Barclays Bank of Zimbabwe Limited

(Registered Commercial Bank)

Unaudited financial statements for the half year ended 30 June 2005

Highlights

	Inflation adjusted			Historical cost		
	Unaudited 6 months ended 30/06/05	Unaudited 6 months ended 30/06/04	Audited year ended 31/12/04	Unaudited 6 months ended 30/06/05	Unaudited 6 months ended 30/06/04	Audited year ended 31/12/04
Interest earning assets ($million)	2,764	4,082	2,523	2,764	1,544	1,565
Net interest income ($million)	525	1,388	2,042	411	450	763
Non interest income ($million)	192	181	318	146	60	128
Operating expenses ($million)	(351)	(452)	(926)	(273)	(143)	(377)
Net operating income ($million)	290	942	1100	225	305	398
Basic earnings per share (dollars)	(8)	233	160	71	110	142
Headline earnings per share (dollars)	(9)	235	162	71	110	140
Cost to income ratio	49%	29%	39%	49%	28%	42%
Return on equity	(4%)	61%	47%	32%	80%	85%
Capital adequacy	60%	32%	40%	45%	27%	36%
Liquidity ratio	64%	79%	68%	64%	79%	68%

Chairman's Statement

Dear Shareholder,

The Environment
The tight money market conditions that pertained at the end of 2004 persisted in the early part of the current year. The economy continued to decline driven by, among other things, shortages of fuel and foreign currency for importing raw materials and the poor agricultural season. The introduction of power cuts during the period also had an adverse impact on production. Unemployment remained at unacceptably high levels.

Inflation
Inflation that started the year at 133.6% on a year on year basis declined in February and March to127.2% and 123.7% respectively. It rose in April to peak at 164.3% at the end of June. The fuel price increases which took place in June will result in another wave of price increases for goods and services, putting more pressure on the level of inflation. This will inevitably have an adverse impact on the viability of businesses to the extent that they cannot fully pass on the increases in costs.

Foreign Currency
The Zimbabwe dollar continued to depreciate against the US dollar, with the auction rate that started the year at Z$5 719 gradually falling to around Z$ 9 949 by 30 June 2005. The central bank mid-year monetary policy announcement adjusted the rate to Z$17 500.The movements in the exchange rate, coupled with the incentives awarded by the central bank to exporters, were meant to make exports viable.

Despite the depreciation of the Zimbabwe dollar, foreign currency remained very scarce. The scarcity manifested itself in power cuts, dwindling imported production inputs and the acute fuel shortage. The recent relaxation in fuel imports might offer some respite.

Impairment losses
In my report for the year ended 31 December 2004, I stated that the difficult economic environment had culminated in an increase in impairment losses. I am pleased to announce that tremendous efforts by both customers and the Bank started yielding positive results. The non-performing book has reduced from $169 billion as at 31 December 2004 to $133 billion at 30 June 2005. Close monitoring of the accounts under stress remained a high priority to the Bank. However, this book has been a major drawback in terms of contribution to interest income.

Liquidity
The local money market was, by and large, in a surplus position. However, there were brief periods of shortages, particularly around tax payment dates. The re-introduction of 91 day paper went some way towards enhancing liquidity. The compulsory allocation of two-year bills whenever the Bank had surplus funds adversely affected the performance because the bills carry very low yields.

Financial Results
Historical Cost Accounting Results
The Bank realised pre-tax profits of $225 billion (June 2004: $305 billion) in historical cost accounting terms, representing a decline of 26%. Profits after tax amounted to $142 billion (June 2004:$196 billion), translating to a decline of 28%.

At $411 billion, net interest income was 9% lower than the same period last year, reflecting lower yields and absence of the Reserve Bank financial bills which last year accounted for the high interest income with yields of 320% compared to the average Treasury Bills yield of around 95% in 2005. Furthermore, lending rates which, in 2004, were pegged around 264% dropped to average 136% in the period under review. The volume growth in lendings was not sufficient to off-set the decline in yields. Operating income, however, increased by 9% , from $510 billion in 2004 to $557 billion, on the backdrop of strong non-funded income growth spurred by higher income from foreign and local currency transactions. Operating expenses increased by 86% to $273 billion from $143 billion in 2004, buoyed largely by inflationary pressures coupled with the revaluation loss on outstanding foreign payments of $50 billion (2004: $28 billion). Plans are underway to crystalize the debt in local currency. Impairment provision for loans and advances was more or less static at $59 billion (June 2004:$58 billion). The increase in interest rates in May is likely to lead to more stress to organisations that are highly borrowed, thereby enhancing the probability of impaired book. The tax charge of $83 billion translates to an effective tax rate of 37% of pre-tax profits (June 2004:36%). The increase in the effective rate of taxation is due to the rise in the portion of pension contributions for staff that does not qualify for tax deduction.

