairment losses on loans and advances		256	394	532
Depreciation of property and equipment	11	1,091	1,001	2,069
Effect of fair value gain on investment property and share of profit of joint venture		(119)	(106)	(173)
Loss/(profit) on disposal of property and equipment		20	(42)	(70)
Gain on disposal of equity investment reclassified from other comprehensive income		-	-	(2,650)
Accrued interest		(583)	(139)	-
Staff loan prepayment amortisation		(8)	5	10
Post-retirement medical aid fund accrual		246	-	-
Share based payment expense		65	21	94
Net financial assets fair value through profit or loss		(8)	(43)	(22)
Cash flow from operating activities before changes in working capital		3,159	3,677	7,923
(Increase)/decrease in loans and advances to customers		(3,907)	4,069	(6,869)
Decrease/(increase) in other assets		1,808	2,736	(22,624)
Increase/(decrease) in deposits from customers		16,567	(9,608)	(41,585)
Increase/(decrease) in other liabilities		467	(2,032)	22,989
Income taxes paid		(1,277)	(788)	(1,943)
Net cash generated/(utilised) in operating activities		16,817	(1,946)	(42,109)
Cash flow from investing activities				
Purchase of property and equipment	11	(2,365)	(889)	(1,668)
Proceeds from sale of property and equipment		33	46	102
Dividend received from Joint Venture		-	-	279
Purchase of investment securities		(28,003)	-	(6,841)
Proceeds from sale of investments		5,181	-	6,281
Net cash used in investing activities		(25,154)	(843)	(1,847)
Net decrease in cash and cash equivalent		(8,337)	(2,789)	(43,957)
Cash and cash equivalents at the beginning of the period		86,480	130,436	130,436
Effect of exchange rate changes on cash and cash equivalents		-	39	-
Cash and cash equivalents at the end of the period	2.1	78,143	127,686	86,480

Statement of Changes in Equity
for the half year ended 30 June 2015

	Share capital US$`000	Share premium US$`000	Available - for-sale reserves US$`000	Non-distributable reserves US$`000	Property revaluation reserves US$`000	General reserves US$`000	Accumulated profits US$`000	Share option reserve US$`000	Total US$`000
Balance at 1 January 2015	215	23,642	73	7,785	3,103	-	13,505	960	49,283
Profit or loss									
Profit for the period	-	-	-	-	-	-	1,299	-	1,299
Other comprehensive income									
Fair value gain on available-for-sale-financial assets	-	-	(15)	-	-	-	-	-	(15)
Total comprehensive income for the period	-	-	(15)	-	-	-	1,299	-	1,284
Realisation of revaluation surplus	-	-	-	-	(26)	-	26	-	-
Transactions with owners									
Employee share option scheme:									
- value of employee services charged to income statement	-	-	-	-	-	-		9	9
- group share based payments	-	-	-	-	-	-	-	57	57
- transfer to share capital and share premium on exercise of options	-	-	-	-	-	-	-	-	-
Other movements									
Regulatory impairment allowances	-	-	-	-	-	-	-	-	-
Balance at 30 June 2015	215	23,642	58	7,785	3,077	-	14,830	1,026	50,633
Balance at 1 January 2014	215	23,642	1,812	7,785	3,155	2	6,863	867	44,341
Profit or loss									
Profit for the period	-	-	-	-	-	-	1,737	-	1,737
Other comprehensive income									
Fair value gain on available for-sale- financial assets	-	-	(176)	-	-	-	-	-	(176)
Total comprehensive income for the year	-	-	(176)	-	-	-	1,737	-	1,561
Realisation of revaluation surplus	-	-	-	-	(26)	-	26	-	-
Transactions with owners									
Employee share option scheme:									
- value of employee services charged to profit or loss	-	-	-	-	-	-	-	15	15
- group share based payments	-	-	-	-	-	-	-	6	6
- transfer to share capital and share premium on exercise of options	-	-	-	-	-	-	-	-	-
Other movements									
Regulatory impairment allowances	-	-	-	-	-	(2)	2	-	-
Balance at 30 June 2014	215	23,642	1,636	7,785	3,129	-	8,628	888	45,923

Unaudited Financial Results for the half year ended 30 June 2015

Notes to the Financial Results
for the half year ended 30 June 2015

1. 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 undertsanding 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 2014.

1.1 Basis of measurement

The unaudited financial results for the period have been prepared on the historical cost basis except for the following;

(i) Available-for-sale financial assets measured at fair value (Note 6.2)
(ii) Investment property measured at fair value (Note 9)
(iii) The liability for pensioner's medical aid is recognised at the present value of expected future medical payments based on employee life expectancy. (Note 17)
(iv) Derivative assets/liabilities measured at fair value (Note 5)
(v) Buildings are measured using the revaluation model. Revaluation is performed after every 3 years. (Note 11)

1.2 Functional and presentation currency

These unaudited financial results are presented in United States of America dollars (US$) which is the Bank's functional currency.

1.3 Accounting policies

The accounting policies applied in the preparation of the unaudited financial statements are consistent with the most recent financial statements for the period ended 31 December 2014.

2. Cash and bank balances

	30.06.2015 US$`000	30.06.2014 US$`000	31.12.2014 US$`000
Cash in hand	22,054	38,916	30,777
Balances with the Central Bank	48,854	38,542	52,759
Bank balances due from group companies (Note 7.3)	8,153	29,154	3,295
Other bank balances	226	60	-
Total cash and bank balances	79,287	106,672	86,831
Current	79,287	106,672	86,831
Non-current	-	-	-
Total	79,287	106,672	86,831

2.1 Cash and cash equivalents

Cash and cash equivalents comprise balances with less than three months maturity from the date of acquisition, including cash in hand, deposits held at call with other banks and other short-term highly liquid investments with original maturities of three months or less.

