

Barclays Bank of Zimbabwe Limited

# Annual Report

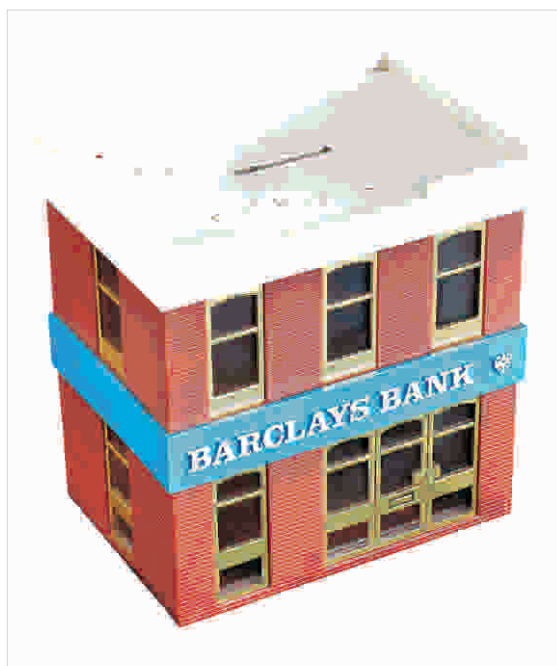
For the year ended 31 December 2008



**Staying ahead of  
the game for years**

Barclays Bank of Zimbabwe Limited  
2008 Annual Report  
[www.barclays.com](http://www.barclays.com)

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# five year financial review

## historical cost

	2008	2007	2006	2005	2004
<b>1. Profitability</b>					
Profit before income tax (\$trillion)	206,845,338,185				
Profit for the year (\$trillion)	151,063,163,964	-	-	-	-
Net impairment allowance charged (\$trillion)	70,238,434	-	-	-	-
Return on shareholders' equity (post taxation)	51%	-	-	-	-
Declared/paid dividend (\$trillion)	-	26%	52%	71%	88%
		-	-	-	-
<b>2. Share statistics</b>					
Number of fully paid shares (million)	2,151				
Basic earnings per share (\$trillion)	70,3	2,148	2,144	1,982	1,874
Headline earnings per share (\$trillion)	70,3	-	-	-	-
Dividend per share (million)	-	-	-	-	-
Dividend cover (times)	-	-	-	-	-
Share market price at 17 November 2008 (\$trillion)	15,100	-	4	4	3
		-	-	-	-
<b>3. Balance sheet and capital adequacy</b>					
Shareholders' equity (\$trillion)	313,857,744,745				
Total assets (\$trillion)	1,896,666,384,544	-	-	-	-
Capital adequacy ratios	46%	-	-	-	-
Risk weighted assets (\$trillion)	844,641,010,214	15%	33%	44%	35%
		-	-	-	-
<b>4. Advances, deposits and funds employed</b>					
Total funds employed (\$trillion)	313,857,744,745				
Customer deposits (\$trillion)	1,319,765,140,972	-	-	-	-
Loans and advances to customers (\$trillion)	31,376,099,346	-	-	-	-
Percentage of customer deposits to funds employed	421%	-	-	-	-
Percentage of loans and advances to customers deposits	2%	11%	381%	591%	72%
		127%	21%	21%	40%
<b>5. Cost to income ratio</b>					
Operating income (\$ trillion)	214,475,817,757	-	-	-	-
Operating expenses (\$ trillion)	7,560,241,138	-	-	-	-
Cost to income ratio	4%	40%	31%	31%	42%



# chairman's statement



Anthony Mandiwanza - Chairman

## Dear shareholder

Barclays remained focused on preserving its capital and capabilities to support future business growth and ensure continued financial security for its stakeholders. This has been achieved against a setting of harsh economic conditions in 2008 in which the bank managed to maintain a strong liquidity position and preserve its capital.

## Business environment

2008 was another challenging year for the Zimbabwean economy which continued on a declining trend with last official annual inflation reported for July 2008 at 231 million percent. The Reserve Bank of Zimbabwe redenominated the Zimbabwe dollar by a factor of ten billion on August 1, 2008 followed by the issuing of licences to selected businesses to start trading in foreign currency. The trend of dollarization impacted the economy from the last quarter of 2008 in an economy whose productive capacity utilisation remained low across all sectors. The banking sector battled to fight increasing pressures of being disintermediated as demand for local currency loans declined and foreign currency flows through the banking system continued to decline. Barclays strategy has remained focused on its chosen core lines of business, even under these conditions, and we believe that we will emerge even stronger out of the prevailing hardships.

## Financial results

International Financial Reporting Standards ("IFRS") require that inflation adjusted financial statements be reported in Zimbabwe dollars. At the time of reporting, inflation indices for the year end date of 31 December 2008 were not available with the last indices published by the Central Statistics Office (CSO) being those for July 2008. Barclays prepared the statutory historical cost financial statements which were audited by the external auditors. The period under review was also characterised by multiple exchange rates being used by economic agents depending on the nature and form of transactions being conducted. To provide some basis of comparability, the Reserve Bank of Zimbabwe prescribed that all foreign currency balances be translated to local currency at a United Nations exchange rate of Z\$35 quadrillion to US\$1. Barclays complied with this requirement in the treatment of foreign currency balances. I also draw your attention to significant accounting policies to these financial statements explaining the basis of preparation and insignificance of comparative figures.

## Headline earnings

Barclays achieved headline earnings per share of \$70.3 trillion in historical cost terms from an after tax profit of \$151.1 hexillion.

Profit for the year before the effect of gains in investment property was \$23.9 hexillion coming from banking income before tax of \$37.3 hexillion. Net foreign currency income amounted to 92% of non-funded income. Operating costs continued to be under pressure from the effects of hyperinflation. The Bank pursued cost containment initiatives including bulk purchasing and renegotiated contracts. The banking business cost to income ratio closed the year at 17%. An impairment charge of 0.2% on the loan book is lower than the level of 2% obtained for 2007. The quality of the advances book remained high reflecting the generally short term nature of the loans and advances book as well as a disciplined approach to credit risk management.

## Gains in investment property

Fair value gain in investment property amounted to \$169.5 hexillion or 79% of total income for the year. Inclusive of the effect of gain in investment property, the cost to income ratio for the year was 4%.

## Regulatory compliance

Barclays continues to comply with the central bank minimum capital and capital adequacy requirements through the retention of earnings and adhering to prudent lending practices. The Bank's capital adequacy level also positions it to take advantage of business growth opportunities. The bank complied with all regulations and statutory requirements in all material respects. The laws which protect various rights of stakeholders including employees, customers and shareholders continued to be observed.

# chairman's statement *(cont)*

## Corporate governance

Corporate governance is a critical factor to the sustainability of banking business. Barclays Bank of Zimbabwe Limited subscribes to the Barclays Bank Group and the King II Report on corporate governance principles which I am charged to uphold in protecting the Bank's strong reputation in this area. There were a number of Board changes during the year. Mr. E M Makonese, the former chairman, retired after serving twelve years as non executive director. I would like to take this opportunity to thank Mr Makonese on behalf of the board and staff of the Bank for his sterling contribution towards the success of the Bank over the years both as director and chairman of the board. Details of the other changes are outlined in the directors' report.

## Responsible banking

Despite the economic challenges, the Bank continued to support social investment initiatives in social welfare and education. The Bank assisted flood victims from the Muzarabani and Low veld areas during the first quarter of 2008. On education, the Bank continued its contribution to school construction projects alongside sustaining its sponsorship to the National Association of School Headmasters' junior soccer tournament. Various community based charity initiatives were carried out in partnership with staff.

## Appreciation

I would like to thank our customers for their continued support. I would also like to thank my colleagues on the Board and the Barclays team for their dedication and commitment under very challenging conditions in 2008.

## Outlook

The slow down in the global and local economy will inevitably present challenges to all businesses but the fundamentals of the Bank secure our optimism into the future. The Bank's financial and human capital base alongside its international network of banking capabilities stand it ready to benefit from a turnaround in the economic environment. The formation of the Government of National Unity is a positive step. If the positive measures taken such as the recent 2009 Budget and monetary policy statements are sustained, we are confident there is a bright future for the Bank and the economy at large.

## Dividend

In order to sustain the Bank's liquidity position your board proposes not to declare any dividend for 2008. This decision also considers effects of inflation on the dividend vis a vis the costs involved with dividend distributions.

A.S. Mandiwanza  
Chairman  
20 April 2009



# managing director's statement



George Guvamatangaa - Managing Director

## Introduction

I reported in our interim results that the operating environment in the first six months of 2008 had continued to present the financial sector with challenges. The second half of 2008 continued on the same trend. Hyperinflation and foreign currency shortages persisted, stifling the productive and social sectors of the economy. In managing Barclays through this difficult time, we were able to maintain a strong liquidity position and preserve capital on the back of fair performance on a month on month basis.

## Market developments

In reviewing the market conditions, the cumulative effect of the previous year's deterioration was evident. Money supply grew significantly in the second half of the year. In the absence of international balance of payments support, this pushed hyper inflation with the July year-on-year inflation being recorded at 231 million percent. Towards the end of the year, the majority of economic transactions were conducted in foreign currency or foreign currency proxies. Cash withdrawal limits and bottlenecks in the national payments system led to further disintermediation of the financial sector.

## Retail banking

Our approach in retail banking was to offer customers the best possible service despite the challenges that were being experienced. This sometimes meant opening branches later than usual, increasing manning levels in the branches as well as the processing centres, and keeping the automated teller machines ("ATMs") fully operational.

## Commercial banking

Relationship management remained a key value driver for corporate and small to medium enterprises ("SME") customers.

Our strategy to remain close to our customers and provide timeous support as they manoeuvred through the difficulties presented by the operating environment enabled this unit to contribute significantly to our results. Our award winning custodial services unit was major contributor of foreign currency income proving its ability to provide quality service to its customers.

## Operations and information technology ("IT")

In operations and information technology, our strategy was influenced by the needs proffered by the operating environment. Change initiatives in this area of the business were focused on system enhancements to cope with the growing number of zeros, with the bank taking a lead on redenomination in August and again in November. Another area of priority was making sure that our ATMs were timeously configured to issue new bank notes as issued by the Central Bank from time to time.

## Risk management

Lendings continued to be subdued in the second half of 2008 in line with the shrinking economic activity. Hyperinflation and high interest rates also contributed to the declining appetite from customers for local currency loan facilities. Barclays was however still able to post some business whilst maintaining control over impairments. Compliance and operational risk management were key areas of focus given the active regulatory and compliance environment.

The rapid informalisation of the economy and high unemployment rate led to an increased requirement for monitoring and control increasing the cost of compliance. The proactive identification of operational risks through the detailed risk and control assessment process assisted in mitigating potential losses.

# managing director's statement *(cont)*

## Human resources

Employee well being remained one of our key priorities especially as the availability of basic goods deteriorated in the second half of the year. Proactive measures were taken to assist colleagues with groceries, fuel and allowances in line with National Employment Council ("NEC") negotiated agreements. Customer service and compliance training was also given priority in the up-skilling of staff in order to ensure that Barclays continued to give a good quality service to our customers. In order to safeguard our future ability to deliver, priority was also given to prudent resourcing, skills development and measures to retain staff.

## Treasury

Treasury operations were once again a significant driver of the Banks performance through prudent investments and preserving value of the banks assets. This was achieved in a very challenging environment characterised by hyperinflation, very little foreign currency activity and limited investment options.

## Future prospects

I look forward to some improvements in the operating environment that will allow us to deliver significantly more value to all our key stakeholders. We are well positioned to take advantage of such improvements with a view of doing business with more customers in the coming year.

G.T. Guvamatanga  
Managing Director  
20 April 2009



# director's report



The Directors of the Bank are pleased to submit their report to shareholders for the financial year ended 31 December 2008.

## Share capital

No new shares were issued during the period under review. A number of members of management staff with share options took up their entitlements totalling 2,620,000. The total number of shares options granted to the management share option scheme in 2008 was 710,000. The number of shares issued and fully paid up as at 31 December 2008 was 2,151,055,176. The breakdown of the share capital was as follows:

	2008	Change	2007
Issued and fully paid	2,151,055,176	2,620,000	2,148,435,176
Shares allocated to management share option scheme	7,028,247	(2,620,000)	9,648,247
Shares under the control of the directors	2,841,916,577	-	2,841,916,577
<b>Total authorised</b>	<b>5,000,000,000</b>	<b>-</b>	<b>5,000,000,000</b>

## Financial statements

The annexed financial statements adequately disclose the results of Barclays Bank of Zimbabwe Limited's operations during the year. The directors have deemed it prudent not to declare a dividend for the year ended 31 December 2008.

## Directorate

### Re-election of directors

The following re-elections were confirmed by shareholders in a general meeting during 2008: Mr. A.S. Mandiwanza, Mr. C. F. Dube and Prof H.C. Sadza were re-elected by the shareholders having retired by rotation and being eligible offered themselves for re-election.

### Board changes

During the course of the year, the following board changes took place:

- o Mr. G.T. Guvamatanga was appointed Managing director from 1 January 2008 to replace Mrs C. Jinya who was reassigned elsewhere within the group.
- o Mr. A Khwaja and Mr. K. Kasongo who were both Barclays Plc representatives on the board left and were replaced by Mr. Z. Masud who came in to fill one of the vacancies.
- o Mr. W Muchingami who was Finance Director (Executive) was replaced by Mr. S. Matsekete as Finance director (Executive) with effect from 25 November 2008.
- o Mr. E. Makonese who was chairman of the board retired after expiry of his term of office as director and was replaced as chairman by Mr. A. Mandiwanza with effect from 25 November 2008.

### As at 31 December 2008, the following were the directors of the company:

A.S. Mandiwanza (Chairman)  
 C.F. Dube  
 G.T. Guvamatanga\* (Managing director)  
 S. Matsekete\*  
 Z. Masud  
 J. Phiri\*  
 J.P. Rooney  
 Prof. H.C. Sadza

\*Executive Directors



# director's report *(cont)*

## Directors' remuneration

Details of the directors remuneration are contained in note 21 to the Financial Statements

## Directors' responsibility statement

The preparation and presentation of the annual financial statements of Barclays Bank of Zimbabwe Limited and all the information contained herein is the responsibility of the directors. The information contained in these financial statements has been prepared on the going concern basis and in accordance with provisions of the Companies Act (Chapter 24:03) as applicable to a financial institution registered in terms of the Banking Act (Chapter 24:20). These financial statements have also been prepared in compliance with International Financial Reporting Standards, except for the requirement to publish inflation adjusted accounts. The significant accounting policies to this financial statement details the basis of preparation and limitations from the general environment to the preparation of the 2008 financial statements. In particular we draw attention to the non availability of inflation indices required for the preparation of inflation adjusted financial statements and the measurement challenges in the historical cost accounts presented by the use of multiple exchange rates and pricing methods by economic agents during the year.

