

Highlights

	Inflation adjusted		Historical	
	2006	2005	2006	2005
▶ Interest earnings assets (\$million)	108,053	116,023	108,053	8,754
▶ Net interest income (\$million)	69,989	66,478	37,972	2,310
▶ Non-interest income (\$million)	16,093	18,092	5301	557
▶ Operating expenses (\$million)	(31,187)	(29,842)	(15,454)	(881)
▶ Net operating income (\$million)	53,969	48,942	27,105	1,884
▶ Basic earnings per share (cents)	(57)	(98)	849	60
▶ Cost to income ratio (%)	36	35	36	31
▶ Return on equity (%)	(5)	(23)	52	71
▶ Liquidity ratio (%)	85	72	85	75
▶ Capital adequacy ratio (%)	71	47	63	43

Chairman's Statement

Dear Shareholder

I am pleased to advise that the bank produced a satisfactory set of results, propelled by a strong second half performance compared to the first half. These results have been achieved on the back drop of a difficult trading environment. The results well positions the bank in terms of capital adequacy and on a firm path for long term success. The bank is secure and in a strong position to support customers' funding requirements.

Overview of the Operating Environment

The operating environment for the year under review was characterised by market volatility, economic decline with year on year inflation reaching an all time high of 1 281.1% in December. A coherent set of fiscal and monetary policy measures are key in taming inflation. Shortage of essentials such as foreign currency, fuel and electricity also made operations extremely difficult for business. As a result of the above factors, there has been a general decline in capacity utilisation which contributed to the current economic malaise. We concur with the fiscal and monetary authorities efforts to synchronise their policy measures which should lay firm foundations for an economic turnaround. We encourage all key stakeholders to play their part in achieving the desired results.

The financial sector experienced some instability during the first half of the year, driven by tight liquidity policy implemented by the central bank in its efforts to dampen inflationary pressures. Statutory reserves peaked at 60% and 45% for demand and savings deposits respectively in March 2006. The policy change led to the bank experiencing a liquidity crunch and as a result the first half performance was below expectations due to the higher cost of funding. During the second half of the year, the bank achieved a strong recovery owing to reduction in the statutory reserves coupled with higher yielding instruments which included the CPI linked treasury bills.

In an effort to manage money supply growth, the central bank in October 2006 introduced compulsory Financial Sector Stabilisation bonds with yields of 500% based on the September balance sheet size. This had the effect of creating liquidity shortages in the market. As a result, interest rates increased and banks had to resort to the central bank accommodation window for funding of these shortages. This caused the bank's cost of funding to increase during the last quarter of the year. In addition these long drawn out bonds resulted in increased market risks in the form of liquidity and re-pricing mismatches. Despite a series of devaluations over the years, the exporters' base continues to decline while the country's import requirements continue to grow.

Whilst exporters welcomed the exchange rate movement to \$250 in August/September 2006 as it improved their viability, the continued stagnation of the exchange rate at this level on the backdrop of rising month on month inflation which ranged between 20% and 35% eroded the exporters competitiveness. Sustainable exporter viability has to be maintained to incentivise exporters to increase capacity.

The central bank introduced a new family of bearer cheques in August and in the process dropped three zeros. This move greatly assisted the banking public with the convenience that came with reduced queues in banking halls and ATM transaction processing times. In addition pressure was reduced on information technology systems and infrastructure which at that time were failing to cope with the high number of digits with some transactions having to be broken down into two or more to facilitate processing. If the benefits which accrued from this initiative are to be sustained, there is need for a lasting solution to the current hyperinflation challenge.

Financial Results

Historical Cost Accounting Results

The bank strongly recovered in the second half when compared to the subuded first half performance, to record a profit before tax of \$27,148 million for the year. This represents an increase of 1 341% when compared to \$1,884 million achieved last year. Profit after tax at \$17,203 million is 1 364% ahead of last year and 331% ahead of average inflation for the year of 1 033%. This performance was driven by higher net interest income on the back of higher yields on treasury bills and higher volumes of earning assets.