	30.06.2015 US$`000	30.06.2014 US$`000	31.12.2014 US$`000
Cash and bank balances (Note 2)	79,287	106,672	86,831
Loans and advances to banks (Note 3)	663	204	92
Bank balances due to group companies (Note 7.3)	(701)	(89)	(262)
Deposits from other banks (Note 13)	(1,106)	(187)	(181)
Treasury bills	-	21,086	-
Total cash and cash equivalents-statement of cash flows	78,143	127,686	86,480

3. Loans and advances to banks

	30.06.2015 US$`000	30.06.2014 US$`000	31.12.2014 US$`000
Items in course of collection from other banks	663	204	92
Placements with other banks	-	-	-
Included in cash and cash equivalents	663	204	92
Loans and advances to other banks	663	204	92
Less allowance for impairment	-	-	-
Total	663	204	92
Current	663	204	92
Non-current	-	-	-
Total	663	204	92

4. Loans and advances to customers

	30.06.2015 US$`000	30.06.2014 US$`000	31.12.2014 US$`000
Personal lending	41,452	22,441	29,518
Wholesale and corporate loans and advances	87,068	91,504	95,038
Gross loans and advances to customers	128,520	113,945	124,556
Less allowance for impairment	(2,955)	(2,652)	(2,705)
Interest on classified debt	(250)	(284)	(195)
Net loans and advances to customers	125,315	111,009	121,656
Current	79,988	74,135	78,351
Non-current	45,327	36,874	43,305
Total	125,315	111,009	121,656

5. Financial assets at fair value through profit or loss (FVTPL)

Derivative 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 period end.

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.

	30.06.2015 US$`000			30.06.2014 US$`000		
Instrument type	Assets	Liabilities	Contract amount	Assets	Liabilities	Contract amount
Foreign exchange swaps	-	6	1,234	1	17	1,942
Foreign exchange contracts	20	6	3,324	82	23	4,886
Total	20	12	4,558	83	40	6.828

6. Investment securities

	30.06.2015 US$`000	30.06.2014 US$`000	31.12.2014 US$`000
Investment securities held-to-maturity (Note 6.1)	4,171	7,172	4,098
Investment securities available-for-sale (Note 6.2)	30,275	24,237	6,955
Total	34,446	31,409	11,053

6.1 Investment securities held-to-maturity

	30.06.2015 US$`000	30.06.2014 US$`000	31.12.2014 US$`000
At 1 January	4,098	7,172	7,172
Additions	-	-	-
Sale and redemption	-	-	(3,074)
Accrued interest	73	-	-
Total	4,171	7,172	4,098
Current	4,171	3,074	4,098
Non-current	-	4,098	-
Total	4,171	7,172	4,098

6.2 Investment securities available-for-sale

	30.06.2015 US$`000	30.06.2014 US$`000	31.12.2014 US$`000
As at 1 January	6,954	3,401	3,401
Additions	28,003	21,085	6,841
Sale and redemption	(5,181)	-	(3,207)
Gains from changes in fair value	(18)	(249)	(80)
Accrued interest	517	-	-
At end of period	30,275	24,237	6,955
Treasury bills	30,180	21,085	6,841
Equity investments	95	3,152	114
Total	30,275	24,237	6,955
Current	-	5,170	5,182
Non-current	30,275	19,067	1,773
Total	30,275	24,237	6,955

Fair value for unquoted securities is determined using the net asset value method. Treasury bills are valued at cost plus accrued interest due to unavailability of market values as the investments were not traded during the period.

7. Related party balances and transactions

The Bank is controlled by Afcarme Zimbabwe Holdings (Private) Limited incorporated and domiciled in Zimbabwe which owns 68% (2014:68%) of the ordinary shares. The remaining 32% of the shares are widely held. The ultimate parent of the Bank is Barclays Bank Plc incorporated in the United Kingdom. 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. The related party transactions, outstanding balances at 30 June 2015 and related expense and income for the period are as follows:

7.1 Loans and advances to related parties

	Directors and other key management personnel		
	30.06.2015 US$`000	30.06.2014 US$`000	31.12.2014 US$`000
Loans outstanding at 1 January	693	708	708
Loans issued during the period	103	42	115
Loan repayments during the period	(62)	(60)	(130)
Loans outstanding at end of period	734	690	693
Current	189	158	162
Non-current	545	532	531
Total	734	690	693
Interest income earned	19	20	40

Of the loans advanced to directors and other key management personnel US$415,809 is secured and repayable over 18 to 20 years. The balance of US$318,191 is unsecured and repayable monthly over 3 years at average interest rates of 5,9% (2014:5.9%). Loans and advances to non-executive directors as at 30 June 2015 were US$14,208 (2014: US$9,887.) repayable within 3 years and at an average interest rate of 5.9%.

No impairment losses have been recognised in respect of loans advanced to related parties (2014: nil)

7.2 Deposits from related parties

	Directors and other key management personnel		
	30.06.2015 US$`000	30.06.2014 US$`000	31.12.2014 US$`000
Deposits at 1 January	254	130	130
Deposits received during the period	1,078	1,090	2,839
Deposits repaid during the period	(1,231)	(989)	(2,715)
Deposits at end of period	101	231	254
Current	101	231	254
Non-current	-	-	-
Total	101	231	254
Interest expense on deposits	-	-	-

The above deposits carry no interest and are repayable on demand

7.3 Balances with group companies

	30.06.2015 US$`000	30.06.2014 US$`000	31.12.2014 US$`000
Bank balances due from group companies (Note 2)	8,153	29,154	3,295
Bank balances due to group companies (Note 2.1)	(701)	(89)	(262)
Other balances due from group companies (Note 8)	253	1,994	1,865
Other balances due to group companies	(18)	-	-
Total	7,687	31,059	4,898

The balances were assessed and no impairment losses have been recognised for bank balances due from group companies.

7.4 Balances with related parties-related through common directorship/trusteeship

	30.06.2015 US$`000		30.06.2014 US$`000		31.12.2014 US$`000	
	Deposits	Loan advances	Deposits	Loan advances	Deposits	Loan advances
Current	5,810	7,216	3,864	7,644	2,072	10,584
Non-current	-	17,200	-	17,200	-	15,400
Total	5,810	24,416	3,864	24,844	2,072	25,984

Repayments on loans to related parties were made on due dates. New loans were also granted. Interest income on the loans was US$1,071,895(2014: US$1,046,000). The balances were assessed and no impairment losses have been recognised for balances with related parties through common directorship/trusteeship.