The balance sheet has grown by 125% to $4 210 billion from $1 868 billion at 30 June 2004 as the Bank focused on controlled growth. The growth in earning assets was matched to growth in customer deposits in the process reducing reliance on wholesale funding.

Inflation Adjusted Accounting Results
Due to the challeging operating environment, the Bank achieved pre-tax profits of $23 billion (June 2004:$707 billion) and post tax loss of $23 billion (June 2004: $410 billion profit). The balance sheet declined by 13% to $4 348 from $4 993. The low profitability and shrinkage in the balance sheet are a testimony of the difficulties in creating value in a hyper inflation environment. Primary focus in such an environment is to preserve shareholder value.

Social and Environmental Issues
This year the Bank's corporate social responsibility programme has been code named Barclays Miles Ahead. The initiative, which is being conducted across the whole of Barclays Europe, Africa and the Middle East, aims to enhance franchise health through dedication to our communities, colleagues and customers. Barclays Miles Ahead is a platform for the Bank to show its commitment to its colleagues and the communities within which it operates. Barclays Bank of Zimbabwe staff have been challenged to raise $450 million for charity. So far $410 million has been raised through various initiatives.

The Bank adopted a family unit at Chinyaradzo Children's Home and bought furniture worth $38 million. Chinyaradzo Children's Home is an institution that looks after orphans. Medication for 10 sick children at the home was purchased to cover needs for one year. In addition, the Bank assisted Matthew Rusike Children's Home by donating towards the refurbishments of some of the home's family units.

Through its association with Streets Ahead, an organisation aiming to rehabilitate and encourage street children to go back to school, the Bank paid school fees totalling $41 million for 19 school children. Barclays paid for the establishment of a chicken run at Musha Wevana Home in Marondera town, a home for orphans.

The Bank is also working with World Vision in one of the NGO's initiatives to raise funds for charity with the Bank sending some staff members to Kenya to participate in climbing Mount Kilimanjaro. The Bank is aware of, and committed to, the principles of sustainable development in relation to environmental matters. In line with Group tenets, the Bank is averse to dealings with organisations whose activities are harmful to the environment.

Under the Chairman's Fund, donations amounting to $100 million have been made to the following organisations:
-National Botanical Gardens $20 million
-Eyes for Africa $30 million
-Spinal Injuries Association $35 million
-Three primary schools in the Darwendale area $15 million

Barclays PLC Investment in ABSA
The Bank's ultimate holding company, Barclays PLC has acquired a majority shareholding in Amalgamated Banks of South Africa (ABSA). The deal is expected to benefit both ABSA and Barclays Africa by combining the different strengths and experiences of the two entities and by increasing the product range.

Capital Adequacy
In the monetary policy statement announced by the Governor of the Reserve Bank for the June 2005 quarter, the minimum capital for commercial banks was increased from $10 billion to $100 billion, with a grace period to 30 September 2006. The Bank's current capital of $107 billion is in excess of the new minimum.

Appreciation
In view of the ever challenging and unstable environment under which the Bank has been operating, I would like to thank staff and management for their continued support and dedication without which these results would not have been achieved. I also thank my fellow Board members for their valued contribution. Special thanks go to Tom Taylor, who retired from the Board during the period under review, for his support and advice over the years. Tom served the Board for nine years.

Future Prospects
The rate of inflation was on the downward trend until April when it started rising again. If this trend continues, cost increases will pose major challenges to the Bank, its customers, the productive sector and the general public. It is the Bank's hope and belief that the monetary authorities, together with other government arms, will continue to do everything in their power to bring down the rate of inflation to sustainable levels. The Bank anticipates inflation to continue to be the major challenge in the second half.

The acute shortage of foreign currency is bound to continue to depress production levels in the economy. The Bank welcomes the measures taken by the Governor of the central bank in the June 2005 monetary policy review to relax some of the rules to enable importation of scarce commodities. It is hoped that this development will enable businesses to operate at higher capacity. The upturn in the rate of inflation does not augur well for the economy in general and the banking industry in particular. We have seen in the past that high rates of interest that accompany soaring inflation rates present serious challenges to borrowing customers, resulting in increased impairment provisions for bad and doubtful debts. In my statement for the year ended December 2004, I stated that the banking industry was not generally expecting to perform much better during 2005 compared to 2004. This view still stands.

Dividend
In light of the difficult operating environment, your directors deem it prudent to protect the Bank's capital base. Accordingly, your directors have decided not to declare a dividend for the half year ended 30 June 2005.