Operating costs increased by 1 654% to \$15,454 million in 2006, mainly driven by higher wage demands and higher costs of consumables in response to the impact of inflation. The impairment charge for the year of \$714 million is 600% up on last year due to the worsening macroeconomic environment whilst impairment as a percentage of the loan book improved from 5% in 2005 to 3% in 2006. The bank continues to monitor the performance of its loan book given the high lending rates prevailing in the environment. Some risks have been reduced by offering lending facilities to customers under the central bank's support facilities in agriculture and small to medium sized enterprises at concessionary rates. For other customers who are under stress and falling outside this category, the bank has been working with them in identifying mutually agreeable terms to minimise the risks. The balance sheet grew by 1287% to \$176,007 million in 2006 propelled by money supply growth.

Inflation Adjusted Results

The bank recorded a loss after tax of \$1,159 million compared to a loss of \$6,282 million, a marginal improvement driven by underlying improved net operating income and loan impairment performances, coupled with the bank's declining asset base as a result of the ravaging effects of inflation. Net interest income rose from \$66,478 million to \$69,989 million representing an increase of 5% driven by higher yields on treasury bills portfolio with part of portfolio yielding inflation linked returns. Non funded income dropped by 11% to \$16,093 million driven by controls on tariffs on cash transactions as well as customers absorptive capacity in light of the difficult operating environment.

Impairment charge at \$1,581 is 7% of the loan book representing a drop from 19% last year. This is in line with quality of the loan book which benefitted from the low interest rates especially those loans accessed under the productive sector funding facility especially for agro based sector.

The balance sheet at \$181,383 million is marginally down on last year reflecting the loss of value under the hyperinflationary conditions. Customer deposits dropped to \$125,836 million due to erosion of value linked to hyperinflationary conditions. The capital erosion represents the effects of inflation on capital. Loans and advances dropped by 16% to close at \$23,183 million.

Corporate Governance

The bank complied with central bank minimum threshold on capital of \$1 billion dollars as at 30 September 2006 through capitalisation of retained earnings. The bank complied in all material respects to banking regulations and other statutory requirements for the period under review. The Board of directors continues to focus on attaining highest standards of corporate governance across operations and structures of the company, ensuring effective monitoring and control, timely and accurate disclosure of material information about the company.

The law and regulations which protect various rights of stakeholders including employees, customers and shareholders are observed. The bank subscribes to the principles of best practice as guided by the Reserve Bank of Zimbabwe, King II report and the Barclays Group Corporate Governance Guidelines. The Board of directors is committed to creating and sustaining shareholder value and ensuring that the Bank's behaviour continues to be ethical, legal and transparent at all times.

Social Responsibility

The bank's key focus areas for social responsibility remained health, social welfare and education. Particular emphasis was placed on malaria prevention, HIV and AIDS, entrepreneurial skills development and disability. The bank held a street fare, in partnership with Zimbabwe AIDS Prevention Services Organisation (ZAPSO), in Harare's First Street mall as part of its wellness week in December. The fare provided free testing and counselling to the public in the areas of HIV and Aids, stress, cancer, disability and family planning.

Barclays also donated \$1.5 million worth of malaria drugs and mosquito nets to Chiredzi Hospital. The bank also handed over to the Ministry of Health and Child Welfare a ward at Chipinge Hospital, which it renovated and furnished at a cost of \$2 million. The renovations were done in partnership with the Ministry of Local Government, Urban Planning and Construction. The hospital ward is named the David Zamchiya ward in honour of the late Chairman of the Bank, and will house TB patients.

Dividend

Your directors are pleased to announce a cash dividend of \$2.05 representing four (4) times cover. The bank arrived at the dividend cover after taking into account the need to preserve capital for future growth.

Outlook

Future prospects point to a tough year ahead unless drastic economic policy changes are implemented to address the current decline. The economic fundamentals indicate higher inflation on the back of a high government budget deficit with inflationary funding implications. The exporter base continues to be eroded due to viability constraints. Foreign currency inflows look set to continue to dwindle if the prevailing exchange rate framework is maintained. This will continue to negate any economic revival efforts. The bank is well capitalised and is in a strong position to take advantage of market opportunities and withstand the challenges that lie ahead.