## Auditors

Shareholders are requested to re-appoint PricewaterhouseCoopers as auditors of the Bank until the conclusion of the next Annual General Meeting.

By Order of the Board

G.F. Chihota  
Secretary  
20 April 2009



# corporate governance



## Corporate governance statement

The Board of directors of the Bank remains committed to the maintenance of the highest corporate governance standards in the operations and structures of the Bank, ensuring effective monitoring and control, and timely and accurate disclosure of material information about the Bank. All laws and regulations are observed as a matter of policy. The Bank subscribes to the principles of international best practice as guided by the King II Report, the Barclays Group Corporate Governance Guidelines, the Bank's own Corporate Governance Manual as well as the Reserve Bank of Zimbabwe guidelines.

The Board of directors is committed to creating and sustaining shareholder value and ensuring that the Bank's behaviour is ethical, legal and transparent.

## Board

The Board is responsible for giving strategic direction and oversight to the Bank. It is headed by a non-executive chairman ensuring separation of roles between the managing director and Board chairman. The directors held four board meetings and one strategy session in the period under review at which the policies and strategies of the Bank were discussed. The Board as at period end comprised three executive directors and five non executive directors, four of whom are independent non-executive directors.

The Board has delegated some of its duties and responsibilities to committees to ensure the efficient discharge of its duties. The ultimate responsibility of running the Bank however still remains with the Board. The committees of the Board are as follows:

## Audit Committee

The main functions of the committee are to review the Bank's accounting policies, the contents of the financial reports, disclosure controls and procedures, management's approach to internal controls and the adequacy and scope of the external and internal audit functions. The committee also reviews compliance with regulatory and financial reporting requirements and oversees the relationship with the Bank's external auditors and provides assurance to the Board that executive management's control assurance processes are implemented and are complete and effective. At each meeting the committee reviews management's response to reported weaknesses in controls and any deficiencies in systems and makes recommendations for improvement. The committee monitors the ethical conduct of the Bank, its executives and senior officers and advises the Board as to whether or not the Bank is complying with the aims and objectives for which it has been established. During the year ended 31 December 2008, there were no material losses as a result of internal control breakdowns. The committee comprises four independent non-executive directors. The members of the committee during the year were:-

J.P. Rooney	Chairman, Non-Executive Director
C.F. Dube	Non-Executive Director
A.S. Mandiwanza	Non-Executive Director
Prof H.C. Sadza	Non-Executive Director

## Credit Committee

The board credit committee is tasked with the overall review of the Bank's lending policy. It 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 and problem loans, minimize loss and maximize recoveries. It also directs, monitors, reviews and considers all issues that may materially impact on the present and future quality of the Bank's credit risk management. The committee comprises one executive member and two independent non-executive directors. The members of the committee for the period under review were:-

A.S. Mandiwanza	Chairman, Non-Executive Director
E.M. Makonese	Non-Executive Director*
G.T. Guvamatanga	Managing Director

\*Up to 30 November 2008 and not yet replaced at 31 December 2008.

## corporate governance *(cont)*

### Loan Review Committee

The Loan Review Committee has overall responsibility for complete review of the quality of the Bank's loan portfolio to ensure that the lending function conforms to sound lending policies and to keep the Board adequately informed on portfolio risk. 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 Regulations, 2000 as well as internal policies. The committee comprises two independent non-executive directors and two executive directors. The members of the committee during the year were:

C.F. Dube	Chairman, Non-Executive Director
J.P. Rooney	Non-Executive Director
G.T. Guvamatanga	Managing Director
W. Muchingami	Finance Director*

\*Up to 30 August 2008 and not yet replaced at 31 December 2008.

### 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 operations of the Bank. The committee also considers nominations to the Board and succession planning for the Board. The committee comprises two non-executive directors and one executive director. The members of the committee for the period under review were:

Prof H.C. Sadza	Chairperson, Non-Executive Director
E.M. Makonese	Non-Executive Director*
G.T. Guvamatanga	Managing Director

\*Up to 30 November 2008 and not yet replaced at 31 December 2008.

### Executive Committee (also known as the Country Management Committee, CMC)

The executive committee is the operational management forum responsible for the delivery of the Bank's operating plan. It has various sub committees to assist it with the effective discharge of its functions. 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 operations, strategic plans, identification and management of key risks and opportunities. The Executive Committee also reviews and approves guidelines for employee remuneration. The executive committee assists the managing director to manage the Bank, to guide and control the overall direction of the business of the Bank and acts as a medium of communication and co-ordination between business units and the Board. The committee comprises executive directors and senior management.

### Asset and Liability Committee (ALCO)

ALCO is tasked with ensuring the achievement of sustainable and stable profits within a framework of acceptable financial risks and controls. ALCO 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. ALCO manages the funding and investment of the Bank's balance sheet, liquidity and cash flow of the Bank, 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 the strategies of the Bank conform to the Bank's risk appetite and level of exposure as determined by the Risk Management Committee. The committee comprises executive directors and management.

### 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 Plc and regulatory bodies as well as ensuring the Bank's risk management framework and policies are fit for purpose. It determines and approves business level policies, ensuring consistency with Barclays Emerging Markets policies. It assists the Board of Directors in the discharge of its duties relating to the corporate accountability and associated risks in terms of management, assurance and reporting. At every meeting of the committee, the committee reviews internal audit reports and assesses the integrity of the risk control systems and ensures 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 and prospective impact. The committee comprises executive directors and management.

### Board evaluation

The Board conducts an annual peer based evaluation of the effectiveness of its operations. The process entails the members evaluating each other collectively as a board and individually as members. The evaluation considers specific criteria such as structure of the Board, effectiveness of committees, strategic leadership, corporate social 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.

### Directors' shareholding

The following is a schedule of the directors' shareholdings in the Bank as at 31 December 2008:

J.P. Rooney	Nil
C.F. Dube	Nil
Prof. H.C. Sadza	14 011 shares
A.S. Mandiwanza	5 117 shares
G.T. Guvamatanga	Nil
S. Matsekete	10 000 shares
J. Phiri	Nil
A. Khwaja	Nil
Z. Masud	Nil



## corporate governance *(cont)*

### Financial statements

The Directors are responsible for the preparation and integrity of the financial statements and related financial information contained in this report. The financial statements are prepared in accordance with generally accepted local and international accounting practices and they incorporate full and responsible disclosure to ensure that the information contained therein is both relevant and reliable.

### Board attendance

#### Main Board

Name of Director	Total meetings	Total present	Total absent
E.M. Makonese	4	4	0
C.F. Dube	4	3	1
G.T. Guvamatanga	4	3	1
A.S. Mandiwanza	4	3	1
W. Muchingami	4	3	1
J. Phiri	4	4	0
J.P. Rooney	4	3	1
Prof. H.C. Sadza	4	4	0

#### Audit Committee

Name of Director	Total meetings	Total present	Total absent
J.P. Rooney	4	4	0
C.F. Dube	4	4	0
A.S. Mandiwanza	4	3	1
Prof. H.C. Sadza	4	3	1

#### Human Resources Committee

Name of Director	Total meetings	Total present	Total absent
Prof. H.C. Sadza	4	4	0
E.M. Makonese	4	3	1
G.T. Guvamatanga	4	2	2

#### Credit Committee

Name of Director	Total meetings	Total present	Total absent
A.S. Mandiwanza	3	3	0
E.M. Makonese	3	3	0
J. Phiri	3	3	0
G.T. Guvamatanga	3	2	1

#### Loans Review

Name of Director	Total meetings	Total present	Total absent
C.F. Dube	4	4	0
W. Muchingami	4	3	N/A
J.P. Rooney	4	3	1

#### By Order of the Board

G.F. Chihota  
Secretary  
20 April 2009



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**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF**

**Barclays Bank of Zimbabwe Limited**

We have audited the accompanying financial statements of Barclays Bank of Zimbabwe Limited set out on pages 13 to 40, which comprise the balance sheet as at 31 December 2008 and the income statement, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

**Directors' Responsibility for the Financial Statements**

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the provisions of the Companies Act (Chapter 24:03) and the relevant Statutory Instruments ("SI") (SI 33/99 and SI 62/99) and the Banking Act (Chapter 24:20). This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse audit opinion on compliance with International Financial Reporting Standards and our audit opinion on compliance with the Zimbabwe Companies Act (Chapter 24:03) and the relevant Statutory Instruments (SI 33/99 and SI 62/99) and the Banking Act (Chapter 24:20).

**Basis for Adverse Opinion - Compliance with International Financial Reporting Standards**

The Zimbabwe economy is recognised as being hyperinflationary for purposes of financial reporting. As disclosed in note 4 to the financial statements, these financial statements have not been prepared in conformity with International Financial Reporting Standards in that the requirements of International Accounting Standard ("IAS") 29, Financial Reporting in Hyperinflationary Economies have not been complied with. The Standard requires that financial statements that report in the currency of a hyperinflationary economy should be stated in terms of the measuring unit current at the balance sheet date.

**Adverse Opinion - Compliance with International Financial Reporting Standards**

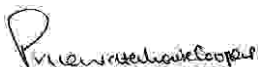
In our opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion - Compliance with International Financial Reporting Standards paragraph, the financial statements do not give a true and fair view of the financial position of Barclays Bank of Zimbabwe Limited as at 31 December 2008, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

**Opinion on Compliance with the Companies Act (Chapter 24:03) and the relevant Statutory Instruments (SI 33/99 and SI 62/99) and the Banking Act (Chapter 24:20).**

In our opinion, these financial statements have been prepared, in all material respects, in accordance with provisions of the Companies Act (Chapter 24:03) and the relevant Statutory Instruments (SI 33/99 and SI 62/99) and the Banking Act (Chapter 24:20).

**Emphasis of matter**

Without further qualifying our opinion, we draw your attention to note 4 to the financial statements which indicates that the Bank operates in an uncertain macro-economic environment.



PricewaterhouseCoopers  
Chartered Accountants (Zimbabwe)  
Harare

20 April 2009

T I Rwodzi - Senior Partner

The Partnership's principal place of business is at Arundel Office Park, Norfolk Road, Mount Pleasant, Harare, Zimbabwe where a list of the Partners' names is available for inspection.

# balance sheet

as at 31 December 2008

	Note	2008 \$ trillion	2007 \$ trillion
<b>Assets</b>			
Cash and bank balances	5	758,364,688,868	-
Available for sale financial assets	6	348,400,660	-
Loans and advances to customers	7	31,376,099,346	-
Trade investments available for sale	9	26,770,817,100	-
Amounts due by group companies	10	699,277,339,473	-
Other assets	11	2,688,906,338	-
Investment property	12	169,500,000,000	-
Property and equipment	13	208,340,132,759	-
<b>Total assets</b>		<b>1,896,666,384,544</b>	-
<b>Liabilities</b>			
Customer deposits	15	1,319,765,140,972	-
Amounts due to group companies	10	128,032,025,336	-
Other liabilities	16	7,137,994,400	-
Current income tax liabilities		10,143,466,909	-
Deferred income tax liabilities	17	117,730,012,182	-
<b>Total liabilities</b>		<b>1,582,808,639,799</b>	-
<b>Equity</b>			
Share capital	18	-	-
Accumulated profits	18	151,057,829,040	-
Other reserves	18	162,799,915,705	-
<b>Total equity</b>		<b>313,857,744,745</b>	-
<b>Total equity and liabilities</b>		<b>1,896,666,384,544</b>	-

G. F. Chihota  
Secretary

G. T. Guvamatanga  
Managing Director

A. Mandiwanza  
Chairman

# income statement

for the year ended 31 December 2008

	Note	2008 \$ trillion	2007 \$ trillion
Interest income	19	3,551,306,859	-
Interest expense	19	(10,582,474)	-
<b>Net interest income</b>		<b>3,540,724,385</b>	-
Non-funded income	20	41,435,093,372	-
Fair value gain on investment property	12	169,500,000,000	-
<b>Operating income</b>		<b>214,475,817,757</b>	-
Operating expenses	21	(7,560,241,138)	-
Impairment losses on loans and advances	22	(70,238,434)	-
Profit before income tax		206,845,338,185	-
Income tax expense	17	(55,782,174,221)	-
<b>Profit for the year</b>		<b>151,063,163,964</b>	-
Basic earnings per share (\$ trillion)	23	70,3	-
Diluted earnings per share (\$ trillion)	23	70,2	-

# statement of changes in equity

for the year ended 31 December 2008

	Share capital	Share premium	Non-distributable reserves	Accumulated profits	Share option reserve	Total
	\$ trillion	\$ trillion	\$ trillion	\$ trillion	\$ trillion	\$ trillion
Balance at 1 January 2007	-	-	-	-	-	-
Profit for the year	-	-	-	-	-	-
Dividends declared and paid	-	-	-	-	-	-
Issue of share capital - share options	-	-	-	-	-	-
Property revaluation surplus	-	-	-	-	-	-
Deferred income tax on property revaluation surplus	-	-	-	-	-	-
Fair value gain on trade investments	-	-	-	-	-	-
Deferred income tax on revaluation gain	-	-	-	-	-	-
Fair value gain on available for sale financial assets	-	-	-	-	-	-
Deferred income tax on gain on available for sale financial assets	-	-	-	-	-	-
Share option reserve charge	-	-	-	-	-	-
Balance at 31 December 2007	-	-	-	-	-	-
Balance at 1 January 2008	-	-	-	-	-	-
Profit for the year	-	-	-	151,063,163,964	-	151,063,163,964
Issue of share capital - share options	-	-	-	-	-	-
Property revaluation surplus	-	-	208,340,000,000	-	-	208,340,000,000
Deferred income tax on property revaluation	-	-	(64,377,060,000)	-	-	(64,377,060,000)
Transfer to doubtful debts reserve	-	-	5,334,924	(5,334,924)	-	-
Fair value gain on available for sale investments	-	-	(26,131,909)	-	-	(26,131,909)
Deferred income tax on available for sale investments	-	-	8,074,760	-	-	8,074,760
Fair value gain on trade investments available for sale	-	-	26,770,817,100	-	-	26,770,817,100
Deferred income tax on gain on trade investments available for sale	-	-	(7,921,119,630)	-	-	(7,921,119,630)
Share option reserve charge	-	-	-	-	460	460
Balance at 31 December 2008	-	-	162,799,915,245	151,057,829,040	460	313,857,744,745

# cashflow statement

for the year ended 31 December 2008

	Note	2008 \$ trillion	2007 \$ trillion
<b>Cash flow from operating activities</b>			
Profit before income tax		206,845,338,185	-
Depreciation		2,250	-
Medical aid accrual fund		2,030,066	-
Unrealised gain on investment property	12	(169,500,000,000)	-
Share options		460	-
Impairment losses on loans and advances		70,238,434	-
Income tax paid		(198,800,000)	-
<b>Cash inflow before changes in operating assets and liabilities</b>		<b>37,218,809,395</b>	<b>-</b>
Increase in loans and advances to customers		(31,446,337,780)	-
Increase in statutory reserves		(16,619,530,176)	-
Increase in amount due by group companies		(699,277,339,473)	-
Increase in other assets		(2,688,906,338)	-
Increase in customer deposits		1,319,765,140,972	-
Increase in amounts due to group companies		128,032,025,336	-
Increase in other liabilities		7,135,964,335	-
<b>Net cash inflow from operating activities</b>		<b>742,119,826,271</b>	<b>-</b>
<b>Cash flows from investing activities</b>			
Purchase of property and equipment	13	(135,009)	-
<b>Net cash used in investing activities</b>		<b>(135,009)</b>	<b>-</b>
<b>Net increase in cash and cash equivalents</b>		<b>742,119,691,262</b>	<b>-</b>
Cash and cash equivalents- at the beginning of the year		-	-
Marking to market impact		(26,131,909)	-
<b>Cash and cash equivalents - at the end of the year</b>	5	<b>742,093,559,352</b>	<b>-</b>
<b>Cash and cash equivalents excluding treasury bills</b>	6	<b>741,745,158,692</b>	<b>-</b>
Treasury bills		348,400,660	-
<b>Cash and cash equivalents</b>		<b>742,093,559,352</b>	<b>-</b>

# notes to the financial statements

for the year ended 31 December 2008

## 1. General information

Barclays Bank of Zimbabwe Limited provides retail, corporate and investment banking services in Zimbabwe. The Bank which is incorporated in Zimbabwe is a registered commercial bank under the Banking Act, Chapter (24:20). The ultimate parent company is Barclays Plc. During the year the Bank acquired control of Brains Computer Processing (Private) Limited, a computer processing company operating in Zimbabwe from fellow subsidiaries of Barclays Bank Plc and divisionalised the operations of that company into the Bank. The Bank has a primary listing on the Zimbabwe Stock Exchange.