Dr Robbie M Mupawose
Chairman
30 August 2005

Managing Director's Statement

Introduction
The results for the half-year are a reflection of the continuing harsh operating environment. Costs continued to rise driven by the high rate of inflation and revaluation losses on outstanding hard currency obligations. Credit risk remained a major issue as customers grappled with the challenging socio-economic environment.

Treasury Operations
Treasury successfully managed the Bank's financial position by ensuring that the Bank was able to honour its obligations. The department positioned itself well to minimise the impact of tight liquidity particularly around tax payment periods. Interest rate and liquidity mismatches were managed to ensure that they remained within acceptable parameters.

Corporate Banking
The Bank continued to provide offshore commodity finance, albeit at reduced levels of US$66 million, for some of its customers in the tobacco, sugar and cotton sectors. A lot of effort was directed towards managing the quality of the lending book and reducing risk levels to protect and increase the income. The agricultural business was supported through the Agribusiness Centre where concessionary finance from the Reserve Bank of Zimbabwe was provided to those who met the qualifying criteria. The proportion of our lendings to agricultural business increased from 4% to 12%.

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The majority of the Bank's corporate customers were confronted with various challenges, mainly inadequate fuel and raw materials arising from the shortage of foreign currency, power cuts and the rising costs of doing business. The agricultural sector continued to experience problems pertaining to untimely availability of inputs. The termination of the central bank productive sector funding at the end of June will lead to an increase in the cost of funding to the organisations which were benefiting from the scheme to the extent that interest costs are not offset by the benefits arising from the exchange rate movements. Staff went through training programmes including customer relationship management which were aimed at continually improving the customer service levels to this segment.

The Bank's Birmingham Road Branch, which has been converted into a Service Centre for the corporate customers, should reopen before the end of September 2005. The delay in the completion of the renovations is as a result of the difficulties encountered by the contractors in securing building materials and fuel due to the foreign currency availability challenges.

Retail Banking

In an effort to improve on customer service, staff members attended the following courses: Performance Development (712 attendees), Zimhost (560), Complaints Handling (415), Telephone Skills (8), Presentation Skills (11), Defensive Driving (53) and First Aid (33).

The ATM limit was increased from $2 million to $5 million per day, in recognition of the need to continuously meet customer requirements. For similar reasons, the limit on cheque guarantee cards has been increased to $5 million at the top end.

The Bank conducted a series of workshops to raise staff awareness of frauds and forgeries. As a result, a number of fraud attempts were thwarted by staff. The increase in smaller cash denominations during the latter part of the period, in line with central bank requirements, impacted adversely on customer service as more time was needed to count the cash. Business Solutions Club customers in Harare and Bulawayo attended workshops to enhance the participants' management skills.

Retail Banking customer deposits grew from $584 billion at the beginning of the year to $1 149 billion by 30 June 2005, representing a 97% increase. A savings campaign which was initiated during the period also contributed to the growth in deposits.

Key performance ratios

The Bank attained the following key ratios for the period under review:
-Liquidity ratio: 64% (2004:79%) against minimum regulatory requirement of 10%.
-Cost to income ratio: 49% (2004:29%)
-Capital adequacy ratio: 45% (2004:27%) against minimum regulatory requirement of 10%.

Despite the liquidity ratio dropping 79% to 64%, on the backdrop of increases to statutory reserve ratios in the second half of last year, it remains strong. There was an improvement in the capital adequacy ratio reflecting efforts to preserve capital. The increase in the cost to income ratio is due to the impact of inflation and devaluation of the Zimbabwe dollar. Measures are being taken to contain this ratio.

Appreciation

I would like to thank customers, the Board of Directors, management team and staff for their efforts and support which contributed to these results. I also appreciate the guidance and support to the banking sector from the regulatory authorities. The Bank has taken a deliberate view to improve the quality of its lending book.

Conclusion

The harsh operating environment presented challenges to our customers. The Bank will continue to be proactive in identifying early customers facing challenges and working with them to find solutions. Rising operating costs are expected to remain a challenge and the Bank will ensure continual review of processes and systems with the objective of ensuring that costs are managed effectively.

Despite the challenges that the Bank is facing now and in the future, it will not lose its focus in the area of customer care. Staff will continue to be trained and encouraged in an effort to improve on productivity and service quality despite the unavailability of foreign currency to replace ageing equipment.