Appreciation

I would like to express my gratitude to all staff and management for delivering satisfactory results during a difficult period in the financial services sector. I believe that we have dedicated people who are well prepared to meet the challenges that will be presented in 2007, and that they will work even harder to produce the desired results. I also wish to thank my colleagues on the Board for their support and guidance in 2006. My task would have been difficult without their invaluable support. Let me also thank Andrew Bainbridge who retired from the board during the year. His contributions were invaluable.

E M Makonese

Chairman

27 February 2007

Managing Director's Statement

Introduction

The year 2006 was challenging for the financial services sector on the back of a tight monetary policy framework. Statutory Reserve ratios peaked at 60% for demand deposits and 45% for saving and time deposit products up to 19 June. Subsequently, statutory reserve ratios were progressively reduced to close the year at 40% for demand deposits and 30% for savings and time deposits. This policy revision contributed to the Bank making a reasonable recovery from its first half performance and produced a good set of results for the year ended 31 December 2006.

Market Developments

Foreign exchange shortages persisted in 2006 resulting in sub optimal utilisation of productive capacity across industry and agricultural sectors. The exchange rate which opened the year at Z\$99 to US\$1 was adjusted to close the year at Z\$250 to US\$1. The viability of exporters was a key consideration in determining the movement of the rate which brought some temporary relief to exporters. The continued fixed rate of Z\$250 to US\$1 against a background of month on month increase in inflation eroded the competitiveness of exporters. The central bank allowed exporters to retain part of their export proceeds indefinitely as an incentive for exporters to increase production, while 32.5% was retained by the Reserve Bank for energy requirements. Subsequent monetary policy liberalised payment of diaspora funds in forex, while NGOs were to get fair value for their funds.

A tight monetary policy was maintained by the authorities during the first half of 2006 with accommodation rates peaking at 850% in May before easing to 300% in August 2006. The mid year monetary policy statement brought about a policy shift by reducing interest and accommodation rates, and statutory reserves. However compulsory five year Financial Sector Stabilisation Bonds (FSSBs) had a negative impact on liquidity and contributed to liquidity and interest rate risks.

Retail Banking

Retail Banking made an important contribution to the Bank's performance through sustained deposit mobilisation. In order to improve customer service, the bank also introduced a system that allows bank statements to be emailed to customers. In addition the bank can now produce debit cards and PIN numbers within 9 minutes. Quarterly networking events were held for local business customers to assist them build value adding relationships with each other and equip them with up to date financial information.

In an effort to be more proactive and get closer to our customers, the Bank also introduced two direct sales teams, one in Bulawayo and one in Harare towards the end of the year. In line with our strategy to continue to improve the customer experience, the bank re-opened Leopold Takawira branch in Bulawayo and Highfield branch in Harare. Renovations were also carried out on Marondera and Kwekwe branches. This should provide a comfortable environment sufficient to motivate staff to offer quality service to our customers and provide the appropriate ambience for our customers.

Corporate Banking

The Corporate Banking Division continued to focus on developing and building closer mutual beneficial relationships with customers with a view of providing flexible and appropriate banking solutions within the constraints of the operating environment. The relationships developed have assisted in better understanding, proactive and effective management of customers' cash flows which has become increasingly critical in the present money market conditions.

A Bulk Cash Centre was opened at the Corporate Service Centre to provide a one stop convenience for bulk cash depositing and /or withdrawals. The Bank rolled out an internet based electronic banking platform branded "Barclays Integrator" which provides customers with immediate access to all their accounts and also facilitate funds transfers. The product will be offered to all corporate customers and full take on will be completed during the first quarter of 2007. The product functionalities and capabilities will be enhanced by broadening the suite of products to offer a broad range of cash management functions.