These financial statements were approved for issue by the Board of Directors.

## 2. Significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### *Change in accounting policy*

During 2008 Barclays Bank of Zimbabwe Limited changed its accounting policy for the treatment of investment property. Previously investment property was accounted for using the cost model and the change is to account for investment property on the fair value model. Management judges that this policy results in fairer presentation of the value of the investment property. Comparative figures for 2007 have been restated

## 2.1 Basis of preparation

The Bank's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") except for the requirement to present inflation adjusted financial statements required in terms of International Accounting Standard ("IAS") 29: Financial Reporting in Hyperinflationary Economies. The financial statements are based on statutory records that are maintained under the historical cost convention as modified by the revaluation of available for sale financial assets, investment property and property and equipment which are carried at fair value. The inflation indices required for inflation adjusted financial statements were not available at the time of reporting. The Central Statistics Office had not released consumer price indices from August 2008 and the existence of market distortions made the measurement of inflation by alternative means difficult in the opinion of management. Accordingly, only historical cost financial statements have been provided. This is a departure from the basis on which the financial statements for previous years have been prepared.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Bank's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statement are disclosed in the notes.

### a) *Interpretations effective in 2008*

- o IFRIC 14, 'IAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction', provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. This interpretation does not have any impact on the Bank's financial statements, as the Bank has a pension deficit and is not subject to any minimum funding requirements.
- o IFRIC 11, 'IFRS 2 - Group and treasury share transactions', provides guidance on whether share-based transactions involving treasury shares or involving group entities should be accounted for as equity-settled or cash-settled share-based payment transactions in the stand-alone accounts of the parent and group companies. This interpretation does not have an impact on the Bank's financial statements, as the Bank has no options over the parent's shares.

### b) *Interpretations effective in 2008 but not relevant*

The following interpretation to published standards is mandatory for accounting periods beginning on or after 1 January 2008 but is not relevant to the Bank's operations:

- o IFRIC 12, 'Service concession arrangements'; and
- o IFRIC 13, 'Customer loyalty programmes'.

### c) *Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Bank*

The following standards and amendments to existing standards have been published and are mandatory for the Bank's accounting periods beginning on or after 1 January 2009 or later periods, the Bank has not early adopted them:

- o IAS 23 (Amendment), 'Borrowing costs' (effective from 1 January 2009). The amendment requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. Also, the definition of borrowing costs has been amended so that interest expense is calculated using the effective interest method defined in IAS 39 'Financial instruments: Recognition and measurement'. This eliminates the inconsistency of terms between IAS 39 and IAS 23. The Bank will apply IAS 23 (Amendment) retrospectively from 1 January 2009 but is currently not applicable to the Bank as there are no qualifying assets.

# notes to the financial statements<sup>(cont)</sup>

for the year ended 31 December 2008

- o IAS 1 (Revised), 'Presentation of financial statements' (effective from 1 January 2009). The revised standard will prohibit the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). Where entities restate or reclassify comparative information, they will be required to present a restated balance sheet as at the beginning comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period. The Bank will apply IAS 1 (Revised) from 1 January 2009. It is likely that both the income statement and statement of comprehensive income will be presented as Performance statements.
- o IFRS 2 (Amendment), 'Share-based payment' (effective from 1 January 2009). The amended standard deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. These features would need to be included in the grant date fair value for transactions with employees and others providing similar services; they would not impact the number of awards expected to vest or valuation thereof subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The Bank will apply IFRS 2 (Amendment) from 1 January 2009. It is not expected to have a material impact on the Bank's financial statements.
- o IAS 32 (Amendment), 'Financial instruments: Presentation', and IAS 1 (Amendment), 'Presentation of financial statements' - 'Puttable financial instruments and obligations arising on liquidation' (effective from 1 January 2009). The amended standards require entities to classify puttable financial instruments and instruments, or components of instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation as equity, provided the financial instruments have particular features and meet specific conditions. The Bank will apply the IAS 32 and IAS 1 (Amendment) from 1 January 2009, but is currently not applicable to the Bank as there are no puttable financial instruments.
- o IAS 27 (Revised), 'Consolidated and separate financial statements', (effective from 1 July 2009). The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. The Bank will apply IAS 27 (Revised) prospectively to transactions with non-controlling interests from 1 January 2010.
- o IFRS 3 (Revised), 'Business combinations' (effective from 1 July 2009). The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The Bank will apply IFRS 3 (Revised) prospectively to all business combinations from 1 January 2010.
- o IFRS 5 (Amendment), 'Non-current assets held-for-sale and discontinued operations' (and consequential amendment to IFRS 1, 'First-time adoption') (effective from 1 July 2009). The amendment is part of the International Accounting Standards Board's (IASB) annual improvements project published in May 2008. The amendment clarifies that all of a subsidiary's assets and liabilities are classified as held for sale if a partial disposal sale plan results in loss of control. Relevant disclosure should be made for this subsidiary if the definition of a discontinued operation is met. A consequential amendment to IFRS 1 states that these amendments are applied prospectively from the date of transition to IFRSs. The Bank will apply the IFRS 5 (Amendment) prospectively to all partial disposals of subsidiaries from 1 January 2010. The amendments will not have any impact on the Bank's financial statements.
- o IAS 28 (Amendment), 'Investments in associates' (and consequential amendments to IAS 32, 'Financial Instruments: Presentation', and IFRS 7, 'Financial instruments: Disclosures') (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. An investment in associate is treated as a single asset for the purposes of impairment testing. Any impairment loss is not allocated to specific assets included within the investment, for example, goodwill. Reversals of impairment are recorded as an adjustment to the investment balance to the extent that the recoverable amount of the associate increases. The Bank will apply the IAS 28 (Amendment) to impairment tests related to investments in subsidiaries and any related impairment losses from 1 January 2009.
- o IAS 36 (Amendment), 'Impairment of assets' (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. Where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-use calculation should be made. The Bank will apply the IAS 36 (Amendment) and provide the required disclosure where applicable for impairment tests from 1 January 2009.
- o IAS 19 (Amendment), 'Employee benefits' (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008.
- The amendment clarifies that a plan amendment that results in a change in the extent to which benefit promises are affected by future salary increases is a curtailment, while an amendment that changes benefits attributable to past service gives rise to a negative past service cost if it results in a reduction in the present value of the defined benefit obligation.

# notes to the financial statements<sup>(cont)</sup>

for the year ended 31 December 2008

- The definition of return on plan assets has been amended to state that plan administration costs are deducted in the calculation of return on plan assets only to the extent that such costs have been excluded from measurement of the defined benefit obligation.
- The distinction between short term and long term employee benefits will be based on whether benefits are due to be settled within or after 12 months of employee service being rendered.
- IAS 37, 'Provisions, contingent liabilities and contingent assets, requires contingent liabilities to be disclosed, not recognised. IAS 19 has been amended to be consistent. The Bank will apply the IAS 19 (Amendment) from 1 January 2009.
- o IAS 39 (Amendment), 'Financial instruments: Recognition and measurement' (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008.
  - This amendment clarifies that it is possible for there to be movements into and out of the fair value through profit or loss category where a derivative commences or ceases to qualify as a hedging instrument in cash flow or net investment hedge.
  - The definition of financial asset or financial liability at fair value through profit or loss as it relates to items that are held for trading is also amended. This clarifies that a financial asset or liability that is part of a portfolio of financial instruments managed together with evidence of an actual recent pattern of short-term profit taking is included in such a portfolio on initial recognition.
  - When remeasuring the carrying amount of a debt instrument on cessation of fair value hedge accounting, the amendment clarifies that a revised effective interest rate (calculated at the date fair value hedge accounting ceases) are used.
- o The Bank will apply the IAS 39 (Amendment) from 1 January 2009. It is not expected to have an impact on the Bank's income statement.
- o IAS 1 (Amendment), 'Presentation of financial statements' (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. The amendment clarifies that some rather than all financial assets and liabilities classified as held for trading in accordance with IAS 39, 'Financial instruments: Recognition and measurement' are examples of current assets and liabilities respectively. The Bank will apply the IAS 39 (Amendment) from 1 January 2009. It is not expected to have an impact on the Bank's financial statements.
- o There are a number of minor amendments to IFRS 7, 'Financial instruments: Disclosures', IAS 8, 'Accounting policies, changes in accounting estimates and errors', IAS 10, 'Events after the reporting period', IAS 18, 'Revenue' and IAS 34, 'Interim financial reporting', which are part of the IASB's annual improvements project published in May 2008. These amendments are unlikely to have an impact on the Bank's financial statements and have therefore not been analysed in detail.
- o IFRIC 16, 'Hedges of a net investment in a foreign operation' (effective from 1 October 2008). IFRIC 16 clarifies the accounting treatment in respect of net investment hedging. This includes the fact that net investment hedging relates to differences in functional currency not presentation currency, and hedging instruments may be held anywhere in the group. The requirements of IAS 21, 'The effects of changes in foreign exchange rates', do apply to the hedged item. The Bank will apply IFRIC 16 from 1 January 2009 but is currently not applicable to the Bank as there are no investments in a foreign operation.
- o IFRS 8, 'Operating segments' (effective from 1 January 2009). IFRS 8 replaces IAS 14, 'Segment reporting'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes by the chief operating decision-maker. The Bank will apply IFRS 8 from 1 January 2009.

**d) Interpretations and amendments to existing standards that are not yet effective and not relevant for the Bank's operations**

The following interpretations and amendments to existing standards have been published and are mandatory for financial reporting periods beginning on or after 1 January 2009 but are not relevant for the Bank's operations:

- o IFRS 1 (Amendment), 'First time adoption of IFRS' and IAS 27 'Consolidated and separate financial statements' (effective 1 January 2009)
- o IAS 38 (Amendment), 'Intangible assets' (effective 1 January 2009)
- o IFRIC 13, 'Customer loyalty programmes' (effective 1 July 2009)
- o IAS 20 (Amendment), 'Accounting for government grants and disclosure of government assistance' (effective 1 January 2009)
- o IAS 41 (Amendment), 'Agriculture' (effective 1 January 2009)
- o IFRIC 15, 'Agreements for construction of real estates' (effective 1 January 2009)

These amendments do not apply to the Bank as a consequence of the nature of its business or the nature of assets and liabilities it holds and ordinarily expects to hold.

# notes to the financial statements<sup>(cont)</sup>

for the year ended 31 December 2008

## 2.2 Segment reporting

A business segment is a group of assets and operations engaged in providing products or services which are subject to risks and returns that are different from those of other business segments.

## 2.3 Foreign currency translation

### a) *Functional and presentation currency*

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The financial statements are presented in Zimbabwe dollars, which is the Bank's functional and presentation currency.

### b) *Redenomination of currency*

The Zimbabwe dollar was redenominated by a factor of 1:10,000,000,000 i.e ten zeros were removed from all monetary values with effect from 1 August 2008. With effect from the same date the Reserve Bank of Zimbabwe issued a new currency. The new currency carries the same name; "dollar"; as that of the old currency. All transactions in the current and comparative accounting periods have been restated in the new Zimbabwe dollar.

### c) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Translation differences on non-monetary financial assets such as equities classified as available for sale are included in the available-for-sale reserve in equity.

## 2.4 Financial assets

### a) *Classification*

The Bank classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

#### - *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorised as held for trading unless they are designated as hedges.

#### - *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than:

- (a) those that the entity intends to sell immediately or in the short term, which are classified as held for trading, and those that the entity upon initial recognition designates as at fair value through profit or loss;
- (b) those that the entity upon initial recognition designates as available for sale; or
- (c) those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.

#### - *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories.

### b) *Recognition and measurement*

Regular purchases and sales of financial assets are recognised on the trade-date - the date on which the Bank commits to purchase or sell the asset. Financial instruments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the financial instruments have expired or have been transferred and the Bank has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within 'non-funded income' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of non-funded income when the Bank's right to receive payments is established.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available for sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognised in profit or loss; translation differences on non-monetary securities are recognised in equity.

# notes to the financial statements<sup>(cont)</sup>

for the year ended 31 December 2008

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in equity. When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the income statement as part of other income. Dividends on available-for sale equity instruments are recognised in the income statement as part of other income when the Bank's right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Bank establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

## c) *Impairment of financial assets*

The Bank assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset is impaired if, and only if, there is objective evidence of impairment as a result of one or more loss events that occurred after initial recognition of the asset and prior to the balance sheet date (a loss event) and that loss event has had an impact on the future cash flows of the financial asset that can be reliably estimated.

Objective evidence concerning the following loss events is considered:

- a) significant financial difficulty of the issuer or obligor;
- b) a breach of contract, such as default or delinquency in interest or principal payments;
- c) it becomes evident that the borrower will enter bankruptcy or financial reorganisation;
- d) the disappearance of an active market for that financial asset because of financial difficulty.