Charity C Jinya
Managing Director
30 August 2005

Income statement

for the half year ended 30 June 2005

	Inflation adjusted			Historical cost		
	Unaudited 6 months ended 30/06/05 $billion	Unaudited 6 months ended 30/06/04 $billion	Audited year ended 31/12/04 $billion	Unaudited 6 months ended 30/06/05 $billion	Unaudited 6 months ended 30/06/04 $billion	Audited year ended 31/12/04 $billion
Interest income	976	1,694	3,201	746	549	1,266
Interest expense	(451)	(306)	(1,159)	(335)	(99)	(503)
Net interest income	525	1,388	2,042	411	450	763
Fee and commission income	121	90	216	96	30	91
Net foreign currency trading income	36	58	100	28	19	38
Dividend receivable	-	32	39	1	10	14
Rent receivable	1	-	1	-	-	-
Unrealised loss on investment property	-	-	(12)	-	-	-
Profit on disposal of property and equipment	2	1	4	2	1	2
Profit/(losses) from investment securities	32	-	(30)	19	-	(17)
Operating income	717	1,569	2,360	557	510	891
Operating expenses	(351)	(452)	(926)	(273)	(143)	(377)
Restructuring expenses	-	(11)	(7)	-	(4)	(2)
Impairment charge on dormant subsidiaries	(5)	-	(39)	-	-	-
Impairment charge on trade investment	(5)	-	-	-	-	-
Impairment losses on loans and advances	(66)	(164)	(288)	(59)	(58)	(114)
Net operating income	290	942	1,100	225	305	398
Monetary loss adjustment	(267)	(235)	(573)	-	-	-
Profit before taxation	23	707	527	225	305	398
Taxation	(34)	(256)	(207)	(72)	(93)	(124)
Banking institutions levy	(12)	(41)	(35)	(11)	(16)	(20)
(Loss)/profit for the period	(23)	410	285	142	196	254
(Loss)/basic earnings per share (dollars)	(8)	233	160	71	110	142
(Loss)/headline earnings per share (dollars)	(9)	235	162	71	110	140
(Loss)/diluted earnings per share (dollars)	(8)	233	158	71	109	140

Balance sheet

as at 30 June 2005

	Inflation adjusted			Historical cost		
	Unaudited 6 months ended 30/06/05 $billion	Unaudited 6 months ended 30/06/04 $billion	Audited year ended 31/12/04 $billion	Unaudited 6 months ended 30/06/05 $billion	Unaudited 6 months ended 30/06/04 $billion	Audited year ended 31/12/04 $billion
Assets						
Cash and balances with central bank	82	116	95	82	44	54
Statutory reserve	1,262	605	1,360	1,262	229	774
Treasury bills	1,661	1,406	1,190	1,661	532	677
Balances due from banking institutions	125	603	137	125	228	78
Held for trading securities	37	907	39	37	343	22
Government and municipal stocks	85	13	62	85	5	35
Investment securities - available for sale	-	3	2	-	1	1
Loans and advances to customers	670	899	1,144	670	340	651
Amounts due by group companies	186	251	178	186	95	101
Interest receivable and other assets	76	118	64	76	45	36
Trade investments	1	6	6	-	-	-
Investment in associated company	12	12	12	-	-	-
Investments in subsidiaries	-	-	5	-	-	-
Taxation - deferred	44	-	28	4	-	28
Investment property	22	2	23	1	1	1
Property and equipment	85	52	90	21	5	22
Total assets	4,348	4,993	4,435	4,210	1,868	2,480
Liabilities						
Customer deposits	3,212	2,537	2,125	3,212	960	1,209
Balances due to banking institutions	102	782	707	102	296	402
Other money market deposits	67	137	295	67	52	168
Amounts due to group companies	182	251	243	182	96	138
Interest payable and other liabilities	129	278	156	129	105	89
Taxation - current	76	299	306	76	113	174
Taxation - deferred	-	32	-	-	1	-
Total liabilities	3,768	4,316	3,832	3,768	1,623	2,180
Shareholders' equity						
Share capital	1	1	1	1	1	1
Adjustment to share capital	611	583	583	-	-	-
Share premium	106	19	19	106	19	19
Accumulated (losses)/retained earnings	(138)	74	-	335	225	280
Total shareholders' equity	580	677	603	442	245	300
Total liabilities and equity	4,348	4,993	4,435	4,210	1,868	2,480

Statement of changes in equity

Inflation adjusted

	Share capital $ billion	Share premium $ billion	Adjustment to share capital $ billion	Accumulated (losses)/ retained earnings $ billion	Total $ billion
Balance at 1 January 2004	1	6	555	(286)	276
Profit for the period	-	-	-	410	410
Issue of share capital - scrip issue	-	13	28	(34)	7
Cash dividend	-	-	-	(16)	(16)
Balance as at 30 June 2004	1	19	583	74	677
Balance at 1 January 2005	1	19	583	-	603
Loss for the period	-	-	-	(23)	(23)
Bonus share issue	-	87	28	(115)	-
Balance as at 30 June 2005	1	106	611	(138)	580