7.5 Foreign exchange swaps and contracts with related parties

As at 30 June 2015, the Bank had the following outstanding swap and forward exchange contract transactions with related parties.

Counterparty	Up to 1 month US$`000	1 to 3 months US$`000	3 to 6 months US$`000	Total US$`000
ABSA	3,167	247	-	3,414
Barclays Botswana	118	-	-	118
Barclays Capital	81	-	-	81
At 30 June 2015	3,366	247	-	3,613

7.6 Key management compensation

	30.06.2015 US$`000	30.06.2014 US$`000
Salaries and other short-term employee benefits	1,070	1,059
Post-employment benefits	76	73
Share-based payments	29	26
Total	1,175	1,158

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, Head of Credit Risk, Banking Divisional Director, Commercial Divisional Director, Head of Operations, Chief Technology Officer, Chief Internal Auditor, Head of Compliance, Company Secretary and Head of Human Resources.

8. Other assets

	30.06.2015 US$`000	30.06.2014 US$`000	31.12.2014 US$`000
Prepayments and stationery	1,538	967	1,393
Card transactions	3,225	1,428	3,675
Other debtors	259	2,013	399
Receivable from Group	253	1,994	1,865
Staff loans market interest rate adjustment	1,033	492	663
RBZ linked client balances (Note 8.1)	24,138	-	24,259
Total	30,446	6,894	32,254
Current	5,619	6,566	32,254
Non-current	24,827	328	-
Total	30,446	6,894	32,254

8.1. RBZ linked client balances

	30.06.2015 US$`000	30.06.2014 US$`000	31.12.2014 US$`000
RBZ linked client treasury bills	14,185	-	14,185
RBZ linked client interest balances	9,953	-	10,074
Total	24,138	-	24,259

During 2014, the Government of Zimbabwe, through the RBZ issued US$14m worth of treasury bills to settle the principal amounts for exporter funds transferred to the RBZ under Exchange Control Directives. As communicated by RBZ, the treasury bills issued are for the respective clients. They were issued with tenors of 3, 4 and 5 years with an interest rate of 5% payable bi-annually. The RBZ linked client balances were previously reported as balances with Central Bank at 30 June 2014.

9. Investment property

9.1. Reconciliation of carrying amount

	30.06.2015 US$`000	30.06.2014 US$`000	31.12.2014 US$`000
Investment property at fair value as at 1 January	5,580	5,690	5,690
Net loss from fair value adjustment	-	-	(110)
Investment property at fair value as at end of period	5,580	5,690	5,580
Non-current	5,580	5,690	5,580
Total	5,580	5,690	5,580

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Investment property
Investment property comprises commercial properties that are leased to third parties. No contingent rents are charged. Rental income of US$253,235 (2014: US$.239,003) from investment property is recognised in non-interest income.

The fair value of investment property 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 of investment properties was at 31 December 2014.

The fair value measurement of the investment property has been categorised as Level 3 fair value (Note 15) based on the inputs to the valuation technique used.

10. Investment in a joint venture
The Bank has a 50% interest in Makasa Sun (Private) Limited, a jointly controlled entity which owns a property in Victoria Falls. Makasa Sun (Private) Limited is incorporated in Zimbabwe. The Bank's interest in Makasa Sun (Private) Limited is accounted for using the equity method in the financial statements. Summarised financial information of the joint venture, based on its IFRS financial statements, and reconciliation with the carrying amount of the investment in the financial statements are set out below;

	30.06.2015 US$`000	30.06.2014 US$`000	31.12.2014 US$`000
Total equity of joint venture	29,304	30,770	30,565
Proportion of the Bank's ownership	50%	50%	50%
Carrying amount of the investment	14,652	15,385	15,282

Summarised statement of profit or loss of Makasa Sun (Private) Limited

	30.06.2015 US$`000	30.06.2014 US$`000	31.12.2014 US$`000
Rental income	326	289	771
Operating expenses	(4)	(4)	(8)
Profit before income tax	322	285	763
Income tax expense	(83)	(74)	(198)
Profit for the period	239	211	565
Barclays Bank's share of profit for the period	119	106	283

The joint venture had no contingent liabilities or capital commitments as at 30 June 2015 (2014: Nil).

11. Property and equipment
At 30 June 2015

	Leasehold Land US$`000	Buildings US$`000	Computers US$`000	Equipment US$`000	Furniture and fittings US$`000	Motor vehicles US$`000	Totals US$`000
Opening carrying amount	43	15,258	1,768	853	231	1,900	20,053
Additions	-	488	1,519	42	42	274	2,365
Disposals	-	-	(156)	(385)	(20)	(68)	(629)
Depreciation charge on disposals	-	-	150	357	19	51	577
Depreciation charge	-	(147)	(323)	(231)	(44)	(346)	(1,091)
Closing carrying amount	43	15,599	2,958	636	228	1,811	21,275
At 30 June 2015							
Cost or valuation	43	16,395	4,769	2,252	777	4,169	28,405
Accumulated depreciation and impairment	-	(796)	(1,811)	(1,616)	(549)	(2,358)	(7,130)
Carrying amount	43	15,599	2,958	636	228	1,811	21,275

Property and equipment was subjected to impairment testing at the reporting date, through internal evaluation of the obsolescence of equipment. Land and buildings were last revalued on 31 December 2012 by independent valuers. Revaluation takes place after every three years. There is no revaluation that has taken place in the current reporting period. If buildings were stated on the historical cost basis, the carrying amount would be US$12,623,681 (2014: US$12,376,450). No items of property and equipment were pledged as at 30 June 2015.