In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

For loans and receivables, the amount of impairment loss is measured as the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, including amounts recoverable from guarantees and collateral, discounted at the original effective interest rates of loans. The loan loss allowance also covers losses where there is objective evidence that probable losses are present in components of the loan portfolio at the balance sheet date. These have been estimated based upon historical patterns of losses in each component, the credit ratings allocated to the borrowers and reflecting the current economic climate in which the borrowers operate. When a loan is uncollectible, it is written off against the related allowance for impairment; subsequent recoveries are credited to the income statement. Loans and advances that are either subject to collective impairment assessment or individually significant and whose terms have been renegotiated are no longer considered to be past due but are treated as new loans.

## 2.5 **Offsetting financial instruments**

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

## 2.6 **Sale and repurchase agreements**

Securities sold subject to repurchase agreements ("repos") are reclassified in the financials statements as pledged assets when the transferee has the right by contract to sell or repledge the collateral, the counterparty liability is included in amounts due to other banks, other deposits or deposits due to customers, as appropriate. Securities purchased under agreements to resell are recorded as loans and advances to other banks or customers as appropriate.

## 2.7 **Acceptances**

Acceptances comprise undertaking by the Bank to pay bills of exchange drawn on customers. The Bank expects most acceptances to be settled simultaneously with the reimbursement from the customers. Acceptances are accounted for as off-balance sheet transactions and are disclosed as contingent liabilities and commitments.

## 2.8 **Collateral**

The Bank obtains collateral in respect of loans and advances to customers where this is considered appropriate. The collateral normally takes the form of lien over the customer's assets and gives the Bank a claim on these assets for both existing and future liabilities.

## 2.9 **Consolidation of subsidiaries**

Subsidiaries are all entities (including special purpose entities) over which the Bank has power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. Investments in subsidiaries are carried at cost and no consolidated financial statements are prepared as subsidiaries are dormant and their assets and liabilities are immaterial.

# notes to the financial statements<sup>(cont)</sup>

for the year ended 31 December 2008

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Bank. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Bank's share of identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated.

## 2.10 Investment property

Investment property which comprise hotel buildings is held to earn rental income and capital appreciation and is not occupied by the Bank. Operating expenses are paid in full by the lessee. Investment property is shown at fair value, based on periodic but at least annual valuation by external independent valuers. Gains and losses arising from changes in the fair value of the property are included in the income statement in the period in which they arise.

## 2.11 Property and equipment

Land and buildings comprise mainly branches and offices. Land and buildings are shown at fair value, based on periodic, but at least annual valuations, by external independent valuers, less subsequent depreciation for buildings. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset. All other property and equipment is stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or are recognised as separate assets, as appropriate, only when it is probable the future economic benefits associated with the assets will flow to the Bank and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of land and buildings are credited to non-distributable reserves in shareholders' equity. Decreases that offset previous increases of the same asset are charged against non-distributable reserves directly in equity; all other decreases are charged to the income statement. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the income statement and depreciation based on the asset's original cost is transferred from non-distributable to 'retained earnings'. Only revaluation surpluses previously recognised directly in equity are transferred from non-distributable reserves to 'retained earnings' on disposal of assets.

Land is not depreciated. Depreciation on other assets is calculated using the straight - line method to allocate the cost to the residual values over their estimated useful lives, as follows:

	%
Freehold buildings	2
Fixed plant	10
Leasehold buildings	2
Equipment	20
Motor Vehicles	20
Rented Premises	14

Depreciation is charged on a pro rata basis from the purchase date to the date of disposal. Capital work in progress is stated at cost and is not depreciated. When the carrying amount of an asset is greater than its estimated recoverable amount it is immediately written down to its recoverable amount. These adjustments are recognised in the income statement. All repairs and maintenance costs are charged to the income statement.

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at each balance sheet date.

Gains and losses on disposals are determined by comparing proceeds and carrying amount. The gains or losses are included in the income statement.

## 2.12 Impairment of non-financial assets

Assets that have indefinite useful lives not subject to amortisation are tested annually for impairment. Assets subject to impairment are reviewed for impairment whenever changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

## 2.13 Customer deposits

Customer deposits are recognised initially at fair value, net of transaction costs incurred. Deposits are subsequently shown at amortised costs using the effective interest method. Any difference between proceeds (net of transaction costs) and the redemption value is recognised in the income statement.

# notes to the financial statements<sup>(cont)</sup>

for the year ended 31 December 2008

## 2.14 Current and deferred income tax

The income tax expense for the period comprises current and deferred income tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised directly in equity. In this case, the tax is also recognised in equity. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future.

## 2.15 Interest income and expense

Interest income and expense is recognised in the income statement on a time proportion basis for all instruments measured at amortised cost using effective interest method.

The effective interest method is the method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interests income or interest expense over the relevant period. Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss

## 2.16 Fee and commission income

Fees and commissions are generally recognised on an accrual basis when the service has been provided. Commitment fees for loans that are likely to be drawn down are deferred and recognised as an adjustment to the effective interest rate on the loan. Custody service fees are recognised rateably over the period the service is provided.

## 2.17 Rental income

Rent income from the investment property is accounted for on an accrual basis.

## 2.18 Dividend income

Dividends are recognised in the income statement when the entity's right to receive payment is established.

## 2.19 Income on hire purchase and instalment credit

Interest is raised on hire purchase, lease and other instalment credit accounts at the inception of an agreement. Income is calculated on the effective yield basis, which amortises the income on each individual account over the contractual repayment period.

## 2.20 Employee benefits

### a) Retirement benefit obligations

The Bank operates a defined contribution scheme the assets of which are held in a separate Trustee administered fund. The pension plan is generally funded by payments by the Bank. The costs are charged to the income statement as incurred.

### b) Other post-retirement obligations

The Bank provides post-retirement healthcare benefits through an independent Medical Aid Society to their retirees. The entitlement to these benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The Bank pays 100% of the pensioner's medical aid contributions and these costs are charged to the income statement as incurred. The expected future obligations are charged to the income statement.

### c) Equity compensation benefits

Share options are granted on appointment to a managerial position. The share option price is the mid-market price preceding date on which the share option was granted. Non-managerial employees benefit from shares held by the Employee Share Participation Trust in the form of dividends declared. On retirement, non-managerial employees are allocated shares by the Employee Participation Trust.

The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount expensed is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At each balance sheet date, the entity revises its estimates of the number of options that are expected to vest based on the non-marketing vesting conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

The fair value of options granted during the period is determined using the Black-Scholes valuation model.

# notes to the financial statements<sup>(cont)</sup>

for the year ended 31 December 2008

## 2.21 Leases

The leases entered into by the Bank are primarily operating leases. The total payments made under operating leases are charged to other operating expenses in the income statement on a straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

## 2.22 Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise cash and balances with central bank, (less statutory reserves) treasury bills, other eligible bills and amounts due from other banks .

## 2.23 Financial guarantee contracts

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of customers to secure loans, overdrafts and other banking facilities.

Financial guarantees are initially recognised in the financial statements at fair value on the date the guarantee was given. Subsequent to initial recognition, the Bank's liabilities under such guarantees are measured at the higher of the initial measurement, less amortisation calculated to recognise in the income statement the fee income earned on a straight line basis over the life of the guarantee and the best estimate of the expenditure required to settle any financial obligation arising at the balance sheet date. These estimates are determined based on experience of similar transactions and history of past losses, supplemented by the judgment of management. Any increase in the liability relating to guarantees is taken to the income statement under other operating expenses.

## 2.24 Provisions

Provisions are recognised when: the Bank has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

## 2.25 Share capital

Shares are classified as equity when there is no obligation to transfer cash or other assets.

### a) Share issue costs

Incremental costs directly attributable to the issue of new shares or options or to the acquisition of a business are shown directly in equity as a deduction, net of tax, from the proceeds.

### b) Dividends on ordinary shares

Dividends on ordinary shares are recognised in equity in the period in which they are declared by the Bank's directors.

Dividends for the year that are declared after the balance sheet date are dealt with in the subsequent events note.

## 2.26 Fiduciary activities

The Bank acts as a Trustee and in other fiduciary capacities, which result in holding or placing assets on behalf of customers. As these are not assets of the Bank they are not reflected in the balance sheet.

## 3. Critical accounting estimates

The Bank makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

### 3.1 Income taxes

The company is subject to income taxes in Zimbabwe. Significant judgement is required in determining the income tax payable. There are many transactions and calculations for which ultimate tax determination is uncertain during the ordinary course of business. The company recognises liabilities for anticipated tax audit issues based on estimates whether additional taxes will be due. Where the final outcome of these matters is different from amounts that were initially recognised, such differences will impact the income and deferred tax provisions in the period in which such determination is made.

### 3.2 Impairment losses on loans and advances

The Bank reviews its loan portfolios to assess impairment at least monthly. In determining whether an impairment loss should be recorded in the income statement, the Bank makes judgements as to whether there is measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio.

# notes to the financial statements<sup>(cont)</sup>

for the year ended 31 December 2008

Management uses estimates based on historical loss experience for assets with credit risk characteristics. The methodology and assumptions used to for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

### 3.3 Fair value of share options

The fair value of share options that are not traded in an active market is determined using valuation techniques. The Bank uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at each balance sheet date. The fair value of options granted during the year is determined using the Black-Scholes valuation model.

### 3.4 Impairment of available-for-sale equity financial assets

The Bank determines that available-for-sale equity financial assets are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment. In making this judgment, the Bank evaluates among other factors, the normal volatility in share price. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

### 3.5 Fair value of equity financial assets

The fair value of equity financial assets that are publicly traded on the Zimbabwe Stock Exchange are determined based on market prices. There was no active market for these shares as at 31 December 2008, as all conditions necessary for such were not met. The market imperfections that existed at balance sheet date rendered the use of a valuation technique difficult. The Bank has determined that the prices as at 17 November 2008 be used as this was the last date an active market existed.

## 4. Limitations of financial reporting in the general environment

The uncertainties in the adverse Zimbabwean economic environment during the year 2008 have resulted in limitations in financial reporting. Management is unable to predict the extent, severity or duration of the current economic difficulties or their impact on the future operations of the Bank. These uncertainties include:

#### a) Non-availability of official inflation indices

Inflation indices have not been published since July 2008. Estimates by economists are wide ranging between trillions and quadrillions. The use of foreign currency and multiple pricing also distorts the process of measuring inflation. In these circumstance, inflation adjusted financial statements are not prepared as required by the International Accounting Standard ("IAS") 29: 'Financial Reporting Hyperinflationary Economies'.

#### b) Measurement of transactions

The measurement of transactions in local currency was dependent on the mode of settlement. As a result, there may be significant variations in the valuations of assets and liabilities. Accordingly, such valuations may be inherently unreliable.

#### c) Multiple exchange rates

There were various rates applicable which varied significantly (for instance during the year under review the market "cash exchange rate" was less than 1% of the market "cheque exchange rate" or the United Nations exchange rate). If a transaction occurs at more than one rate and is recorded at its nominal value, this may result in distortions in financial reporting.

#### d) Dollarization

The introduction of licensed operations in foreign currency in the country and the "basing" of most other transactions in foreign currency for most of the non-licensed operators, created challenges for the Bank in determining its functional currency (as between the local currency and a foreign currency) in the latter part of 2008. As a result of these uncertainties and inherent limitations caution is advised on the use of these financial statements for decision making purposes.

## 5. Cash and bank balances

	2008 \$ trillion	2007 \$ trillion
Cash	176,709,182,190	-
Balances due from other banking institutions	581,655,506,678	-
<b>Cash and bank balances - balance sheet</b>	<b>758,364,688,868</b>	-
Statutory reserves	(16,619,530,176)	-
<b>Cash and cash equivalents - cash flow statement</b>	<b>741,745,158,692</b>	-

Statutory reserve balances held with the Reserve Bank of Zimbabwe are not available for Day to day use by the Bank.

## 6. Available for sale financial assets

Treasury and other eligible bills	348,400,660	-
Investment securities	-	-
	<b>348,400,660</b>	-

### 6.1 Movement in available for sale assets

Balance at 1 January	-	-
Additions	374,532,569	-
Sales and redemptions	-	-
Losses from changes in fair value	(26,131,909)	-
<b>Balance at 31 December</b>	<b>348,400,660</b>	-

# notes to the financial statements<sup>(cont)</sup>

for the year ended 31 December 2008

	2008 \$ trillion	2007 \$ trillion
<b>6.2 Treasury bill maturity profile</b>		
Maturing 301 days - 360 days	374,532,569	-
	<b>374,532,569</b>	-
Gains and losses from treasury bills comprise:		
Marking to market of treasury bills	(26,131,909)	-
	<b>348,400,660</b>	-

Treasury bills are debt securities issued by the Government for a term ranging between 90 days and 728 days. Treasury bills categorised as Available for sale financial assets and are carried at their fair value.

<b>6.3 Marking to market yield curve</b>									
<b>Residual tenor (days)</b>	30	60	90	120	150	180	270	365	728
Yield (%) December 2008	42	58	67	50	123	148	222	300	-
Yield (%) December 2007	117	106	105	137	123	112	75	75	33

	2008 \$ trillion	2007 \$ trillion
<b>7. Loans and advances to customers</b>		
Personal lending	44,244,669	-
Wholesale and corporate loans and advances	31,402,093,111	-
<b>Gross value of loans and advances</b>	<b>31,446,337,780</b>	-
Less allowance for impairment (Note 7.7 and Note 22)	(70,238,434)	-
<b>Loans and advances to customers</b>	<b>31,376,099,346</b>	-
Neither past due nor impaired	30,585,383,335	-
Past due but not impaired (Note 7.2)	807,806,962	-
Impaired (Note 7.3)	53,147,483	-
<b>Gross value of loans and advances</b>	<b>31,446,337,780</b>	-
Less allowance for impairment (Note 7.7 and Note 22)	(70,238,434)	-
<b>Loans and advances to customers</b>	<b>31,376,099,346</b>	-

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 repledge the security in the absence of default by the owner of the collateral.

<b>7.1 Loans and advances neither past due nor impaired</b>
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 are either impaired or renegotiated. The summary of renegotiated loans is shown in note 6.5 to the abridged financial statements.

<b>7.2 Loans and advances past due but not impaired</b>	Up to 1 month \$ trillion	1 to 3 months \$ trillion	3 to 6 months \$ trillion	6 to 12 months \$ trillion	Over 12 months \$ trillion	Total \$ trillion
Personal loans	-	-	-	-	-	-
Wholesale and corporate loans	807,806,962	-	-	-	-	807,806,962
<b>Total past due but not impaired at 31 December 2008</b>	<b>807,806,962</b>	-	-	-	-	<b>807,806,962</b>
<b>Total past due but not impaired at 31 December 2007</b>	-	-	-	-	-	-

Loans and advances less than 90 days past due are not considered impaired, unless other information is available to indicate the contrary.