Statement of changes in equity

Historical cost

	Share capital $billion	Share premium $billion	Accumulated earnings $billion	Total $billion
Balance at 1 January 2004	1	6	47	54
Profit for the period	-	-	196	196
Issue of share capital - share options	-	13	(13)	-
Cash dividend	-	-	(5)	(5)
Balance at 30 June 2004	1	19	225	245
Balance at 1 January 2005	1	19	280	300
Profit for the period	-	-	142	142
Issue of share capital - scrip issue	-	87	(87)	-
Balance at 30 June 2005	1	106	335	442

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Cashflow statement

for the half year ended 30th June 2005

	Inflation adjusted			Historical		
	Unaudited 6 months ended 30/06/05	Unaudited 6 months ended 30/06/04	Audited Year ended 31/12/04	Unaudited 6 months ended 30/06/05	Unaudited 6 months ended 30/06/04	Audited Year ended 31/12/04
Net cash flow from operating activities	$billion	$billion	$billion	$billion	$billion	$billion
Profit before taxation	23	707	527	225	305	398
Depreciation	8	16	14	3	-	2
Profit on disposal of property and equipment	(2)	(1)	(4)	(2)	(1)	(2)
Unrealised loss on investment property	-	-	12	-	-	-
Profit/(losses) from investment securities	(32)	-	30	(19)	-	17
Impairment losses on loans and advances	66	164	288	59	58	114
Impairment charge on trade investment	5	-	-	-	-	-
Impairment charge on dormant subsidiaries	5	-	39	-	-	-
Corporate tax paid	(291)	(74)	(75)	(158)	(17)	(21)
Net cash (outflow)/ inflow before changes in operating funds	(218)	812	831	108	345	508
Decrease/(increase) in trading securities	1	(888)	(23)	(15)	(338)	(18)
Decrease in investment securities-available for sale	2	-	25	1	25	6
Decrease/(increase) in loans and advances to customers	408	209	(200)	(78)	(113)	(463)
(Increase)/decrease in government & municipal bonds	(23)	37	(11)	(50)	7	(23)
Increase in balances due by group companies	(8)	(193)	(19)	(86)	(81)	(62)
(Increase)/decrease in other assets	(12)	77	132	(40)	3	12
Increase in customer deposits	1,088	1,390	963	2,004	679	924
(Decrease)/increase balances due to banking institutions	(604)	465	390	(300)	219	325
(Decrease)/increase in other money market deposits	(228)	(132)	26	(101)	(14)	102
(Decrease)/increase) in balances due to group companies	(61)	188	79	45	80	98
(Decrease)/increase in other liabilities	(28)	71	(39)	41	55	42
Net cash inflow from operating activities	317	2,036	2,154	1,529	867	1,451
Investing activities						
Purchase of property and equipment	(3)	(13)	(47)	(3)	(4)	(22)
Proceeds from disposal of property and equipment	2	4	5	2	1	2
Net cash outflow from investing activities	(1)	(9)	(42)	(1)	(3)	(20)
Net cash inflow before financing activities	316	2,027	2,112	1,528	864	1,431
Financing activities						
Dividends paid	-	(16)	(17)	-	(6)	(6)
Issue of shares to other parties	-	-	-	-	-	-
Net cash outflow from financing activities	-	(16)	(17)	-	(6)	(6)
Net increase in cash and cash equivalents	316	2,011	2,095	1,528	858	1,425
Balances - at the beginning of the period	2,812	719	717	1,600	175	175
Balances - at the end of the period - note 16	3,128	2,730	2,812	3,128	1,033	1,600

Notes to the Financial Statements

For the half year ended 30 June 2005

1. Accounting policies

The principal accounting policies adopted in the preparation of the financial statements which are set out below comply with International Financial Reporting Standards and have been consistently followed.

2. Basis of presentation

The financial statements are based on statutory records that are maintained under the historical cost convetion. Appropriate adjustments and reclassifification including restatements for changes in the general purchasing power of the Zimbabwe dollar for the purposes of fair presentation in compliance with the International Accounting Standard 29 - "Financial Reporting in Hyper inflationary Economies", have been made in these financial statements to the historical cost financial information. Accordingly, the inflation adjusted financial statements represent the primary financial statements of the bank. The historical cost financial statements have been provided by way of supplementary information. The conversion factors used to restate these financial statements are based on the consumer price index issued by the Zimbabwe Central Statistical Office. The indices and conversion factors used to restate the accompanying financial statemets at 30 June 2005 are given below:

Date	Indices	Conversion factors
30 June 2005	12,354.2	1.0000
31 December 2004	7,028.7	1.7577
30 June 2004	4,674.1	2.6431

3 Financial instruments

Financial instruments are initially recognised in the balance sheet at cost and subsequently measured at fair value. Fair values are obtained from quoted market prices. All financial instruments are carried as assets when fair values are positive and as liabilities when fair values are negative.