12. Income tax expense
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%, (2014:25.75%)

	30.06.2015 US$	30.06.2014 US$
Current income taxes on income for the financial year	(1,049)	(908)
Adjustment recognised in 2015 for current tax of prior period	(86)	-
Deferred income tax: origination and reversal of temporary differences	235	59
Income tax charge	(900)	(849)

13. Deposits from banks

	30.06. 2015 US$`000	30.06. 2014 US$`000	31.12. 2014 US$`000
Items in course of collection	324	187	181
Deposits from other banks	782	-	-
Total	1,106	187	181
Current	1,106	187	181
Total	1,106	187	181

The above comprises financial instruments classified as liabilities at amortised cost.

14. Deposits from customers
Deposits due to customers are primarily composed of amounts payable on demand.

	30.06.2015 US$`000	30.06.2014 US$`000	31.12.2014 US$`000
Large corporate and business banking customers:			
- Current/settlement accounts	104,086	141,000	98,533
- Time deposits	8,028	7,249	7,226
Small to medium enterprises ("SMEs")			
- Current/settlement accounts	28,828	17,243	25,875
- Time deposits	-	-	-
Retail customers:			
- Current/demand accounts	79,799	71,677	73,474
- Time deposits	2,225	1,207	1,292
Total	222,966	238,376	206,400
Current	222,966	238,376	206,400
Total	222,966	238,376	206,400

Deposits due to customers only include financial instruments classified as liabilities at amortised cost. Fair value of deposits from customers approximates carrying amount because of their short tenure. Included in customer accounts are deposits of US$1,069,000 (2014: US$1,033,000) held as collateral for loans advanced and letters of credit. The fair value of the deposits approximates carrying amount.

14.1 Concentrations of customer deposits were as follows:

	30.06.2015 US$`000	%	30.06.2014 US$`000	%	31.12.2014 US$`000	%
Trade and services	69,037	32	74,647	31	57,782	28
Energy and minerals	2,842	1	943	-	305	-
Agriculture	4,522	2	7,085	2	7,175	3
Construction and property	1,098	-	1,326	1	1,435	1
Light and heavy industry	25,213	11	18,015	8	16,019	8
Physical persons	82,024	37	72,884	31	74,766	36
Transport and distribution	28,265	13	43,140	18	39,029	19
Financial services	9,965	4	20,336	9	9,889	5
Total	222,966	100	238,376	100	206,400	100

15. Fair value hierarchy
The Bank measures fair values using the following fair value hierarchy which reflects the significance of the inputs used in making the measurements:

- o Level 1 – inputs that are quoted prices (unadjusted) in active markets for identical instruments. This level includes listed equity securities traded on the Zimbabwe Stock Exchange and New York Stock Exchange.
- o Level 2 – Inputs other than quoted prices included within Level 1 that are observable, either directly (that is, as prices) or indirectly (that is, derived from prices).
- o Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This category includes equity investments and debt instruments with significant unobservable components. This category includes non-listed equity investments.

The hierarchy requires the use of observable market data when available. The Bank considers relevant and observable market prices in its valuations where possible.

The table below analyses financial instruments measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the statement of financial position.

	Fair values US$`000	Level 1 US$`000	Level 2 US$`000	Level 3 US$`000	Valuation techniques and inputs
Derivative assets	20	-	20	-	Present value for similar items in active markets
Equity investment securities - unlisted	95	-	-	95	Net asset value
Investment property	5,580	-	-	5,580	Discounted cash flow at risk adjusted interest rates
Total assets at 30 June 2015	5,695	-	20	5,675	
Total assets at 30 June 2014	8,841	3,091	83	5,750	
Derivative liabilities	12	-	12	-	Present value for similar items in active markets
Total liabilities at 30 June 2015	12	-	12	-	
Total liabilities at 30 June 2014	40	-	40	-	

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy:

Reconciliation of level 3 items	30.06.2015			30.06.2014		
	Available-for-sale financial assets US$`000	Investment property US$`000	Total assets US$`000	Available-for-sale financial assets US$`000	Investment property US$`000	Total assets US$`000
Balance at 1 January	113	5580	5,693	81	5,690	5,771
Transfers into Level 3	-	-	-	-	-	-
Transfers out of Level 3	-	-	-	-	-	-
Total losses for the period	(18)	-	(18)	(21)	-	(21)
- Included in profit or loss	-	-	-	-	-	-
- Included in other comprehensive income	(18)	-	(18)	(21)	-	(21)
- Purchases	-	-	-	-	-	-
Total	95	5,580	5,675	60	5,690	5,750

Whilst the Bank believes that its estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value.

16. Other liabilities

	30.06.2015 US$`000	30.06.2014 US$`000	31.12.2014 US$`000
Accrued expenses	3,416	2,197	2,792
Internal accounts including unpresented bank drafts	4,205	4,263	4,216
RBZ linked client balances (note 8.1)	24,138	-	24,259
Total	31,759	6,460	31,267
Current	7,621	6,460	31,267
Non-current	24,138	-	-
Total	31,759	6,460	31,267

RBZ linked client balances were previously reported under Deposits from customers at 30 June 2014 (Note 14) as explained under Note 8.1.

17. Provisions

	30.06.2015 US$`000	30.06.2014 US$`000	31.12.2014 US$`000
Staff retention incentive	1,082	1,059	1,298
Outstanding employee leave	737	632	560
Post-retirement medical aid liability	246	-	-
Total	2,065	1,691	1,858
Current	2,065	1,691	1,858
Non-current	-	-	-
Total	2,065	1,691	1,858

18. Share capital and other reserves

18.1 Share capital

	Number of shares (millions)	Ordinary shares US$`000	Share premium US$`000	Total US$`000
Authorised shares				
Ordinary shares of USc0.01 each	5,000	500	-	500
Issued shares				
At 1 January 2015	2,153	215	23,642	23,857
Employee share option scheme:	-	-	-	-
Proceeds from shares issued	-	-	-	-
At 30 June 2015	2,153	215	23,642	23,857

18.2 Other reserves

	30.06.2015 US$`000	30.06.2014 US$`000	31.12.2014 US$`000
Non distributable reserve	7,785	7,785	7,785
Property revaluation reserve	3,077	3,129	3,103
Share option reserve	1,026	888	960
Available-for-sale reserve	58	1,636	73
Total	11,946	13,438	11,921

The total authorised number of ordinary shares at period end was 5 billion (2014: 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.