<b>7.3 Loans and advances individually assessed as impaired</b>	Gross carrying amount \$ trillion	Impairment \$ trillion	Net carrying amount \$ trillion
Personal lending	36,761,274	35,625,444	1,135,830
Wholesale and corporate loans	16,386,209	16,294,007	92,202
<b>At 31 December 2008</b>	<b>53,147,483</b>	<b>52,009,451</b>	<b>1,138,022</b>
<b>At 31 December 2007</b>	-	-	-

<b>7.4 Non performing loans and receivables</b>	2008 \$ trillion	2007 \$ trillion
Total non-performing loans and receivables	53,147,483	-
Less: specific allowance for impairment losses on non-performing book	(52,009,451)	-
<b>Realisable security held</b>	<b>1,138,032</b>	-

These are loans and overdrafts on which interest is no longer accrued and 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.

# notes to the financial statements<sup>(cont)</sup>

for the year ended 31 December 2008

	2008 \$ trillion	2007 \$ trillion
<b>7.5 Summary of renegotiated loans</b>		
Residential mortgage loans	-	-
Other personal lendings	-	-
Wholesale and corporate loans	-	-
Finance leases	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

Restructuring activities include extended payment arrangements, approved external management plans, modifications and deferral of payments

	2008 \$ trillion	2007 \$ trillion
<b>7.6 Loans to executive directors</b>		
Balance at 1 January	-	-
Loans advanced during the year	-	-
Repayments	-	-
<b>Balance at 31 December</b>	<b>-</b>	<b>-</b>

	Residential mortgage loans \$ trillion	Personal lendings \$ trillion	Wholesale corporate loans \$ trillion	Total \$ trillion
<b>7.7 Allowance for impairment</b>				
At 1 January 2008	-	-	-	-
New allowance	-	36,440,098	33,797,878	70,237,976
Increased allowance	-	440	18	458
Recoveries	-	-	-	-
Charge for the year	-	36,440,098	33,797,896	70,238,434
<b>At 31 December 2008</b>	<b>-</b>	<b>36,440,538</b>	<b>33,797,896</b>	<b>70,238,434</b>
At 31 December 2007	-	-	-	-

Impairment allowances are determined in terms of the requirements of IAS 39 "Financial Instruments: recognition and measurement". Impairment allowances in excess of this, as required by the banking regulations, are accounted for as a transfer from distributable reserves to non-distributable reserves. Assets are written off when it is considered that recovery is no longer possible or when the cost to recover exceeds the amount to be recovered.

	Loans and advances \$ trillion	Available for sale \$ trillion	Total 2008 \$ trillion	%	Total 2007 \$ trillion	%
<b>8. Credit risk concentration</b>						
Trade and services	5,670,632,518	-	5,670,632,518	18	-	1
Energy and minerals	12,871	-	12,871	-	-	5
Agriculture	674,041,979	-	674,041,979	2	-	22
Construction and property	3	-	3	-	-	-
Light and heavy industry	19,307,652,967	-	19,307,652,967	61	-	12
Physical persons	44,244,669	-	44,244,669	-	-	10
Transport & distribution	5,631,670,472	-	5,631,670,472	18	-	11
Financial Services	118,082,301	374,532,569	492,614,870	1	-	38
State	-	-	-	-	-	-
Other	-	-	-	-	-	1
<b>Gross value</b>	<b>31,446,337,780</b>	<b>374,532,569</b>	<b>31,820,870,349</b>	<b>100</b>	<b>-</b>	<b>100</b>
Less impairment allowance	(70,238,434)	-	(70,238,434)	-	-	-
Less changes in fair value	-	(26,131,909)	(26,131,909)	-	-	-
<b>Net value</b>	<b>31,376,099,346</b>	<b>348,400,660</b>	<b>31,724,500,006</b>	<b>-</b>	<b>-</b>	<b>-</b>

It is assessed that the carrying amount of loans and advances approximates their fair values because of their nature and their short tenor.

	Total loans \$ trillion	Past due / impaired loans \$ trillion	Write-offs / recoveries \$ trillion	Impairment allowance \$ trillion
<b>8.1 Credit exposures</b>				
<b>Credit risk concentration</b>				
Trade and services	5,670,632,518	-	-	-
Energy and minerals	12,871	-	-	-
Agriculture	674,041,979	-	-	-
Construction and property	3	-	-	-
Light and heavy industry	19,307,652,967	817,693	-	800,184
Physical persons	44,244,669	36,763,475	-	35,976,269
Transport & distribution	5,631,670,472	15,566,315	-	15,252,998
Financial Services	118,082,301	-	-	-
State	-	-	-	-
Other	-	-	-	-
<b>Gross value at 31 December 2008</b>	<b>31,446,337,780</b>	<b>53,147,483</b>	<b>-</b>	<b>52,009,451</b>
Gross value at 31 December 2007	-	-	-	-

# notes to the financial statements<sup>(cont)</sup>

for the year ended 31 December 2008

## 8.2 Maximum exposure to credit risk before collateral held or other credit enhancements

	2008 \$ trillion	2007 \$ trillion
Credit risk exposures relating to on-balance sheet assets are as follows:		
Treasury bills and other eligible bills	348,400,660	-
Loans and advances to banks	-	-
Loans to individuals:		
- Overdrafts	7,804,131	-
Loans to corporate entities:		
- Large corporate customers	31,356,662,660	-
- Small and medium size enterprises (SMEs)	10,267,980	-
- Other	1,364,575	-
Credit risk exposures relating to off-balance sheet items are as follows:		
Financial guarantees	525,000,001,055	-
Loan commitments and other credit related liabilities	7,932,681	-
<b>At 31 December</b>	<b>556,732,433,742</b>	<b>-</b>

The above table represents a worse case scenario of credit risk exposure to the Bank at 31 December 2008 and 2007, without taking account of any collateral held or other credit enhancements attached. For on-balance-sheet assets, the exposures set out above are based on net carrying amounts as reported in the balance sheet.

## 8.3 Intra-group exposures

The bank, during the ordinary course of business, underwrites loans and guarantees to other group companies and directors as summarised below:

	Gross limits \$ trillion	Utilised amounts \$ trillion	Maturity date	Value of security \$ trillion	Percentage of capital
Type of Intra-group transactions					
Loans to directors	-	-	-	-	-
Loans to group companies	-	-	-	-	-
Intercompany guarantees	-	-	-	-	-
Other	-	-	-	-	-
<b>At 31 December 2008</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>At 31 December 2007</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
				<b>2008 \$ trillion</b>	<b>2007 \$ trillion</b>

## 9. Trade investments available for sale

Quoted at fair value	-	-
Fair value gain	26,770,817,100	-
	<b>26,770,817,100</b>	<b>-</b>

## 10. Related party balances and transactions

The Bank is controlled by Afcarme Zimbabwe Holdings (Private) Limited incorporated in Zimbabwe which owns 67.75% of the ordinary shares. The remaining 33% of the shares are widely held. The ultimate parent of the group 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 are made with the parent company and other group companies at market interest rates. The relevant balances are shown on Note 10.1 which follows:

	2008 \$ trillion	2007 \$ trillion
<b>10.1 Related party balances</b>		
Amounts due by:		
Barclays Bank Plc	673,467,649,558	-
Other group companies	25,809,689,915	-
<b>Amounts due by group companies</b>	<b>699,277,339,473</b>	<b>-</b>
Directors of Barclays Bank of Zimbabwe Limited	-	-
Key management of Barclays Bank of Zimbabwe Limited	-	-
	<b>699,277,339,473</b>	<b>-</b>
Amounts due to:		
Barclays Bank plc	93,870,969,782	-
Other group companies	34,161,055,554	-
<b>Amounts due to group companies</b>	<b>128,032,025,336</b>	<b>-</b>
<b>10.2 Related party transactions</b>		
<b>Interest received from:</b>		
Barclays Bank Plc	-	-
<b>Expenses accrued to:</b>		
Barclays Bank Plc	-	-
Other group companies	-	-
Brains Computer Processing (Private) Limited	-	-
Branchcall Computers (Private) Limited	-	-
Directors' emoluments	1	-
Key management staff costs	3	-
	<b>4</b>	<b>-</b>

Interest rates for balances due from group companies was 0.25% (2007:4.7%) and on amounts due to group companies was 0.25% (2007:4.7%)

# notes to the financial statements<sup>(cont)</sup>

for the year ended 31 December 2008

	2008 \$ trillion	2007 \$ trillion
<b>11. Other assets</b>		
Internal accounts	2,688,879,613	-
Remittances in transit	26,725	-
Staff loans pre-payment	-	-
	<b>2,688,906,338</b>	<b>-</b>
<b>12. Investment property</b>		
Opening carrying amount as previously reported	-	-
Effect of change in accounting policy	-	-
Opening carrying amount as stated	-	-
Fair value gain on investment property	169,500,000,000	-
Closing net book amount	<b>169,500,000,000</b>	<b>-</b>

Barclays Bank jointly controls a property in Victoria Falls with the Barclays Bank Staff Pension Fund. The Barclays share (50%) of the investment property was valued at \$169.5 hexillion by independent valuers as at 31 December 2008. The valuation is based on market evidence of most recent prices achieved in arms length transactions of similar properties in the area. The value could have been nil (2007:nil) if property was stated at historical cost, after the redenomination of the Zimbabwe currency on 1 August 2008. No liabilities are associated with this property.

13. Property and equipment	Land \$ trillion	Buildings \$ trillion	Computers \$ trillion	Other Equipment \$ trillion	Furniture & fittings \$ trillion	Motor Vehicles \$ trillion	Totals \$ trillion
<b>Year ended 31 December 2007</b>							
Opening net amount	-	-	-	-	-	-	-
Additions	-	-	-	-	-	-	-
Revaluation surplus	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-
Depreciation charge on disposal	-	-	-	-	-	-	-
Depreciation charge	-	-	-	-	-	-	-
Closing net book amount	-	-	-	-	-	-	-
<b>At 31 December 2007</b>							
Cost or valuation	-	-	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-	-	-
Net book amount	-	-	-	-	-	-	-
<b>Year ended 31 December 2008</b>							
Opening net book amount	-	-	-	-	-	-	-
Additions	-	-	135,000	-	9	-	135,009
Revaluation surplus	-	208,340,000,000	-	-	-	-	208,340,000,000
Disposals	-	-	-	-	-	-	-
Depreciation charge	-	-	(2,250)	-	-	-	(2,250)
Depreciation on disposal	-	-	-	-	-	-	-
Closing net book amount	-	<b>208,340,000,000</b>	<b>132,750</b>	-	<b>9</b>	-	<b>208,340,132,759</b>
<b>At 31 December 2008</b>							
Cost or valuation	-	208,340,000,000	135,000	-	9	-	-208,340,135,009
Accumulated depreciation	-	-	(2,250)	-	-	-	(2,250)
Net book amount	-	<b>208,340,000,000</b>	<b>132,750</b>	-	<b>9</b>	-	<b>208,340,132,759</b>

The Bank's buildings were last revalued on 31 December 2008 by independent valuers. Valuations were made on the basis of recent market transactions on arm's length terms. The revaluation surplus net of applicable deferred income taxes was credited to 'non-distributable reserves' in equity. If land and buildings were stated on the historical cost basis, the amounts would be nil (2007: nil), after the redenomination of the Zimbabwe currency on 1 August 2008.

There is no impairment of property and equipment required from an assessment done as at the balance sheet date.

		2008 \$ trillion	2007 \$ trillion
<b>14. Investment in subsidiary companies</b>			
Fincor Finance Corporation Ltd	100% (2007 - 100%)	-	-
Barclays Merchant Bank Limited	100% (2007 - 100%)	-	-
Brains Computer Processing (Private) Limited	100% (2007 - 33%)	-	-

All subsidiaries are incorporated in Zimbabwe. No group financial statements have been prepared because all the subsidiaries are dormant and their assets and liabilities are immaterial. During the year the Bank acquired the other 67% of Brains Computer Processing (Private) Limited from fellow subsidiaries of Barclays Bank Plc, and transferred its assets and liabilities to the Bank. This effectively divisionalised the operations of Brains Computer Processing (Private) Limited to leave the company dormant. The transaction values involved were insignificant after the currency Redenomination.

# notes to the financial statements<sup>(cont)</sup>

for the year ended 31 December 2008

15.	Customer deposits	2008 \$ trillion	2007 \$ trillion
	Wholesale Customers	1,300,270,618,387	-
	Retail Customers	1,473,061,983	-
	Deposits due to other banking institutions	18,020,902,219	-
	Other money market deposits	558,383	-
		<b>1,319,765,140,972</b>	<b>-</b>
15.1	Concentrations of customer deposits were as follows:	2008 \$ trillion	2007 \$ trillion
		%	%
	Trade and services	23,577,499,786	19
	Energy and minerals	38,896,474,602	1
	Agriculture	4,336,631,554	6
	Construction & property	930,985,190	1
	Light and heavy industry	20,532,423,818	11
	Physical persons	1,137,259,802,990	35
	Transport and distribution	7,587,060,175	10
	Financial Services	86,574,051,360	17
	State	-	-
	Other	70,211,497	-
		<b>1,319,765,140,972</b>	<b>100</b>
		<b>100</b>	<b>100</b>
16.	Other liabilities	2008 \$ trillion	2007 \$ trillion
	Accrued expenses	3,256,049,365	-
	Internal accounts including bank cheques accounts	145,367,909	-
	Future medical aid liability	2,030,066	-
	Other provisions	3,734,547,060	-
		<b>7,137,994,400</b>	<b>-</b>
16.1	Analysis of total provisions		
	Provision for profit share	3,734,533,818	-
	Provision for outstanding employee leave	13,242	-
		<b>3,734,547,060</b>	<b>-</b>
	a) <i>Provision for profit share</i>		
	The amount represents a provision for the Bank's constructive obligation to pay share of profits to management and staff. The provision charge is recognised in profit or loss within 'staff costs' (note 21.1).		
	b) <i>Provision for outstanding employee leave</i>		
	Employee entitlements to annual leave are recognised when they accrue to employees. The provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date and the charge is recognised in profit and loss within "staff costs" (note 21.1)		
	For the period under review the Bank did not carry financial liabilities whose carrying amount is different from the fair value.		
17.	Taxation		
17.1	Income tax expense:		
	Current income tax	-	-
	Deferred income tax	45,439,907,312	-
	<b>Income tax expense</b>	<b>45,439,907,312</b>	<b>-</b>
	Banking institutions levy	10,342,266,909	-
	<b>Income tax expense including levies</b>	<b>55,782,174,221</b>	<b>-</b>
17.2	Reconciliation of income tax expense:		
	The tax on the Bank's profit before income tax differs from the theoretical amount that would arise using the principal tax rate of 30.9% (2007: 30.9%):		
	Profit before income tax	206,845,338,185	-
	Income tax charge based on profit for the year at the rate of 30.9%	63,915,209,499	-
	Tax effect of:		
	Income not subject to tax	-	-
	Expenses not deductible for tax purposes	197,813	-
	Tax at special rate - Banking institutions` levy	(18,475,500,000)	-
	<b>Tax charge</b>	<b>10,342,266,909</b>	<b>-</b>
		<b>55,782,174,221</b>	<b>-</b>