Quarterly focus groups were held with customers to get their feedback on the quality of service offered by the bank and also identify opportunities to improve. Relationship Managers also underwent training to improve their skills and have successfully completed a Diploma in Customer Relationship Management with the Institute of Financial Services, United Kingdom. Barclays Securities Services Department adapted its product offering to the operating regulatory environment and recorded encouraging growth that is poised to continue in 2007. We continue to support our customers in agriculture mainly through the Agricultural Sector Productivity Enhancement Facilities (ASPEF) in view of reasonable cost and as at 31 December 2006 had advanced an amount of Z\$6,863 million. The bank also had access to some credit lines to support commodity exporters involved in cotton and sugar on a revolving basis worth around US\$11 million.

Service Delivery

The bank implemented an effective model to process transactions in the operations department with the aim of improving efficiency and customer service. A system that allows historical data on customer accounts to be accessed in the branches was rolled out thereby significantly improving the turnaround times for query resolution. An upgrade of ATM software was undertaken which has improved our ATM uptime and introduced more user friendly screens. A total of 46 ATMs were also purchased to replace old machines to improve ATM availability and product menu. As a result the ATM network now stands at 62.

Risk Management

The Bank's compliance and operational risk functions have been equipped to enhance their advisory, assessment, monitoring and reporting roles on the business' compliance and operational risk profiles. The bank observes "Anti Money Laundering" and "Know Your Customer" policies in order to safeguard depositors' funds.

The bank extended credit facilities to customers at affordable interest rates in line with market trends. The quality of the loan book has been quite commendable despite the difficult trading environment. All staff have been trained in respect of Basel II capital accord and the Bank is at an advanced stage in getting to the required compliance level. The key objectives of Basel II include better alignment of the regulatory capital framework and the internal economic capital approach to managing capital adequacy and prudential risks. Basel II applies to all internationally active banks and aims at maintaining the current capital tiers or pillars in the system whilst introducing a market and operational risks capital tier. The main changes are:

- a more sensitive treatment of credit risk which recognises risk management policies
- for the first time, a separate regulatory capital requirement for operational risk
- an improved recognition of credit risk mitigation techniques
- an enhanced market disclosure and supervisory review.

Basel II is tailored to identify different risk requirements as opposed to a "one size fits all" approach. These are Advanced approach, Standardised approach and Internal Ratings based approach. Data quality and integrity is an important element of Basel II Accord. In order to comply with the requirements of Basel II and to be in line with international standards, the bank set up a centre for the data remediation exercise and validation which was successfully completed in January 2007. The improvement in data quality will enable the Bank to better understand and identify the needs of customers.

Human Resources

The bank continued to invest heavily into the development of our people. Average of 18 training man hours per employee was achieved through formal training, with an emphasis on customer facing staff. Senior posts resourcing was a priority with a number of strategic positions filled by both internal and external candidates.

The Bank's Employee Wellness Programme has been further enhanced through partnerships with local service providers. The programme seeks to enhance the welfare of staff as a key resource to the business by providing a broad range of services and training aimed at improving the quality of life both in the work place and outside. This has led to more employees and their families accessing these services and facilities. The Wellness Programme was awarded the Zimbabwe National Chamber of Commerce Best Corporate HIV programme award for 2006.

Future prospects

The Bank will be focusing on strong growth and profitability under pinned by cost effective deposits and closer customer relationships through various delivery channels. The year 2007 is expected to be another challenging year with higher inflation expected. Our focus will remain on value creation for all our stakeholders by adopting appropriate strategies, principles and values.

Gratitude

I thank all staff, management and the Board of Directors for their dedication, commitment and wise counsel which enabled the bank to achieve a commendable set of results given the challenges we have been through.

Charity C Jinya

Managing Director

27 February 2007

Barclays Bank of Zimbabwe Limited

Audited Results for the year ended 31 December 2006

The inflation adjusted financial results represents the primary financial statements of the bank and have been audited by PriceWaterhouseCoopers. The historical financial information has been presented as supplementary information.