19. Net interest income

	30.06.2015 US$`000	30.06.2014 US$`000
Interest income	7,993	7,485
Loans and advances to customers	7,344	6,673
Bank balances	-	517
Investment securities	649	295
Interest expense	213	645
Deposits from other banks	1	10
Deposits due to customers	212	635
Net interest income	7,780	6,840

No interest income was accrued on impaired financial assets

20. Non-interest income

	30.06.2015 US$`000	30.06.2014 US$`000
Ledger fees	5,225	5,015
Cash withdrawal fees	2,667	3,130
Other fee and commission income	4,796	4,647
Net foreign exchange income	1,252	1,361
Rental income	253	239
Profit on disposal of assets	-	42
Total	14,193	14,434

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

21. Operating expenses

21.1 Staff costs

	30.06.2015 US$`000	30.06.2014 US$`000
Salaries and allowances	9,242	8,728
Social security costs	101	100
Share options granted to directors and employees	65	21
Pension costs: defined contribution plans	855	792
Post-employment medical benefits	246	-
Directors' remuneration:		
Fees - for services as directors	70	102
Other- for services as management	531	530
Total staff costs	11,110	10,273

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21.2 Other administrative expenses include:

	30.06.2015 US$`000	30.06.2014 US$`000
Repairs and maintenance	712	676
Depreciation	1,091	1,001
Loss on disposal of assets	20	-
Other property costs	653	598
Security and cash handling costs	956	918
Communication costs	1,139	1,131
Auditors remuneration	170	186
Operating lease payments	1,183	1,238
Insurance costs	625	616
Other expenses	1,978	1,763
Total other administrative expenses	8,527	8,127
Total staff costs	11,110	10,273
Total operating expenses	19,637	18,400

22. Loan commitments, guarantees and other financial facilities

At 30 June 2015, the contractual amounts of the Bank's financial instruments that commit it to extend credit to customers, guarantee and other facilities were as follows:

	30.06.2015 US$`000	30.06.2014 US$`000	31.12 2014 US$`000
Loan commitments	58,260	40,722	38,524
Guarantees and standby letters of credit	3,052	1,968	2,073
Total	61,312	42,690	40,597

23. Segment analysis

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 IFRS 8. The Country Management Committee assesses the performance of the operating segments 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 main business segments:

- o 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;
- o 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.

23.1 Segment results of operations

The segment information provided to the Country Management Committee for the segments for the half-year ended 30 June 2015 is as follows:-

At 30 June 2015	Retail and business banking US$`000	Corporate and investment banking US$`000	Total US$`000
Net interest income from external customers	4,143	3,637	7,780
Loan impairment charges	(368)	112	(256)
Non-interest income	12,177	2,016	14,193
Other income	91	28	119
Staff costs	(8,519)	(2,591)	(11,110)
General and administrative and operating expenses	(5,676)	(1,760)	(7,436)
Depreciation	(819)	(272)	(1,091)
Operating profit	1,029	1,170	2,199
Income tax expense	(421)	(479)	(900)
Total assets	166,326	145,409	311,735
Total liabilities	177,073	84,029	261,102

24. Financial risk management

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.

24.1 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;

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

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, monitoring cashflows and utilisation against limit and collateral.

Principal collateral types used for loans and advances are:

- o Mortgages over residential and commercial properties; and
- o Charges over business assets such as premises, inventory and accounts receivable, moveable assets and shares.
- o 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. Each customer based on their probability of default is graded into one of ten grades, reflecting their credit quality.

The Bank maintains an 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.

The Bank has Credit Risk and Loans Review Committees, chaired by non-executive directors to monitor the risk.

Impairment and provisioning policies:
In measuring credit risk of loans and advances the Bank reflects three components;
(i) the probability of default by the client or counterparty on its contractual obligations (PD);
(ii) current exposures to the counterparty (EAD); and
(iii) the likely loss in the event of a default (LGD).

Internal estimate of PDs and LGDs are based on model scores and observed historical data.
Under IFRS impairment allowances are recognised where there is objective evidence of impairment as a result of one or more loss events that have occurred after initial recognition of the assets and where these events had an impact on estimated future cash flows of the financial assets or portfolio of financial assets. To determine if a loss event has occurred, historical economic information similar to the current economic climate, overall customer risk profile, payment record and the realisable value of any collateral are taken into consideration.

Unidentified impairment

Unidentified impairment allowances are raised to cover losses which are judged to be incurred but not yet specifically identified in customer exposures at the reporting date, and which have not been specifically reported. The calculation is based on the asset's probability of moving from performing to default within a given emergence period.

The emergence period is defined as the time lapse between the occurrence of trigger event (unidentified event) and the impairment being identified at an individual account level (identified impairment).

Unidentified impairment = Probability of Default (PD) x Loss Given Default (LGD) x Exposure x Emergence period. Emergence period is not applied to retail balances.

Identified impairment

Retail identified impairment is triggered when a contractual payment is missed. The impairment is calculated as Probability of Default (PD) x Loss Given Default (LGD) x Outstanding Amount. Higher PDs are applied to those customers who will have missed more contractual payments.

Corporate identified impairment is calculated on accounts reflected on ELW3 (Category 3) and accounts currently going through a legal process. Impairment is calculated on an individual basis and is the difference between outstanding balance and present value of future cash flows including value of collateral.

Write–offs - A loan is written off when circumstances after impairment indicate that the prospect of further recovery does not exist.

Regulatory impairment – Excess of regulatory impairment allowance to IFRS is accounted for through reserves as a General Reserve in the statement of changes in equity.