# notes to the financial statements<sup>(cont)</sup>

for the year ended 31 December 2008

## 17.3 Deferred income tax

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis. The offset amounts are as follows:

	2008 \$ trillion	2007 \$ trillion
<b>Deferred income tax assets:</b>		
-Deferred income tax asset to be recovered after more than 12 months	206,363,260	-
-Deferred income tax asset to be recovered within 12 months	627,290	-
	<b>209,990,550</b>	<b>-</b>
<b>Deferred income tax liabilities</b>		
-Deferred income tax liabilities to be recovered after more than 12 months	106,198,199,793	-
-Deferred income tax liabilities to be recovered within 12 months	11,738,802,939	-
	<b>117,937,002,732</b>	<b>-</b>
<b>Deferred income tax liabilities (net)</b>	<b>117,730,012,182</b>	<b>-</b>
The net movement in deferred income tax account is as follows:		
	2008 \$ trillion	2007 \$ trillion
<b>At 1 January</b>	-	-
Tax charged directly to equity	72,290,104,870	-
Income statement charge	45,439,907,312	-
<b>At 31 December</b>	<b>117,730,012,182</b>	<b>-</b>

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred income tax liabilities	Fair value/ Revaluation gains	Unrealised foreign exchange gains	Other	Total	
<b>At 1 January 2007</b>	-	-	-	-	
Charged to the income statement	-	-	-	-	
Charged directly to equity	-	-	-	-	
<b>At 31 December 2007</b>	-	-	-	-	
Charged to the income statement	33,900,000,000	11,738,802,939	20,164	45,638,823,103	
Charged directly to equity	72,298,179,629	-	-	72,298,179,629	
<b>At 31 December 2008</b>	<b>106,198,179,629</b>	<b>11,738,802,939</b>	<b>20,164</b>	<b>117,937,002,732</b>	
	Income tax loss \$trillion	Fair value loss \$trillion	Impairment losses \$trillion	Other \$trillion	Total \$trillion
<b>Deferred income tax asset</b>					
<b>At 1 January 2007</b>	-	-	-	-	-
Charged to the income statement	-	-	-	-	-
Charged directly to equity	-	-	-	-	-
<b>At 31 December 2007</b>	-	-	-	-	-
Charged to the income statement	181,544,537	-	16,743,963	627,290	198,915,790
Charged directly to equity	-	8,074,760	-	-	8,074,760
<b>At 31 December 2008</b>	<b>181,544,537</b>	<b>8,074,760</b>	<b>16,743,963</b>	<b>627,290</b>	<b>206,990,550</b>

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related income tax benefit through future taxable profits is probable. The Bank recognised deferred income tax asset of \$181,544,537 trillion (2007: nil) in respect of income tax losses amounting to \$587,522,773 trillion (2007: nil) that can be carried forward against future taxable income. Income tax losses amounting to \$587,522,773 trillion (2007: nil) expire in 2014.

## 18. Equity

### 18.1 Shareholder's equity and reserves

Accumulated profits	151,057,829,040	-
Share capital	-	-
Share premium	-	-
Capital reserves	162,799,915,245	-
Share options reserve fund	460	-
<b>Other reserves</b>	<b>162,799,915,705</b>	<b>-</b>
<b>Total shareholder's equity</b>	<b>313,857,744,745</b>	<b>-</b>

### 18.2 Share capital

Authorised		
5 billion ordinary shares of 35 cents each (before 2006 currency revaluation)	-	-
Issued and fully paid ordinary share of 35 cents (before 2006 currency revaluation)	-	-
Issued and fully paid ordinary share of 35 cents (before 2006 currency revaluation)	-	-

The nominal value per share is now insignificant following the currency revaluations effected in August 2006, and August 2008. Subject to the limitations imposed by the Companies Act (Chapter 24:03) and the regulations of the Zimbabwe Stock Exchange, the Articles of Association permit the Directors to allot the unissued share capital at their discretion for an indefinite period.

# notes to the financial statements<sup>(cont)</sup>

for the year ended 31 December 2008

## 18.3 Share option scheme

The Bank operates an open share option scheme for managerial employees joining on or before 30 June 2008 which allows eligible staff to exercise options granted to them. Share options granted before 1 September 2008 were exercisable on the grant date. Share options issued thereafter have a vesting period of three years. The Bank has no legal or constructive obligation to repurchase or settle the options in cash. Movements in the number of share options outstanding are as follows:

	No. of shares 2008 (thousands)	No. of shares 2007 (thousands)
At 1 January	3,185	2,772
Granted	1,700	4,597
Forfeited	(100)	-
Exercised	(2,620)	(4,184)
At 31 December	2,165	3,185

The average exercise price of share options is nil (2007 : nil) because of the currency redenomination.

Out of the 2,165 thousand outstanding options (2007: 3,185 thousand options), 1,885 thousand options (2007: 3,185 thousand) were exercisable. Share options outstanding at the end of the year have no expiry dates as long as members are still employed by the Bank. The share option exercise price is the mid price at the date preceding the date on which the share option was granted. Share options are forfeited if the holder resigns from the Bank before exercising them.

The weighted average fair value of options granted during the period determined using the Black-Scholes valuation model was \$204 million per option. The significant inputs into the model were weighted average share price of \$2 quadrillion at the grant date dividend yield of nil, an expected option life of five years, and an annual risk-free interest rate of 340%. The volatility measured at the standard deviation of continuously compounded share Returns is based on statistical analysis of daily share prices over the last year.

## 18.4 Ordinary shares and share premium

	Number of shares (million)	Ordinary shares \$ trillion	Share Premium \$ trillion	Total \$ trillion
Balance at 1 January 2008	2,148	-	-	-
Issue of share capital-share options	3	-	-	-
Balance at 31 December 2008	2,151	-	-	-

## 19. Net interest income:

### Interest income:

	2008 \$ trillion	2007 \$ trillion
Loans and advances	3,476,782,190	-
Investment securities	74,524,669	-
	<b>3,551,306,859</b>	-

### Interest expense:

Customers deposits	10,556,670	-
Interest on balances due to other banking institutions	25,804	-
	<b>10,582,474</b>	-

## 20. Non funded income

Fee and commission income	3,269,258,204	-
Net foreign exchange income	38,165,813,068	-
Dividend income	-	-
Rental income	22,100	-
Total	<b>41,435,093,372</b>	-

## 20.1 Net foreign exchange income

Net foreign exchange gain	37,989,653,525	-
Foreign currency trading income	176,159,543	-
	<b>38,165,813,068</b>	-

## 21. Operating expenses

### 21.1 Staff costs

Salaries and allowances	3,755,300,273	-
Share options granted to directors and employees	460	-
Retirement benefit obligations	640,171	-
Post employment medical benefits	2,030,066	-
Directors' remuneration:		
Fees	-	-
Other	1	-
Total staff costs	<b>3,757,970,971</b>	-

### 21.2 Other administrative expenses include:

Property and equipment:		
Repairs and maintenance	148,462,884	-
Depreciation	2,250	-
Exchange losses	-	-
Audit fees	2,827,174,155	-
Other expenses	826,630,878	-
Total other administrative expenses	<b>3,802,270,166</b>	-
Total operating expenses	<b>7,560,241,138</b>	-

Fees to non-executive directors for services as directors were:

The number of persons employed as at year end was 1205 (2007 - 1220)

# notes to the financial statements<sup>(cont)</sup>

for the year ended 31 December 2008

	2008 \$ trillion	2007 \$ trillion
<b>22. Impairment losses on loans and advances</b>		
Identified impairment losses	52,009,451	-
Unidentified impairment losses	18,228,983	-
	<b>70,238,434</b>	<b>-</b>

## 23. Earnings per share

### 23.1 Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Bank by the weighted average number of ordinary shares in issue during the year excluding ordinary shares purchased by the Bank and held as treasury shares.

Profit attributable to equity holders(\$ trillion)	151,063,163,964	-
Weighted average number of ordinary shares in issue (million)	2,150	-
Basic earnings per share (\$ trillion)	70,3	-

The Bank operates an employee share participation Trust for its non-managerial employees. Shares held in this trust do not have a material impact on earnings per share data.

### 23.2 Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Bank has a share option scheme. Share options outstanding under the scheme are dilutive potential ordinary shares. For these share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

Profit attributable to shareholders (\$ trillion)	151,063,163,964	-
Weighted average number of ordinary shares in issue (million)	2,150	-
Adjustment for share options (million)	2	-
Weighted average number of ordinary shares for diluted earnings per share (million)	2,152	-
<b>Diluted earnings per share (trillion)</b>	<b>70,2</b>	<b>-</b>

## 24. Dividend

No dividend was declared or paid for 2008

- -

## 25. Liquidity profiling as at 31 December 2008

	Up to 1 month \$ trillion	1 month to 3 months \$ trillion	3 months to 6 months \$ trillion	6 months to 1 year \$ trillion	1 year to 5 years \$ trillion	Over 5 years \$ trillion	Total \$ trillion
<b>On balance sheet items</b>							
<b>Assets</b>							
Cash and bank balances	758,364,688,868	-	-	-	-	-	758,364,688,868
Available for sale financial assets	-	-	-	1,320,034,761	-	-	1,320,034,761
Loans and Advances to customers	31,376,099,387	-	-	-	-	-	31,376,099,387
Trade Investments available for sale	-	-	-	-	26,770,817,100	-	26,770,817,100
Amounts due by group companies	699,277,339,473	-	-	-	-	-	699,277,339,473
Other assets	2,688,906,338	-	-	-	-	-	2,688,906,338
Investment property	-	-	-	-	169,500,000,000	-	169,500,000,000
	<b>1,491,707,034,066</b>	<b>-</b>	<b>-</b>	<b>1,320,034,761</b>	<b>-</b>	<b>196,270,817,100</b>	<b>1,689,297,885,927</b>
<b>Liabilities</b>							
Customer deposits	1,319,765,140,972	-	-	-	-	-	1,319,765,140,972
Amounts due to group companies	128,032,025,336	-	-	-	-	-	128,032,025,336
Other liabilities	7,137,994,400	-	-	-	-	-	7,137,994,400
Current income tax	10,143,466,909	-	-	-	-	-	10,143,466,909
	<b>1,465,078,627,617</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,465,078,627,617</b>
<b>Liquidity gap</b>	<b>26,628,406,449</b>	<b>-</b>	<b>-</b>	<b>1,320,034,761</b>	<b>-</b>	<b>196,270,817,100</b>	<b>198,221,579,188,788</b>
<b>Cumulative liquidity gap</b>	<b>26,628,406,449</b>	<b>26,628,406,449</b>	<b>26,628,406,449</b>	<b>25,308,371,688</b>	<b>25,308,371,688</b>	<b>221,579,188,788</b>	<b>221,579,188,788</b>
<b>Off balance sheet items</b>							
<b>Assets</b>							
Guarantees and letters of credit	-	525,000,000,000	-	-	-	-	525,000,000,000
Commitments to lend	-	7,932,681	-	-	-	-	7,932,681
	<b>-</b>	<b>525,007,932,681</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>525,007,932,736</b>
<b>Liability</b>							
Guarantees and letters of credit	51,790,837,976	525,000,000,000	-	-	-	-	576,790,837,976
Commitments to lend	7,932,681	-	-	-	-	-	7,932,681
	<b>51,798,770,657</b>	<b>525,000,000,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>576,798,770,657</b>
<b>Liquidity gap</b>	<b>(51,798,770,657)</b>	<b>7,932,681</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(51,790,837,976)</b>
<b>Cumulative liquidity gap</b>	<b>(51,798,770,657)</b>	<b>(51,790,837,976)</b>	<b>(51,790,837,976)</b>	<b>(51,790,837,976)</b>	<b>(51,790,837,976)</b>	<b>(51,790,837,976)</b>	<b>(51,790,837,976)</b>
<b>Total cumulative liquidity gap</b>	<b>(25,170,364,208)</b>	<b>(25,162,431,527)</b>	<b>(25,162,431,527)</b>	<b>(26,482,466,288)</b>	<b>(26,482,466,288)</b>	<b>169,788,350,812</b>	<b>169,788,350,812</b>

The Bank determines ideal weights for maturity time buckets which are used to benchmark the actual maturity profile. Deviations from the internal benchmark inform the tenor and interest rate structure of new advances. Maturity mismatches across the time buckets are managed through the tenor of new advances and the profile of time deposits.

# notes to the financial statements<sup>(cont)</sup>

for the year ended 31 December 2008

## Interest rate risk

The Bank is exposed to various risk 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 Managing Director. 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 executive committee and the Board.