Income Statement	Notes	Inflation adjusted		Historical	
		2006 \$millions	2005 \$millions	2006 \$millions	2005 \$millions
For the year ended 31 December 2006					
Interest income		146,281	108,679	64,300	3,480
Interest expense		(76,292)	(42,201)	(26,328)	(1,170)
Net interest income		69,989	66,478	37,972	2,310
Non-funded income	4	16,093	18,092	5,301	557
Operating income		86,082	84,570	43,273	2,867
Operating expenses	5	(31,187)	(29,842)	(15,454)	(881)
Impairment charge on trade investments and subsidiaries		655	(524)	-	-
Impairment losses on loans and advances	6	(1,581)	(5,262)	(714)	(102)
Net operating income		53,969	48,942	27,105	1,884
(Loss)/gain on investment in associate company		(624)	(622)	43	-
Monetary loss adjustment		(43,260)	(41,744)	-	-
Profit before taxation		10,085	6,576	27,148	1,884
Income tax expense		(11,244)	(12,858)	(9,945)	(709)
(Loss)/profit after taxation		(1,159)	(6,282)	17,203	1,175
Basic earnings per share (cents)		(57)	(98)	849	60
Diluted earnings per share (cents)		(57)	(98)	848	60

Balance Sheet	Notes	Inflation adjusted		Historical	
		2006 \$millions	2005 \$millions	2006 \$millions	2005 \$millions
As at 31 December 2006					
Assets					
Cash and bank balances	7	45,914	50,293	45,914	3,642
Treasury Bills- available for sale	8	37,931	57,484	37,931	4,162
Investment securities -available for sale		2,928	829	2,928	60
Government and municipal stocks		35,782	1,326	35,782	96
Loans and advances to customers	9	23,183	27,633	23,183	2,001
Trade investments	10	86	64	86	4
Investment in associated company	11	44	-	44	-
Investments in subsidiaries	12	-	41	-	3
Investment property	13	1,440	1,755	-	1
Property and equipment	14	22,462	5,468	18,526	62
Amounts due by group companies		8,229	28,750	8,229	2,082
Other assets	15	3,384	7,904	3,384	573
Total assets		181,383	181,547	176,007	12,686
Liabilities					
Customer deposits	16	125,836	134,747	125,836	9,757
Amounts due to group companies		154	1,795	154	130
Other liabilities	17	9,953	8,092	9,953	586
Taxation - current	18	663	7,444	663	539
Taxation - deferred	18	8,056	2,002	6,384	24
Total liabilities		144,662	154,080	142,990	11,036
Shareholders' equity					
Share capital	19	1	1	1	1
Other reserves		61,731	41,549	18,123	292
Retained earnings		(25,011)	(14,083)	14,893	1,357
Total shareholders equity		36,721	27,467	33,017	1,650
Total liabilities and equity		181,383	181,547	176,007	12,686

Statement of Changes in Equity	Notes	Inflation adjusted		Historical			
		2006 \$millions	2005 \$millions	2006 \$millions	2005 \$millions		
for the year ended 31 December 2006							
Balance at 1 January 2005	1	19	32,563	166	(1,598)	191	31,342
Loss for the year		-	-	-	(6,282)	-	(6,282)
Dividends paid		-	-	-	-	-	-
Issue of share capital - share options		-	2	-	26	-	28
- scrip dividend		-	86	6,143	(6,229)	-	-
Fair valuation gain on available for sale investments		-	-	-	3,371	-	3,371
Deferred tax on gain on available for sale investment		-	-	-	(1,036)	-	(1,036)
Share options reserve movement		-	-	-	-	44	44
Balance at 31 December 2005	1	107	38,706	2,501	(14,083)	235	27,467

Statement of Changes in Equity	Notes	Inflation adjusted		Historical			
		2006 \$millions	2005 \$millions	2006 \$millions	2005 \$millions		
for the year ended 31 December 2006							
Balance at 1 January 2006	1	107	38,706	2,501	(14,083)	235	27,467
Loss for the year		-	-	-	(1,159)	-	(1,159)
Dividends paid		-	-	-	(214)	-	(214)
Issue of share capital -share options		-	1	-	(489)	489	1
-scrip dividend		-	228	1,208	(1,436)	-	-
-Bonus issue		-	3,375	4,255	(7,630)	-	-
Property revaluation		-	-	-	16,052	-	16,052
Deferred tax on property revaluation		-	-	-	(4,960)	-	(4,960)
Loss on fair valuation of available for sale investments		-	-	-	(690)	-	(690)
Deferred tax on available for sale investments		-	-	-	213	-	213
Share options reserve movement		-	-	-	-	11	11
Balance at 31 December 2006	1	3,711	44,169	13,116	(25,011)	735	36,721