The tables below analyses maximum exposure to credit risk in detail:

24.1(a) Maximum exposure to credit risk:

At 30 June 2015	Gross maximum exposure US$`000	Neither past due nor impaired US$`000	Past due and not impaired US$`000	Past due and impaired US$`000	Non -performing US$`000
Bank balances (Note 2)	57,233	57,233	-	-	-
Loans and advances to banks (Note 3)	663	663	-	-	-
Loans and advances to customers (Note 4)	128,520	125,324	-	723	2,473
Financial assets FVTPL (Note 5)	20	20	-	-	-
Investment securities (Note 6)	34,446	34,446	-	-	-
Other assets	13,691	13,691	-	-	-
Interest on classified debt	(250)	-	-	-	(250)
Total gross maximum exposure to credit risk	234,323	231,377	-	723	2,223
Impairment allowances (note. 24.1g.)	(2,955)	(1,767)	-	(110)	(1,078)
Total net exposure to credit risk	231,368	229,610	-	613	1,145

At 30 June 2014	Gross maximum exposure US$`000	Neither past due nor impaired US$`000	Past due and not impaired US$`000	Past due and impaired US$`000	Non -performing US$`000
Bank balances (Note 2)	67,756	67,756	-	-	-
Loans and advances to banks (Note 3)	204	204	-	-	-
Loans and advances to customers (Note 4)	113,945	108,618	2,498	-	2,829
Financial assets FVTPL (Note 5)	83	83	-	-	-
Investment securities (Note 6)	31,409	31,409	-	-	-
Other assets	5,435	5,435	-	-	-
Interest on classified debt	(284)	-	-	-	(284)
Total gross maximum exposure to credit risk	218,548	213,505	2,498	-	2,545
Impairment allowances (note. 24.1g.)	(2,652)	(1,824)	(28)	-	(800)
Total net exposure to credit risk	215,896	211,681	2,470	-	1,745

The Bank secures its loans and advances with liens over residential or commercial property, stock or other financial securities but is generally not permitted to sell or re-pledge the security in the absence of default by the owner of the collateral.

The Bank has an internal rating scale which is mapped into the Basel II grading system. Balances in neither past due nor impaired category are investment grade, those in past due but not impaired category are standard monitoring grade and individually impaired is default grade.

24.1(b) Loans and advances 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. Past due loans and advances are those whose repayments (capital and interests) are outstanding for more than 30 days. Such loans can either be impaired or renegotiated (Note 24.1(f)).

24.1(c) Loans and advances past due but not impaired

Late processing and other administrative delays on the side of the borrower can lead to a financial asset being past due but not impaired. Loans and advances less than 90 days past due are not considered impaired, unless other information is available to indicate the contrary. Gross amount of loans and advances that were past due but not impaired were as follows;

Gross amount of loans and advances that were past due but not impaired were as follows:

	30.06.2015			30.06.2014		
	Personal Loans US$`000	Corporate loans US$`000	Total US$`000	Personal Loans US$`000	Corporate loans US$`000	Total US$`000
Up to 1 month	-	-	-	82	2,013	2,095
1-3 months	-	-	-	33	370	403
3-6 months	-	-	-	-	-	-
6-12 months	-	-	-	-	-	-
Over 12 months	-	-	-	-	-	-
Total	-	-	-	115	2,383	2,498
Fair value of collateral	-	-	-	-	440	440
Amount under collateralisation	-	-	-	-	370	370

24.1(d) Loans and advances past due and impaired (excluding non-performing loans)

A loan is considered impaired if the customer misses instalments or fails to repay the loan on due date.

	30.06.2015			30.06.2014		
	Personal loans US$`000	Corporate loans US$`000	Total US$`000	Personal loans US$`000	Corporate loans US$`000	Total US$`000
Gross carrying amount	723	-	723	-	-	-
Less allowance for impairment	(110)	-	(110)	-	-	-
Net carrying amount	613	-	613	-	-	-

24.1(e) Non performing loans and advances

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.

	30.06.2015 US$`000	30.06.2014 US$`000
Total non-performing loans and receivables	2,473	2,829
Interest in suspense	(250)	(284)
Less allowance for impairment	(1,078)	(800)
Net carrying amount	1,145	1,745

24.1(f) Loans and advances renegotiated

During the period ended 30 June 2015, the Bank did not have any renegotiated loans and advances to customers and banks.

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24.1(g) Allowance for impairment

Reconciliation of allowance for impairment

	30.06.2015			30.06.2014		
	Identified allowance for impairment US$`000	Unidentified allowance for impairment US$`000	Total US$`000	Identified allowance for impairment US$`000	Unidentified allowance for impairment US$`000	Total US$`000
Balance at 1 January	872	1,833	2,705	709	1,549	2,258
New and increase in impairment allowance	332	734	1,066	120	515	634
Release	(10)	(800)	(810)	(29)	(212)	(240)
Loans written off	(6)	-	(6)	-	-	-
As at end of period	1,188	1,767	2,955	800	1,852	2,652

Reconciliation of allowance by nature of advance

	Other personal loans US$`000	Corporate loans US$`000	Total US$`000
Balance at 1 January 2015	607	2,098	2,705
Charge for the year	374	(118)	256
New and increase in impairment allowances	660	406	1,066
Release in impairment allowances	(286)	(524)	(810)
Amounts written off during the year as uncollectible	(6)	-	(6)
At 30 June 2015	975	1,980	2,955

	Other personal loans US$`000	Corporate loans US$`000	Total US$`000
Balance at 1 January 2014	251	2,007	2,258
Charge for the year	191	203	394
New and increase in impairment allowances	232	402	634
Release in impairment allowances	(41)	(199)	(240)
Amounts written off during the year as uncollectible	-	-	-
At 30 June 2014	442	2,210	2,652

24.1(h) Repossessed collateral

During the period, the Bank did not repossess any assets held as collateral on loans and advances to customers (2014: Nil).