### 25.1 Interest rate repricing risk as 31 December 2008

	Up to 1 month \$ trillion	1 month to 3 months \$ trillion	3 months to 6 months \$ trillion	6 months to 1 year \$ trillion	1 year to 5 years \$ trillion	Over 5 years \$ trillion	Non interest bearing \$ trillion	Total \$ trillion
<b>Assets</b>								
Cash and bank balances	540,507,997,194	-	-	-	-	-	217,856,691,674	758,364,688,868
Available for sale financial assets	-	-	-	348,400,660	-	-	-	348,400,660
Loans and Advances to customers	31,376,099,346	-	-	-	-	-	-	31,376,099,346
Trade Investments available for sale	-	-	-	-	-	-	26,770,817,100	26,770,817,100
Amounts due by group companies	699,277,339,473	-	-	-	-	-	-	699,277,339,473
Other assets	-	-	-	-	-	-	2,688,906,338	2,688,906,338
Investment property	-	-	-	-	-	-	169,500,000,000	169,500,000,000
Property and equipment	-	-	-	-	-	-	208,340,132,759	208,340,132,759
	<b>1,271,161,436,013</b>	-	-	<b>348,400,660</b>	-	-	<b>625,156,547,871</b>	<b>1,896,666,384,544</b>
<b>Liabilities</b>								
Customer deposits	1,319,765,140,972	-	-	-	-	-	-	1,319,765,140,972
Amounts due to group companies	-	-	-	-	-	-	128,032,025,336	128,032,025,336
Other liabilities	-	-	-	-	-	-	7,137,994,400	7,137,994,400
Current income tax	-	-	-	-	-	-	10,143,466,909	10,143,466,909
Deferred income tax	-	-	-	-	-	-	117,730,012,182	117,730,012,182
	<b>1,319,765,140,972</b>	-	-	-	-	-	<b>263,043,498,827</b>	<b>1,582,808,639,799</b>
Interest rate repricing gap	(48,603,704,959)	-	-	348,400,660	-	-	362,113,049,044	313,857,744,745
Cumulative gap	(48,603,704,959)	(48,603,704,959)	(48,603,704,959)	(48,255,304,299)	(48,255,304,299)	(48,255,304,299)	313,857,744,745	

### 25.2 Foreign currency balances at 31 December 2008

	Up to 1 month \$ trillion	1 month to 3 months \$ trillion	3 months to 6 months \$ trillion	6 months to 1 year \$ trillion	1 year to 5 years \$ trillion	Over 5 years \$ trillion	Non interest bearing \$ trillion	Total \$ trillion
<b>Assets</b>								
Cash and bank balances	540,507,997,193	-	-	-	-	-	176,709,181,585	717,217,178,778
Loans and advances	29,189,317,971	-	-	-	-	-	-	29,189,317,971
Trade investments available for sale	-	-	-	-	-	-	25,669,562,100	25,669,562,100
Amounts due by group companies	699,277,339,473	-	-	-	-	-	-	699,277,339,473
	<b>1,268,974,654,637</b>	-	-	-	-	-	<b>202,378,743,685</b>	<b>1,471,353,398,322</b>
<b>Liabilities</b>								
Customers deposits	1,279,662,157,355	-	-	-	-	-	-	1,279,662,157,335
Amounts due to group companies	128,032,025,336	-	-	-	-	-	-	128,032,025,336
Deferred income tax	-	-	-	-	-	-	7,700,868,629	7,700,868,629
	<b>1,407,694,182,691</b>	-	-	-	-	-	<b>7,700,868,629</b>	<b>1,415,395,051,300</b>
Interest rate repricing gap	(138,719,528,054)	-	-	-	-	-	194,677,875,056	55,958,347,023
Cumulative gap	(138,719,528,054)	(138,719,528,054)	(138,719,528,054)	(138,719,528,054)	(138,719,528,054)	(138,719,528,054)	55,958,347,023	-
Asset at 31 December 2007	-	-	-	-	-	-	-	-
Total assets	-	-	-	-	-	-	-	-
Total liabilities	-	-	-	-	-	-	-	-
Net Interest rate repricing gap	-	-	-	-	-	-	-	-
Cumulative gap	-	-	-	-	-	-	-	-

### 25.3 Local currency balances at 31 December 2008

	Up to 1 month \$ trillion	1 month to 3 months \$ trillion	3 months to 6 months \$ trillion	6 months to 1 year \$ trillion	1 year to 5 years \$ trillion	Over 5 years \$ trillion	Non interest bearing \$ trillion	Total \$ trillion
<b>Assets</b>								
Cash and bank balances	-	-	-	-	-	-	41,147,510,090	41,147,510,090
Available for sale financial assets	-	-	-	-	348,400,660	-	-	348,400,660
Loans and advances to customers	2,186,781,375	-	-	-	-	-	-	2,186,781,375
Trade investments available for sale	-	-	-	-	-	-	1,101,255,006	1,101,255,006
Amounts due by group companies	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	2,688,906,338	2,688,906,338
Investment property	-	-	-	-	-	-	169,500,000,000	169,500,000,000
Property and equipment	-	-	-	-	-	-	208,340,132,759	208,340,132,759
	<b>2,186,781,375</b>	-	-	-	<b>348,400,660</b>	-	<b>422,777,804,193</b>	<b>425,312,986,228</b>
<b>Liabilities</b>								
Customer deposits	40,102,983,617	-	-	-	-	-	-	40,102,983,617
Amounts due to group companies	-	-	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-	7,137,994,401	7,137,994,401
Current income tax	-	-	-	-	-	-	10,143,466,909	10,143,466,909
Deferred income tax	-	-	-	-	-	-	110,029,143,553	110,029,143,553
	<b>40,102,983,617</b>	-	-	-	-	-	<b>127,310,604,863</b>	<b>167,413,588,480</b>
Interest rate repricing gap	(37,916,202,242)	-	-	-	348,400,660	-	295,467,199,330	257,899,397,748
Cumulative gap	(37,916,202,242)	(37,916,202,242)	(37,916,202,242)	(37,916,202,242)	(37,567,801,582)	(37,567,801,582)	257,899,397,748	
As at 31 December 2007	-	-	-	-	-	-	-	-
Total assets	-	-	-	-	-	-	-	-
Total liabilities	-	-	-	-	-	-	-	-
Net interest rate repricing gap	-	-	-	-	-	-	-	-
Cumulative gap	-	-	-	-	-	-	-	-

# notes to the financial statements<sup>(cont)</sup>

for the year ended 31 December 2008

## 26 Currency positions at 31 December 2008

The Bank takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates in the financial position and cash flows. Limits on the level of exposure are set and monitored daily. The table below summarises the Bank's exposure to foreign currency exchange rate risk at 31 December.

	US\$ (Z\$ Equiv) \$ trillion	GBP (Z\$ Equiv) \$ trillion	Rand (Z\$ Equiv) \$ trillion	Other foreign currency (Z\$ Equiv) \$ trillion	Z\$ \$ trillion	Total \$ trillion
<b>Assets</b>						
Cash and bank balances	507,665,063,124	46,085,320,856	103,084,106,405	60,382,688,393	41,147,570,090	758,364,688,868
Available for sale financial assets	-	-	-	-	348,400,660	348,400,660
Loans and advances to customers	29,189,317,971	-	-	-	2,186,781,375	31,376,099,346
Trade investments available for sale	25,669,562,100	-	-	-	1,101,255,000	26,770,817,100
Amounts due by group companies	629,318,607,087	63,967,402,518	-	5,991,329,868	-	699,277,339,473
Other assets	-	-	-	-	2,688,906,338	2,688,906,338
Investment property	-	-	-	-	169,500,000,000	169,500,000,000
Property and equipment	-	-	-	-	208,340,132,759	208,340,132,759
<b>Total assets</b>	<b>1,191,842,550,282</b>	<b>110,052,723,374</b>	<b>103,084,106,405</b>	<b>66,374,018,261</b>	<b>425,312,986,222</b>	<b>1,896,666,384,544</b>
<b>Liabilities</b>						
Customer deposits	1,086,889,082,788	81,764,341,193	55,211,758,138	55,796,975,237	40,102,983,617	1,319,765,140,972
Amounts due to group companies	53,556,695,785	35,027,364,177	32,209,144,449	7,238,820,925	-	128,032,025,336
Other liabilities	-	-	-	-	7,137,994,400	7,137,994,400
Current income tax	-	-	-	-	10,143,466,909	10,143,466,909
Deferred income tax	7,700,868,629	-	-	-	110,029,143,553	117,730,012,182
<b>Total Liabilities</b>	<b>1,148,146,647,202</b>	<b>116,791,705,370</b>	<b>87,420,902,587</b>	<b>63,035,796,162</b>	<b>167,413,588,480</b>	<b>1,582,808,639,799</b>
<b>Net currency positions</b>	<b>43,695,903,080</b>	<b>(6,738,981,996)</b>	<b>15,663,203,818</b>	<b>3,338,222,099</b>	<b>257,899,397,742</b>	<b>313,857,744,745</b>

### As at 31 December 2007

Total assets	-	-	-	-	-	-
Total liabilities	-	-	-	-	-	-
Net currency positions	-	-	-	-	-	-

	2008 (Z\$)	2007 (Z\$)
<b>26.1 Foreign exchange rates</b>		
United States of America Dollar	35,000,000,000,000,000	-
British Pound	51,079,000,000,000,000	-
South African Rand	3,755,364,806,866,950	-
Botswana Pula	4,634,000,000,000,000	-
Euro	48,601,000,000,000,000	-

The Bank used a conversion rate of 1 United States Dollar is equivalent to \$35,000,000,000,000,000 Zimbabwe dollars in line with the Reserve Bank of Zimbabwe directive 02-2009/BSD issued on 19 February 2009. Exchange rates for other currencies derive from this rate using applicable cross rates.

## 27. Off-balance sheet items

The Bank has contingent liabilities and commitments on off-balance sheet financial instruments that commit it to extend credit to customers, Guarantees and other facilities as follows;

Off balance sheet financial instruments contingent liabilities and commitments.	2008 \$ trillion	2007 \$ trillion
<b>Contingent liabilities</b>		
Letters of credit	525,000,000,000	-
Guarantees and performance bonds	51,790,837,976	-
	<b>576,790,837,976</b>	<b>-</b>
<b>Commitments</b>		
Credit lines and other commitments to lend	7,932,681	-
	<b>7,932,681</b>	<b>-</b>
	<b>576,798,770,657</b>	<b>-</b>

The amounts and timing of cash out flows arising from letters of credit and guarantees is contingent upon the performance of the underlying transactions between the parties to the contract.

28. Capital and operational commitments	2008 \$ trillion	2007 \$ trillion
<b>28.1 Capital commitments</b>		
Authorised and contracted	2	-
Authorised, but not contracted	-	-
<b>Total capital commitments</b>	<b>2</b>	<b>-</b>

Capital commitments will be funded from own resources

# notes to the financial statements<sup>(cont)</sup>

for the year ended 31 December 2008

28.2	Operating lease commitments - where the Bank is the lessee	2008 \$ trillion	2007 \$ trillion
	The future minimum lease payments under non cancellable operating leases are as follows:		
	Not later than 1 year	185,390,670,500	-
	Later than 1 year and not later then 5 years	1,421,148,999,200	-
	Later than 5 years	1,930,233,594,100	-
		<b>3,536,773,263,800</b>	-

The Bank leases various offices and branches under non-cancellable operating lease arrangements. The lease terms are between 1 and 6 years and the majority of lease agreements are renewable at the end of the lease period at market rate.

29. **Retirement benefit obligations**  
All eligible employees of the Bank are members of the defined contribution pension scheme which is administered independently.

	2008 \$ trillion	2007 \$ trillion
<b>Balance sheet obligation for:</b>		
- Pension benefits	-	-
- Post employment medical funds	2,030,066	-
	<b>2,030,066</b>	-
<b>Income statement charge</b>		
- Pension benefits	-	-
- Post employment medical funds	2,030,066	-
	<b>2,030,066</b>	-

#### Barclays Bank Staff Pension Fund - Defined Contribution Scheme

The defined contribution pension plan, to which the Bank contributes one hundred percent, is provided for permanent employees. Over and above the company's contribution, the employee is free to make further contributions of their choice to the fund. Under this scheme, retirement benefits are determined by reference to the employees' and the Bank's contributions to date and the performance of the fund.

#### National Social Security Scheme

All employees are members of the National Social Security Authority Scheme, to which both the employer and the employee contribute. The Bank contributes 3% of pensionable emoluments of eligible employees.

#### Post-retirement medical aid contributions

The Bank pays 100% of the pensioners medical aid contributions. For the year ended 31 December 2008 \$2,030,066 trillion (2007 - Nil) was paid as contribution to the medical aid society on behalf of pensioners. The expected future obligation is determined based on current contribution rates projected over estimated life expectancy of retirees and discounted to the reporting date.

30. **Business segments**

The Bank is divided into two main business segments:

**Wholesale banking** - comprising business banking, small to medium size enterprises and treasury and incorporating financial instruments trading, structured financing, transactional services, foreign currency and credit facilities.

**Retail banking** - incorporating private banking, private customer savings and current accounts, consumer loans and other facilities as well as individual transactional services.

Primary segment information For year ended 31 December 2007	Wholesale banking \$ trillion	Retail banking \$ trillion	Total \$ trillion
Operating income	-	-	-
Profit before income tax	-	-	-
Income tax expense	-	-	-
<b>Profit for the year</b>	-	-	-
Segment assets	-	-	-
Segment liabilities	-	-	-
Capital expenditure	-	-	-
Depreciation	-	-	-
Impairment charge - loans	-	-	-
Other - share options	-	-	-
<b>Primary segment information For year ended 31 December 2008</b>			
Operating income	214,294,878,343	180,939,414	214,475,817,757
Profit before income tax	206,860,141,286	(14,803,101)	206,845,338,185
Income tax expense	(55,786,748,380)	4,574,159	(55,782,174,221)
<b>Profit for the year</b>	<b>151,073,392,906</b>	<b>(10,228,942)</b>	<b>151,063,163,964</b>
Segment assets	1,896,574,163,398	92,221,146	1,896,666,384,544
Segment liabilities	1,580,680,683,586	2,127,956,213	1,582,808,639,799
Capital expenditure	135,009	-	135,009
Depreciation	2,250	-	2,250
Impairment charge - loans	33,797,896	36,440,538	70,238,434
Loss on investment in associate company	-	-	-
Other - share options	460	-	460

The segment analysis is based on external income and expenditure classification.



# notes to the financial statements<sup>(cont)</sup>

for the year ended 31 December 2008

## 31. Banking and trading book

All items in these financial statements are under the Banking book as the Bank does not have any items under the trading book.

## 32. Financial risk management

The following discussion sets forth the factors that the Bank believes could cause its actual results to differ materially from the expected results. However, other factors could also adversely affect the Bank's results and so the factors discussed in this report should not be considered to be a complete set of all potential risks and uncertainties.

The factors we consider to determine exposure to risk and the policies and processes we use to manage them have not significantly changed from the previous period.

### 32.1 Credit risk

Credit risk is the risk that the Bank's customers, clients or counterparties default on their loan or credit commitments. Default occurs when counterparties are not able or willing to pay interest, repay capital or otherwise fulfil their contractual obligations under loan agreements or other credit facilities. The Bank uses a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advanced as well as credit scoring all customer borrowing applications and only lend to those which met the set criteria. The Bank monitors cash flows and utilisation against limits to identify customers under stress and takes corrective action in consultation with the customer. The Bank has Credit Risk and Loans Review Committees, chaired by non-executive directors to monitor the risks. 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;
- ii) current exposures to the counterparty and its likely future development; and
- iii) the likely recovery ratio on the defaulted obligations

The Bank employs a range of policies and practices to mitigate credit risk including the taking of security for funds advanced. The principal collateral types used for loans and advances are:

- o Mortgages over residential properties;
- o Charges over business assets such as premises, inventory and accounts receivable; and
- o Charges over financial instruments

The Bank's credit risk capital is determined using the internal ratings approach.

### 32.2 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.

### 32.3 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 Central Bank and other regulatory bodies. A dedicated legal and compliance unit is in place to monitor legal and compliance requirements and ensures that they are met on a daily basis.

### 32.4 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.

### 32.5 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 risk to cover operational risk

### 32.6 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. The Bank identifies this risk through periodic liquidity gap analysis and the maturity profile of assets and liabilities. Where major gaps appear, action is taken in advance to close or minimise the gaps. The Bank's Assets and Liabilities Committee (ALCO) monitors and manages liquidity risk. The Bank's liquidity position is shown in note 25 to the financial statements.