4. Taxation

Current tax and deferred tax on temporary differences have been fully provided for. Deferred tax is calculated using the full liability method. Banking institutions levy has been provided for in full.

5. Capital adequacy

	Inflation adjusted			Historical cost		
	30/06/2005	30/06/2004	30/06/2004	30/06/2005	30/06/2004	31/12/2004
	$billion	$billion	$billion	$billion	$billion	$billion
Ordinary paid-up share capital	1	1	1	1	1	1
Share premium	106	19	19	106	19	19
Adjustment to share capital	611	583	583	-	-	-
Profit and loss net of dividend	(138)	478	285	56	178	254
Revenue reserves	-	(285)	(285)	279	46	26
Statutory reserve	-	-	-	-	-	-
Tier 1 capital	580	796	603	442	244	300
General provisions (limited to 1.25% of weighted risk assets)	13	29	21	13	11	11
Tier 2 capital	13	29	21	13	11	11
Total tier 1 & 2 capital	593	825	624	455	255	311
Less: Investment in subsidiaries	-	-	(5)	-	-	-
Total capital base	593	825	619	455	255	311
Weighted risk assets (WRAs)	1,002	2,566	1,552	1,002	950	868
Tier 1 capital ratio	58%	31%	39%	44%	26%	35%
Capital adequacy ratio (Total capital ratio)	60%	32%	40%	45%	27%	36%
6. Liquidity ratios						
Cash and balances with central bank	118	349	95	118	132	54
Treasury bills	1,661	1,399	1,190	1,661	529	677
Government bonds	85	13	62	85	5	35
External assets	226	343	301	226	130	171
Total liquid assets	2,090	2,104	1,648	2,090	796	937
Customer deposits	3,212	2,537	2,125	3,212	960	1,209
Money market deposits	67	137	295	67	52	168
Total liabilities to the public	3,279	2,674	2,420	3,279	1,012	1,377
Liquidity ratio (RBZ minimum - 10%)	64%	79%	68%	64%	79%	68%

7. Sectoral analysis of loans and advances

Included in customer loan portfolio are held for trading securities, investment securities, government and municipal stocks and loans and advances to customers.

7.1 Economic sector risk concentrations within the customer loan portfolio were as follows:

(inclusive of investments securities and trading securities)

	30/06/2005		30/06/2004		30/06/2004		30/06/2005		30/06/2004		31/12/2004	
	$billion	%	$billion	%	$billion	%	$billion	%	$billion	%	$billion	%
Private individuals	127	16	3	-	56	4	127	16	1	-	32	5
Agriculture	97	12	66	4	104	8	97	12	25	4	59	8
Mining	11	1	8	-	16	1	11	1	3	-	9	1
Manufacturing	194	24	394	22	334	27	194	24	149	22	190	27
Distribution	205	27	1,204	66	559	46	205	27	455	66	318	45
Construction	1	-	5	-	2	-	1	-	2	-	1	-
Transport	91	12	71	4	121	10	91	12	27	4	69	10
Services	26	3	13	1	18	1	26	3	5	1	10	1
Financial institutions	40	5	42	2	28	2	40	5	16	2	16	2
Other	-	-	16	1	9	1	-	-	6	1	5	1
	792	100	1,822	100	1,247	100	792	100	689	100	709	100

7.2 Maturity analysis of customer loans portfolio

	Inflation Adjusted			Historical		
	30/06/2005	30/06/2004	30/06/2004	30/06/2005	30/06/2004	31/12/2004
Up to 1 month	612	991	554	612	375	315
1 - 6 months	17	653	483	17	247	275
7 - 12 months	38	56	83	38	21	47
Over one year	125	122	127	125	46	72
Total	792	1,822	1,247	792	689	709

7.3 Non performing loans and advances

These are loans and advances on which interest is no longer accrued or included into income unless the borrower pays back. These non-performing assets include balances where the principal amount and/or interest is due and unpaid for 90 days or more.

Total non performing loans and advances	133	193	297	133	73	169

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7.4 Movement on impairment losses is as follows:

	Inflation adjusted			Historical		
	30/06/2005	30/06/2004	31/12/2004	30/06/2005	30/06/2004	30/12/2004
Balances at begining of period	206	5	18	185	4	4
Charge against profits:	66	164	288	59	58	114
-general provision for impairment	8	19	47	5	6	21
-specific provision for impairment	63	145	255	57	52	99
-recoveries and provision no longer required	(5)	-	(14)	(3)	-	(6)
Classified debts written off during the peiod	(102)	-	(2)	(59)	-	(1)
Monetary adjustment	15	(2)	(98)	-	-	-
Balances at end of period	185	167	206	185	62	117

8.Interest receivable and other assets

	30/06/2005	30/06/2004	31/12/2004	30/06/2005	30/06/2004	31/12/2004
	$billion	$billion	$billion	$billion	$billion	$billion
Internal accounts	38	82	18	38	31	10
Accrued interest	29	13	42	29	5	24
Remittences in transit	1	24	4	1	9	2
	68	119	64	68	45	36

9. Trade investments

Unquoted, at cost	1	6	6	-	-	-

The directors are of the opinion that the unquoted investments have a value which is at least equal to their net asset values of $1 billion (inflation adjusted values are $6 billion).