24.1(i) Credit risk concentration

	30.06.2015		30.06.2014		31.12.2014	
Industry/Sector	Loans and advances US$`000	%	Loans and advances US$`000	%	Loans and advances US$`000	%
Trade and services	21,973	17	8,869	8	8,412	7
Energy and minerals	-	-	-	-	-	-
Agriculture	11,260	9	15,893	14	12,795	10
Construction and property	-	-	-	-	-	-
Light and heavy industry	26,416	21	32,158	28	37,704	30
Physical persons	41,452	32	22,441	20	29,518	24
Transport and distribution	27,419	21	34,584	30	36,127	29
Gross amount	128,520	100	113,945	100	124,556	100

24.1(j) Concentration of credit risk
As at 30 June 2015

Industry/Sector	Total loans US$`000	Past due/ Impaired loans US$`000	Write offs/ (recoveries) US$`000	Identified impairment allowance US$`000
Trade and services	21,973	205	-	197
Energy and minerals	-	-	-	-
Agriculture	11,260	1,876	-	571
Construction and property	-	-	-	-
Light and heavy industry	26,416	-	-	-
Physical persons	41,452	1,115	6	420
Transport and distribution	27,419	-	-	-
Gross amount	128,520	3,196	6	1,188

24.2 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.

Liquidity risk management objectives are;
- o 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;
- o to maintain the market confidence in the Bank;
- o maintaining adequate levels of surplus liquid asset holdings in order to remain within the liquidity risk appetite;
- o set early warning indicators to identify the emergence of increased liquidity risk or vulnerabilities;
- o to maintain a contingency funding plan that is comprehensive.

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

24.2(b) Liquidity ratios

	30.06.2015	30.06.2014	31.12.2014
	US$`000	US$`000	US$`000
Total liquid assets	106,594	127,686	86,481
Total liabilities to the public	222,966	238,376	206,400
Liquidity ratio	48%	54%	42%
RBZ minimum	30%	30%	30%

24.2(c) Liquidity profiling as at 30 June 2015

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 are also included on the table based on the contractual maturity profile.

	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	Total US$`000	Carrying amount US$`000
On statement of financial position items- as at 30 June 2015								
Liabilities								
Financial liabilities at FVTPL	12	-	-	-	-	-	12	12
Bank balances due to group companies	701	-	-	-	-	-	701	701
Deposits from banks	1,106	-	-	-	-	-	1,106	1,106
Deposits from customers	219,653	2,221	-	1,165	-	-	223,039	222,966
Other liabilities	17,574	-	-	-	16,313	-	33,886	31,759
Provisions	736	-	428	900	-	-	2,065	2,065
Total liabilities	239,782	2,221	428	2,065	16,313	-	260,809	258,609
Assets								
Cash and bank balances	79,287	-	-	-	-	-	79,287	79,287
Bonds and treasury bills	73	-	4,212	42	33,708	-	38,035	34,351
Loans and advances to banks	663	-	-	-	-	-	663	663
Loans and advances to customers	8,802	22,625	37,575	27,754	50,407	691	147,854	125,315
Financial assets at FVTPL	18	2	-	-	-	-	20	20
Other assets	11,562	-	-	-	16,313	-	27,875	27,875
Current income tax assets	-	51	-	-	-	-	51	51
Total Assets	100,405	22,678	41,787	27,796	100,428	691	293,785	267,562
Liquidity gap	(139,377)	20,457	41,359	25,731	84,115	691	32,976	
Cumulated liquidity gap	(139,377)	(118,920)	(77,561)	(51,830)	32,285	32,976		
Contingent liabilities and commitments								
Assets								
Guarantees and letters of credit	167	38	3	2,844	-	-	3,052	
Commitment to lend	2,539	720	16,095	26,949	11,958	-	58,260	
Total assets	2,706	758	16,098	29,793	11,958	-	61,312	
Liabilities								
Guarantees and letters of credit	167	38	3	2,844	-	-	3,052	
Commitment to lend	58,260	-	-	-	-	-	58,260	
Total liabilities	58,427	38	3	2,844	-	-	61,312	
Liquidity gap	(55,721)	720	16,095	26,949	11,958	-	-	

The Bank determines ideal weights for maturity time buckets which are used to benchmark the actual maturity profile. Maturity mismatches across the time buckets are managed through the tenor of new advances and the profile of time deposits by ALCO and should the need arise through support from Barclays Africa.

24.3 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 arise from the interest rate management of the banks retail and commercial banking assets and liabilities.

24.3(a) 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 95%. 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	2	1	-	1
VaR at 30 June 2015	2	1	-	1

Two week risk Type of risk or activity	High US$`000	Medium US$`000	Low US$`000	Year-end US$`000
Currency	7	3	-	4
VaR at 30 June 2015	7	3	-	4

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:

	30.06.2015		30.06.2014		31.12.2014	
	Impact on earnings US$`000	Impact on capital US$`000	Impact on earnings US$`000	Impact on capital US$`000	Impact on earnings US$`000	Impact on capital US$`000
1000bps increase in interest rates	(9,182)	(9,182)	(4,686)	(4,686)	(3,036)	(3,036)
1000bps decrease in interest rates	9,182	9,182	4,686	4,686	3,036	3,036
Bench	-	-	-	-	-	-

(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.

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24.4 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 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 Board.