The Bank's liquidity management process as carried out by the ALCO and treasury unit includes:

- o Day to day funding and monitoring future cash flows to ensure that funding requirements are met;
- o Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against unforeseen funding gaps;
- o Monitoring balance sheet liquidity ratios against internal and regulatory benchmarks; and
- o Managing the concentration and profile of debt securities.

### 32.7 Market risk

Market risk is the risk that Barclays earnings or capital, or its ability to meet business objectives will be adversely affected by changes in the level or volatility of market rates or prices such as interest rates, credit spreads, foreign exchange rates, equity prices and commodity prices. It has two main components which are liquidity and interest rate risks. 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's interest rate risk position is shown below:

\$ trillion	2008		2007	
	Impact on earnings	Impact on capital	Impact on earnings	Impact on capital
1000% increase in interest rates	(178,848,455,877)	(178,848,455,877)	-	-
1000% decrease in interest rates	178,848,455,877	178,848,455,877	-	-
Benchmark	-	-	-	-

# notes to the financial statements<sup>(cont)</sup>

for the year ended 31 December 2008

The bank applies a 'value at risk' ("VaR") methodology to its trading and non-trading portfolios to estimate the market risk of positions held and the maximum losses expected, based upon a number of assumptions for various changes in market conditions. All assets in the Bank's trading portfolio are covered by the internal model to determine capital to cover market risk (refer Note 25.1 to the financial statements). The measurement techniques used to measure and control market risk include:

a) **Daily Value at Risk ("DVaR")**

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

b) **Stress tests**

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

c) **Annual Earnings at Risk ("AEaR")**

AEaR measures the sensitivity of annual earnings to shocks in the market rates at the 99th percentile for change over a one year period. This shock is consistent with the standardised interest rate shock recommended by Basel II framework for assessing banking book interest rate risk.

d) **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.

The table below summarises the DVaR statistics for Barclays Bank's available for sale financial instruments. The assumed interest volatility for the DVaR is the daily volatility of 5% and 10% for long dated and short dated instruments observed over a period of one year.

One day risk	High \$ trillion	Medium \$ trillion	Low \$ trillion	Year - end \$ trillion
Type of risk or activity				
Currency	2,574,460,000	736,689,471	253,820,000	306,537,909
Equity	-	-	-	-
Interest	196,374,235	17,084,789	-	196,374,235
Commodity	-	-	-	-
Diversification effect	-	-	-	-
Aggregate VaR at 31 December 2008	2,770,834,235	753,774,260	253,820,000	502,912,144
Aggregate VaR at 31 December 2007	-	-	-	-

Two week risk	High \$ trillion	Medium \$ trillion	Low \$ trillion	Year - end \$ trillion
Type of risk or activity				
Currency	8,141,157,345	2,329,616,657	802,649,316	969,357,981
Equity	-	-	-	-
Interest	620,989,857	54,026,846	-	620,989,857
Commodity	-	-	-	-
Diversification effect	-	-	-	-
Aggregate VaR at 31 December 2008	8,762,147,202	2,383,643,503	802,649,316	1,590,347,838
Aggregate VaR at 31 December 2007	-	-	-	-

ALCO, together with the Credit Risk Committee, closely monitors this risk. The Bank is satisfied with its risk management processes and systems in place as they have enabled the Bank to minimise losses. High statutory reserves have left the Bank with a liability sensitive balance sheet structure

## 32.8

### Risk and credit 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 31 December 2006 and it assessed the overall condition of the Bank to be satisfactory. This is a score of "2" on the CAMELS rating scale. The CAMELS rating evaluates banks on capital adequacy, asset quality, management and corporate governance, Liquidity and funds management and sensitivity to market risks.

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

#### CAMELS Ratings:

CAMELS Component	Latest ratings December 2006
Capital adequacy	2
Asset quality	2
Management	2
Earnings	2
Liquidity	2
Sensitivity to market risk	2
Composite Rating	2

#### Key:

1 = Strong
2 = Satisfactory
3 = Fair
4 = Weak
5 = Critical

#### Risk Assessment System (RAS) Ratings

RAS component	Latest RAS ratings - 2006
Overall inherent risk	Moderate
Overall risk management systems	Acceptable
Overall composite risk	Moderate
Direction of overall composite risk	Stable

# notes to the financial statements<sup>(cont)</sup>

for the year ended 31 December 2008

Risk rating for the Bank commenced in 2006.

Summary risk matrix - December 2006 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	Moderate	Acceptable	Moderate	Stable
Interest rate	High	Acceptable	Moderate	Increasing
Foreign exchange	Low	Strong	Low	Stable
Strategic risk	Low	Strong	Low	Stable
Operational risk	Moderate	Strong	Moderate	Stable
Legal and compliance	Low	Acceptable	Moderate	Stable
Reputation	Low	Strong	Low	Stable
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 bank 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 than normal supervisory attention. The internal 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 information systems are generally adequate.

**Strong** - management effectively identifies and controls all types of risk posed by a 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 the current information, risk is expected to be stable in the next 12 months.

## External credit ratings

Rating Agent	Latest credit ratings - 2008/9	Previous credit ratings - 2007/8	Previous credit ratings 2006/7
Global Credit Rating Co.	AA-	AA-	AA-

The last rating was done in March 2008 and expires in April 2009.

## 33. Capital management

The Bank's objectives when managing capital, which is a broader concept than the 'equity' on the face of the balance sheet 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, employing techniques based on guidelines developed by the Basel Committee as implemented by the Reserve Bank of Zimbabwe for supervisory purposes.

The Reserve Bank of Zimbabwe requires each bank to maintain a minimum ratio of total regulatory capital adequacy ratio of 10%.

The table below summarises the composition of regulatory capital and the ratios of the Bank.

# notes to the financial statements<sup>(cont)</sup>

for the year ended 31 December 2008

## 26.1. Capital adequacy

	2008 \$ trillion	2007 \$ trillion
Ordinary paid-up share capital	-	-
Share premium	-	-
Accumulated profits	151,057,829,040	-
Share options reserve fund	460	-
Available for sale reserves	18,831,640,320	-
<b>Tier 1 capital</b>	<b>169,889,469,820</b>	-
Revaluation reserves	143,962,940,000	-
General provisions (Limited to 1.25% of weighted risk assets)	18,228,984	-
<b>Tier 2 capital</b>	<b>143,981,168,984</b>	-
Market risk	3,135,606	-
Operational risk	12,868,200,013	-
<b>Tier 3 capital</b>	<b>12,871,335,619</b>	-
Total Tier 1 and 2 capital	313,870,638,804	-
Less: investment in subsidiaries	-	-
<b>Total Tier 1 and 2 capital base</b>	<b>313,870,638,804</b>	-
Tier 3	(12,871,335,619)	-
Total capital base	300,999,303,185	-
Risk weighted assets	683,749,314,976	-
Operational risk equivalent assets	160,852,500,164	-
Market risk equivalent assets	39,195,074	-
<b>Total risk weighted assets (RWA's)</b>	<b>844,641,010,214</b>	-
Tier 1 capital ratio	20%	8%
Tier 1 and 2 capital ratio	37%	15%
Tier 1 and 2 ratio after deducting Tier 3 Capital	36%	15%
Capital adequacy ratio excluding market and operational risks	46%	20%

## 34. Events after the balance sheet date

The Zimbabwe dollar was further redenominated by a factor removing twelve zeros from all monetary values with effect from 3 February 2009. The use of foreign currency for day to day transactions was legalized from 30 January 2009. As a result the functional and presentation currency of financial statements for the year ending 31 December 2009 is likely to be United States of America dollars.

The directors have assessed the ability of the Bank to continue operating as a going concern and believe that the preparation of these financial statements on a going concern basis is still appropriate. However, the directors believe that under the current economic environment a continuous assessment of ability of the Bank to continue to operate as a going concern will need to be performed to determine the continued appropriateness of the going concern assumption that has been applied in the preparation of these financial statements.

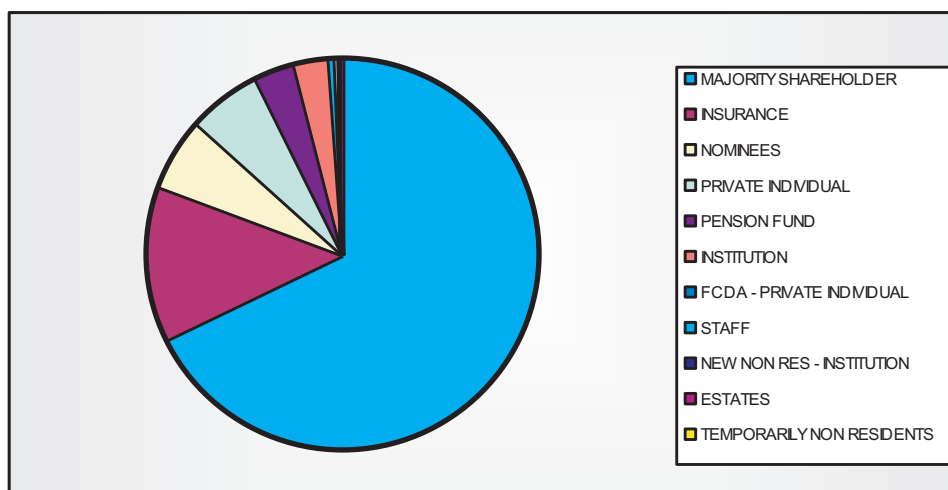


# analysis of shareholders

for the year ended 31 December 2008

Range	Individual shareholders	Institutional shareholders	Total shareholders	Percentage of total
1-1000	1,354	387	1,741	21%
1001-5000	2,812	133	2,945	35%
5001-10000	964	49	1,013	12%
10001-20000	926	90	1,016	12%
20001-50000	1,108	151	1,259	15%
50001-100000	135	76	211	2%
100001+	77	187	264	3%
<b>Total</b>	<b>7,376</b>	<b>1,073</b>	<b>8,449</b>	<b>100%</b>

Industry Classification	% Shareholding	No. Of Shareholding
Insurance Companies	12.76%	25
Pension Funds	3.24%	162
Institutions	3.08%	753
Nominee Companies	6.27%	134
Majority Shareholder	67.75%	1
Other	6.90%	7,374
Total	100%	8,449



Top 20 Shareholders	Shares	% Shareholding
Afcarme Zimbabwe Holdings (Pvt) Ltd	1,457,266,232	67.75%
Old Mutual Life Assurance	144,224,904	6.70%
Old Mutual Zimbabwe Limited	124,709,112	5.80%
Barclays Zimbabwe Nominees (Pvt) Ltd	100,238,280	4.22%
Fed Nominees (Pvt) Ltd	34,456,911	1.60%
Edwards Nominees (Pvt) Ltd	15,559,659	0.72%
Mining Industry Pension Fund	14,402,597	0.67%
Old Mutual Life Assurance Company Zimbabwe Ltd	12,421,544	0.58%
Edwards Nominees (Pvt) Ltd	9,052,085	0.42%
Delta Beverages Pension Fund	8,473,008	0.39%
Stanbic Nominees (Pvt) Ltd	7,615,421	0.35%
Catering Industry Pension Fund	5,880,525	0.27%
M Lynton Edwards Stockbrokers	4,769,202	0.22%
Local Authorities Pension Fund	4,733,333	0.22%
Stanbic Nominees (Pvt) Ltd	4,501,612	0.21%
RM Insurance Holdings	3,615,075	0.17%
Scaiflow Investments (Pvt) Ltd	3,378,936	0.16%
C C Jinya	3,323,885	0.15%
R M Insurance Company (Pvt) Ltd	3,193,366	0.15%
Standard Chartered Bank Zimbabwe Pension Fund	3,146,967	0.15%

# shareholders' notice and diary

## NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Twenty-Eighth Annual General Meeting of Shareholders of Barclays Bank of Zimbabwe Limited will be held in the Mirabelle

Room at Meikles Hotel, on Wednesday 6 May 2009 at 3.30 pm for the purpose of transacting the following business:-

### ORDINARY BUSINESS

1. To receive, consider and adopt the Financial Statements and Report of the Directors and Auditors for the financial year ended 31 December 2008.
2. To note the resignation as directors of the Company of Mr. A. A. Khwaja, Mr. W. Muchingami, Mr. K. Kasongo and Mr. E. M. Makonese
3. To approve the re-election by a single resolution of Mr. J. P. Rooney, Mr. J. Phiri, Mr. C.F. Dube and Mr. A. S. Mandiwanza as directors of the Company, who in terms of Article 102 of the Articles of Association, retire from the Board and being eligible, offer themselves for reelection.
4. To approve the election by single resolution of Mr. S. Matsekete and Mr. Z. Masud who were appointed directors of the company with effect from the 25th of November 2008 and Mr. I. Diouf and Mrs. E. Fundira who were appointed directors of the Company with effect from 24th February 2009. The directors are required in terms of Article 109 of the Articles of Association to vacate their seats and, being eligible, offer themselves for re-election.
5. To fix the remuneration of the Directors
6. To re-appoint PricewaterhouseCoopers as Auditors of the Company until the conclusion of the next Annual General Meeting and to fix their remuneration for the past audit.
7. To transact all such other business as may be carried out at an Annual General Meeting.

In terms of the Companies Act (Chapter 24.03) a member entitled to attend and vote at a meeting is entitled to appoint a proxy to attend and vote on a poll and speak in his stead. A proxy need not be a member of the Company.

By Order of the Board  
Gerald F Chihota  
Secretary  
30 March 2009

Barclay House  
Cnr First Street  
Jason Moyo Avenue  
Harare

## Shareholders' diary

March 2009	Announcement of Audited results for the year ended 31 December 2008
May 2009	28th Annual General Meeting
August 2009	Publication of interim report covering the period 1 January - 30 June 2009

# contact details

## Head Office and Registered Office

Barclay House  
Corner First St & Jason Moyo Avenue  
P O Box 1279  
Harare, Zimbabwe  
Switchboard: +(263) (4) 758280-9  
Telex: ZW2605, 24185  
Fax: +(263) (4) 755278  
E-mail: barkmkt@africaonline  
Internet: www.barclays.co.zw or www.barclays.com

## Share Transfer Office

Fourth Floor  
Barclay House  
Corner First St & Jason Moyo Ave  
Harare, Zimbabwe Telephone: 758280/9  
Fax: (263) (4) 775298

## Auditors

PricewaterhouseCoopers Chartered Accountants (Zimbabwe)  
Building No. 4 Arundel Office Park  
Norfolk Road  
Mount Pleasant  
P O Box 453  
Harare  
Zimbabwe  
Telephone: +(263) (4) 338361-68  
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## Legal Advisors

Scanlen & Holderness  
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Box 188  
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