Statement of Changes in Equity

for the year ended 31 December 2006

	Share Capital \$millions	Share premium \$millions	Historical Non-distributable reserves \$millions	Retained earnings \$millions	Share option reserve fund \$millions	Total \$millions
Balance at 1 January 2005	1	19	12	268	1	301
Profit for the year	-	-	-	1,175	-	1,175
Dividends paid	-	-	-	-	-	-
Issue of share capital - share options	-	2	-	-	-	2
- scrip dividend	-	86	-	(86)	-	-
Fair valuation gain on available for sale investments	-	-	244	-	-	244
Deferred tax on gain on available for sale investments	-	-	(75)	-	-	(75)
Share options reserve movement	-	-	-	-	3	3
Balance at 31 December 2005	1	107	181	1,357	4	1,650
Balance at 1 January 2006	1	107	181	1,357	4	1,650
Profit for the year	-	-	-	17,203	-	17,203
Dividends paid	-	-	-	(64)	-	(64)
Issue of share capital - share options	-	1	-	-	-	1
- scrip dividend	-	228	-	(228)	-	-
- bonus issue	-	3,375	-	(3,375)	-	-
Property revaluation	-	-	17,826	-	-	17,826
Deferred tax on property revaluation	-	-	(5,508)	-	-	(5,508)
Fair valuation gain on available for sale investments	-	-	2,663	-	-	2,663
Deferred tax on gain on available for sale investments	-	-	(820)	-	-	(820)
Fair valuation gain on assets	-	-	79	-	-	79
Deferred tax on revaluation gain	-	-	(24)	-	-	(24)
Share option reserve movement	-	-	-	-	11	11
Balance at 31 December 2006	1	3,711	14,397	14,893	15	33,017

Cash Flow Statement

for the year ended 31 December 2006

	Inflation adjusted		Historical	
	2006 \$millions	2005 \$millions	2006 \$millions	2005 \$millions
Net cash flow from operating assets and liabilities				
Profit before taxation	10,085	6,576	27,148	1,884
Depreciation	703	345	83	6
Profit on disposal of property and equipment	(24)	(134)	(11)	(4)
Staff loans prepayment amortisation	98	69	98	24
Medical aid accrual fund	387	83	387	37
Unrealised gain/(loss) on investment property	27	(813)	-	-
Impairment charge on trade investments and subsidiaries	(655)	524	-	-
Loss on investment in associate company	624	622	(43)	-
Share options	13	45	13	3
Impairment losses on loans and advances	1,581	5,264	714	102
Corporate tax paid	(22,531)	(22,341)	(13,600)	(427)
Cash(outflow)/inflow before changes in operating assets and liabilities	(9,692)	(9,760)	14,789	1,625
(Increase)/decrease in government and municipal securities	(34,456)	(843)	(33,769)	61
(Increase)/decrease in investment securities	(2,099)	103	(2,868)	(9)
(Increase)/decrease in loans and advances to customers	4,451	30,910	(21,182)	(1,467)
(Increase)/decrease in amount due by group companies	20,522	(20,405)	(6,147)	(1,981)
(Increase)/decrease in other assets	4,520	(5,402)	(2,811)	(573)
Increase/(decrease) in customer deposits	(8,911)	(35,891)	116,080	7,978
Increase/(decrease) in amounts due to group companies	(1,641)	(12,000)	24	(8)
Increase/(decrease) in other liabilities	1,861	(1,281)	9,367	486
Net cash (outflow)/inflow from operating activities	(25,445)	(54,569)	73,483	5,990
Investing activities				
Purchase of property and equipment	(1,639)	(898)	(720)	(47)
Proceeds from disposal of property and equipment	35	193	11	4
Net cash (outflow)/inflow from investing activities	(1,604)	(705)	(709)	(43)
Net cash (outflow)/inflow before financing activities				
	(27,049)	(55,274)	72,774	5,947
Financing activities				
Dividends paid	(214)	-	(64)	-
Issue of ordinary shares to other parties	1	28	1	2
Net cash (outflow)/inflow from financing activities	(213)	28	(63)	2
Net increase/(decrease) in cash and cash equivalents	(27,262)	(55,246)	72,711	5,949
Balances - at the beginning of the year	107,777	159,472	7,804	1,584
Marking to market impact	3,330	3,551	3,330	271
Balances - at the end of the year	83,845	107,777	83,845	7,804