10. Investment in associated company

	Percentage Shareholding	30/06/2005 $billion	30/06/2004 $billion	31/12/2004 $billion	30/06/2005 $billion	30/06/2004 $billion	31/12/2004 $billion
Brains Computer Processing (Private) Limited	33 1/3%	12	12	12	-	-	-

The investment in Brains Computer Processing (Pvt) Ltd which is unquoted shown at cost because the operations of that company are immaterial relative to Group operations.

11. Property and equipment

	30/06/2005	30/06/2004	31/12/2004	30/06/2005	30/06/2004	31/12/2004
	$billion	$billion	$billion	$billion	$billion	$billion
At January 2005	90	58	58	22	1	2
Additions	3	13	47	2	4	22
Disposals	(14)	(6)	(33)	-	-	-
Depreciation charge	(8)	(16)	(14)	(3)	-	(2)
Depreciation on disposal	14	3	32	-	-	-
Balance at 30 June 2005	85	52	90	21	5	22

In the opinion of directors, there is no impairment of property and equipment.

12. Sectoral analysis of customer deposits including deposits by banking institutions

	30/06/2005 $billion	%	30/06/2004 $billion	%	31/12/2004 $billion	%	30/06/2005 $billion	%	30/06/2004 $billion	%	31/12/2004 $billion	%
Private individuals	328	9	224	7	218	7	328	9	85	7	124	7
Agriculture	124	4	209	6	124	4	124	4	79	6	71	4
Mining	41	1	94	3	47	1	41	1	36	3	27	1
Manufacturing	344	11	419	12	330	11	344	11	158	12	188	11
Distribution	264	8	350	10	302	10	264	8	133	10	172	10
Construction	23	1	100	3	19	1	23	1	38	3	10	1
Transport	25	1	43	1	32	1	25	1	16	1	18	1
Communication	2	-	4	-	3	-	2	-	2	-	2	-
Services	1,867	55	855	25	1,101	35	1,867	55	323	25	626	35
Financial institutions	363	10	1,158	33	949	30	363	10	438	33	540	30
Other	-	-	-	-	-	-	-	-	-	-	-	-
	3,381	100	3,456	100	3,125	100	3,381	100	1,308	100	1,779	100

12.1 Customer deposits including deposits due to other banking institutions

	Inflation adjusted			Historical cost		
	30/06/2005	30/06/2004	31/12/2004	30/06/2005	30/06/2004	31/12/2004
	$billion	$billion	$billion	$billion	$billion	$billion
Current deposit accounts	3,212	2,536	2,123	3,212	960	1,209
Deposits due to other banking institutions	102	782	707	102	296	402
Other money market deposits	67	138	295	67	52	168
	3,381	3,456	3,125	3,381	1,308	1,779
Maturity analysis:						
Upto 1 month	3,187	3,456	3,125	3,187	1,308	1,779
1 - 6 months	194	-	-	194	-	-
6 - 12 months	-	-	-	-	-	-
Over 1 year	-	-	-	-	-	-
Total	3,381	3,456	3,125	3,381	1,308	1,779

13. Ordinary shares and share premium

	Number of shares million	Ordinary shares $billion	Shares premium $billion	Statutory reserve $billion	Total $billion
Balance at 1 January 2005	1,966	1	19	-	20
Issue of share capital - bonus issue	104	-	87	-	87
Issue of share capital - share options	3	-	-	-	-
Balance at 30 June 2005	2,073	1	106	-	107

14. Off balance sheet financial instruments,contigent liabilities and commitments

	30/06/2005	30/06/2004	31/12/2004	30/06/2005	30/06/2004	31/12/2004
Contigent liabilties	$billion	$billion	$billion	$billion	$billion	$billion
Bankers acceptances	12	26	18	12	10	10
Letters of credit	11	21	21	11	8	12
Guarantees and performance bonds	53	85	77	53	32	44
Total contigent liabilties	76	132	116	76	50	66

14.1 Capital commitments

Authorised and contracted	52	8	60	52	3	34
Authorised , but not Contracted	-	19	-	-	7	-
Total capital commitments	52	27	60	52	10	34

Capital commitments will be funded from own resources.