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

	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	Total US$`000
Assets								
Cash and bank balances	57,233	-	-	-	-	-	22,054	79,287
Government bonds and Treasury bills	-	-	61	4,171	30,119	-	-	34,351
Financial assets at FVTPL	-	-	-	-	-	-	20	20
Loans and advances to banks	663	-	-	-	-	-	-	663
Loans and advances to customers	125,315	-	-	-	-	-	-	125,315
Other assets	-	-	583	-	14,185	-	15,678	30,446
Available- for- sale financial assets	-	-	-	-	-	-	95	95
Investment property	-	-	-	-	-	-	5,580	5,580
Investment in joint venture	-	-	-	-	-	-	14,652	14,652
Property and equipment	-	-	-	-	-	-	21,275	21,275
Current income tax assets	-	-	-	-	-	-	51	51
Total assets	183,211	-	644	4,171	44,304	-	79,405	311,735
Liabilities								
Financial liabilities at FVTPL	-	-	-	-	-	-	12	12
Bank balances due to group companies	701	-	-	-	-	-	-	701
Deposits from banks	1,106	-	-	-	-	-	-	1,106
Deposits from customers	219,644	2,200	-	1,122	-	-	-	222,966
Other liabilities	-	-	583	-	14,185	-	16,991	31,759
Provisions	-	-	-	-	-	-	2,065	2,065
Deferred income tax liabilities	-	-	-	-	-	-	2,493	2,493
Total liabilities	221,451	2,200	583	1,122	14,185	-	21,561	261,102
Interest rate re-pricing gap	(38,240)	(2,200)	61	3,049	30,119	-	57,844	50,633
Cumulative gap	(38,240)	(40,440)	(40,379)	(37,330)	(7,211)	(7,211)	50,633	

24.5 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.

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

At 30 June 2015	US$`000	GBP (equiv US$`000)	Rand (equiv US$`000)	Other foreign currency (equiv US$`000)	Total US$`000
Assets					
Cash and bank balances	73,950	978	2,757	1,602	79,287
Investment securities	34,446	-	-	-	34,446
Loans and advances to banks	663	-	-	-	663
Loans and advances to customers	125,315	-	-	-	125,315
Other assets	24,991	1,027	1,170	707	27,895
Total assets	259,365	2,005	3,927	2,309	267,606
Liabilities					
Bank balances due to group companies	57	13	631	-	701
Deposits from banks	1,106	-	-	-	1,106
Deposits from customers	218,097	836	2,424	1,609	222,966
Other liabilities	29,492	1,206	478	583	31,759
Total liabilities	248,752	2,055	3,533	2,192	256,532
Net currency positions	10,613	(50)	394	117	11,074

25. Capital 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 requirement.

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:

o to comply with the capital requirements set by the banking regulators;
o 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;
o to maintain a strong capital base to support the development of its business.

Capital adequacy and the use of regulatory capital are monitored daily 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;

o Tier 1 Capital: comprises contributed capital, accumulated profits, share options reserve and currency translation reserve.
o Tier 2 Capital: comprises impairment allowance, revaluation reserve and part of currency translation reserve.
o 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.

Capital adequacy

	30.06.2015 US$`000	30.06.2014 US$`000	31.12.2014 US$`000
Share capital	215	215	215
Share premium	23,642	23,642	23,642
Accumulated profits	14,830	8,628	13,505
Share option reserve fund	1,026	888	960
Available for sale reserve	58	1,636	73
Currency translation reserve	3,405	3,405	3,405
Total core capital	43,176	38,414	41,800
Less market and operational risk capital	(7,172)	(6,867)	(6,237)
Tier 1 capital	36,004	31,547	35,563
Currency translation reserve movement	4,380	4,380	4,380
Revaluation reserve	3,077	3,129	3,103
General provisions(limited to 1.25% of weighted risk assets)	1,767	1,852	1,833
Tier 2 capital	9,224	9,361	9,316
Total tier 1 & 2 capital	45,228	40,908	44,879
Market risk	312	259	109
Operational risk	6,860	6,608	6,128
Tier 3 capital	7,172	6,867	6,237
Total tier 1 and 2 & 3 capital base	52,400	47,775	51,116
Less deductions from capital	(110)	(3,161)	(131)
Total capital base	52,290	44,614	50,985
Credit risk weighted assets	194,677	172,042	176,133
Operational risk equivalent assets	85,755	82,604	76,604
Market risk equivalent assets	3,897	3,229	1,364
Total risk weighted assets (RWAs)	284,329	257,875	254,101
Tier 1 capital ratio	13%	12%	14%
Tier 1 and 2 capital ratio	16%	16%	18%
Total capital adequacy ratio	18%	17%	20%

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 regulatory guidelines which consider the risk characteristics of the different trading book assets. Risk components are transformed into risk weighted assets and, therefore, capital requirements, 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.

Total capital for the Bank is assessed to be sufficient to support current business and planned capital projects. Growth in advances will continue to be pursued cautiously and in such a way as to achieve economic yields.

26. Other risks

Strategic risk

The roles of the chairman and the managing director are not vested in the same person. The executive team formulates the strategy under the guidance of the Board which approves it. The executive directors bear the responsibility to execute the approved strategy. The Board reviews the performance and suitability of the strategy at least quarterly.

Legal and compliance risk

The Risk Management Committee of the Board ensures that the management and operations of the Bank's business is done within the governance and regulatory control framework established by Barclays Bank Plc, the Reserve Bank of Zimbabwe and other regulatory bodies. A dedicated legal and compliance unit is in place to monitor legal and compliance requirements and ensure that they are met on a daily basis.

Reputation risk

The Bank adheres to very strict reputation standards set for Barclays international operations. The Human Resources Committee of the Board assists the Board in ensuring that staff complies with set policies and practices consistent with the reputation demands of both the Bank and the industry. The compliance unit and human resources function monitor compliance by both management and staff with the Bank's ethical codes and compliance standards.

Operational risk

This is the risk of losses arising from inadequate or failed internal processes, people and/or systems or from external events.

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.

27. Risks and 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 13 July 2012 and it assessed the overall condition of the Bank to be fair. This is a score of "3" 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 component	Latest Rating - July 2012
Capital	2 - Satisfactory
Asset quality	2 - Satisfactory
Management	3 - Fair
Earnings	3 - Fair
Liquidity	2 - Satisfactory
Sensitivity to market risk	1 - Strong

Summary risk matrix - July 2012 onsite supervision

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

External Credit Ratings

Rating agent	Latest credit ratings – 2015/16	Previous credit ratings – 2014/15	Previous credit ratings – 2013/14
Global Credit Rating Co.	AA-	AA-	AA-

The last rating was done in May 2015 and expires in May 2016.

28. 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.

29. Events after reporting date

As at the date of reporting no significant or reportable post balance sheet events were identified.