15. Business segments

Primary segment information

Half year ended 30 June 2005	Treasury $ billion	Retail and corporate banking $ billion	Leasing and hire purchase $ billion	Total $ billion
Operating income	385	321	11	717
Profit before taxation	345	(331)	9	23
Taxation	(41)	(2)	(3)	(46)
(Loss) profit for the period	304	(333)	6	(23)
Segment assets	499	3,842	7	4,348
Segment liabilities	308	3,460	-	3,768
Additions to property and equipment	-	3	-	3
Depreciation	3	4	-	7
Impairment losses	-	66	-	66

Inflation adjusted

Half year ended 30 June 2004	Treasury $ billion	Retail and corporate banking $ billion	Leasing and hire purchase $ billion	Total $ billion
Operating income	708	767	94	1,569
Profit before taxation	706	(92)	92	706
Taxation	(251)	(44)	(1)	(296)
Profit/(loss) for the period	455	(136)	91	410
Segment assets	1,714	3,276	3	4,993
Segment liabilities	1,170	3,146	-	4,316
Additions to property and equipment	-	3	-	3
Depreciation	6	8	2	16
Impairment losses	-	164	-	164
Restructuring expenses	-	11	-	11

16. Cash and Cash Equivalents

16.1 Analysis of balances of cash and cash equivalents as shown in the consolidated cash flow statement

Inflation adjusted

	30/06/2005	30/06/2004	30/06/2004	30/06/2005	30/06/2004	31/12/2004
	$billion	$billion	$billion	$billion	$billion	$billion
Cash and balances with central bank	82	116	95	82	44	54
Statutory reserve	1,262	605	1,360	1,262	229	774
Treasury bills	1,661	1,406	1,190	1,661	532	677
Balances due from other banking institutions	125	603	137	125	228	78
Current year profit/(losses) - note 16.2	(2)	-	30	(2)	-	17
	3,128	2,730	2,812	3,128	1,033	1,600

16.2 Profit/(losses) from investment securities

Reversal of prior period unrealised profit/(losses)	30	-	-	17	-	-
Current year profit/(losses)	2	-	(30)	2	-	(17)
Total	32	-	(30)	19	-	(17)

17. Shareholding structure

	30/06/2005	30/06/2005	30/06/2005
Barclays Bank PLC (%)	68%	68%	68%
Zimbabwe public (%)	32%	32%	32%
	100%	100%	100%

18. Compliance with banking regulations

The Bank is unware of any non compliance in any material respects with the banking regulations in this first half.

Risk management

The Bank recognises that banking business is fraught with risks and it has put in place policies and procedures to manage the following risks:

Credit risk

Credit risk is the likelihood that some borrowers will fail to repay their borrowings. To mitigate this risk, the Bank credit scores all customer borrowing applications and only lend to those which meet the criteria. The Bank monitors cashflows and utilisation against limits to identify accounts under stress. The Bank 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.

Operational risk

This is the risk of losses arising from inadequate or failed internal processes, people and systems or from external events. Risk workshops are held for the purpose of identifying major risks in the operating environment and methods of mitigating the risks. Procedures are then put in place to measure and monitor the risk. Potential loss incidences are recorded, monitored and measured using effective operational risk management systems. Country Management Committee and Governance and Control Committee monitor operational risk exposures.

Liquidity risk

Liquidity risk is the risk that the Bank will fail to honour payments due to lack of funds. The Bank identifies this risk through periodic liquidity gap analysis and the maturity profile of assets against that of its liabilities. Where major gaps appear, action is taken in advance close or minimise the gaps. The Bank's Asset and Liability Committee (ALCO), monitors and manages liquidity risks.

Interest rate risk

This is the risk that the Bank will be adversely affected by changes in market interest rates. The Bank periodically sets limits and analyses its assets and liabilities to establish the interest repricing gaps. Action is taken to close the gaps in excess of limits. Interest rate risk is also monitored and managed by ALCO.

Market Risk

Market Risk relates to the loss that the Bank could suffer due to the failure of a counter-party in the market. The Bank sets dealing and clearing Daily Value at Risk limits with its counter-parties in order to minimise the risk. Periodic reviews of the utilisations by the counter-parties against limits are conducted. A deterioration in the financial standing of a counter-party is an indication of increased risk and corrective action is taken. 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.

Directors

Dr RM Mupawose(Chairman), AP Bainbridge, M Hewitt, CC Jinya(Managing Director)*, KC Katsande, EM Makonese, W Muchingami*, J Phiri*, JP Rooney, TN Sibanda

* Executive Directors

Barclays Bank of Zimbabwe Limited (Registered Commercial Bank)

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