Notes to the Financial Statements

for the year ended 31 December 2006

1. Accounting Policies

The bank prepares its audited inflation adjusted financial statements in accordance with IFRS on a going concern basis, based on statutory records that are maintained under the historical cost convention. The principal accounting policies adopted in the preparation of the financial statements are set below and have been consistently followed in all material respects.

Comprehensive financial information will be distributed to shareholders in the annual report. The financial information denoted as "audited" in this document has been extracted in a summarised format for the annual financial statement for the year ended 31 December 2006. These financial statements have been audited by PriceWaterhouseCoopers. Their unqualified opinion is available for inspection at the company's registered office.

2. Basis of presentation -

The financial statements are based on statutory records that are maintained under the historical cost convention. Appropriate adjustments and reclassifications including restatement for changes in the general purchasing power of the Zimbabwe dollar for the purposes of fair presentation in compliance with International Accounting Standard 29, 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 indices and conversion factors used to restate the accompanying financial statements as at 31 December 2006 are given below:

Dates	Indices	Factors
31-Dec-06	18,021,556	1.0000
31-Dec-05	1,304,320	13.8168
31-Dec-04	334,267	53.9137

3. Financial instruments

Financial instruments are recognised in the balance sheet at fair value, based on quoted market prices. All financial instruments are carried as assets when fair value is positive and as liabilities when fair value is negative.

Barclays Bank of Zimbabwe Limited

Audited Results for the year ended 31 December 2006

	Inflation adjusted		Historical						
	2006	2005	2006	2005					
	\$millions	\$millions	\$millions	\$millions					
4. Non-Funded Income									
Fee and commission income	13,555	12,800	4,597	407					
Net foreign currency trading income	2,409	4,255	631	145					
Dividend income	88	55	45	1					
Rent receivable	44	43	17	1					
Profit on disposal of assets	24	126	11	3					
Impairment on investment property	(27)	813	-	-					
Total	16,093	18,092	5,301	557					
5. Operating expenses									
5.1 Staff costs									
Salaries and allowances	17,747	17,310	10,040	361					
Retirement benefit obligations									
- defined contribution plans	1,150	2,321	525	168					
Directors' remuneration:-									
- fees	23	14	11	1					
- other	53	456	41	33					
Total staff costs	18,973	20,101	10,617	563					
5.2 Other administrative expenses include:									
Property and equipment:									
- repairs and maintenance	3,430	2,059	1,488	85					
- depreciation	703	193	83	7					
Exchange losses	365	4,297	357	9					
Audit fees	203	97	71	4					
Other expenses	7,513	3,095	2,838	213					
Total other administrative expenses	12,214	9,741	4,837	318					
Total operating expenses	31,187	29,842	15,454	881					
6. Non-performing loans and impairment									
6.1 Non-performing loans and advances									
These are loans and advances on which interest is no longer accrued into income unless the borrower repays the loan. 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	483	290	483	69					
6.2 Movement on impairment losses is as follows:									
Balances at the beginning of period	2,045	11,164	149	117					
Charge against profits	1,581	5,262	714	102					
-unidentified impairment	446	1,174	317	-					
-identified impairment raised	1,296	4,392	557	117					
-identified impairment release	(161)	(304)	(160)	(15)					
Classified debts written off during the period	(167)	(4,297)	(187)	(70)					
Monetary adjustment	(2,783)	(10,084)	-	-					
Balances at the end of period	676	2,045	676	149					
7. Cash and Cash Equivalents									
Analysis of balances of cash and cash equivalents as shown in the consolidated cash flow statement									
Cash and balances with central bank	9,005	8,961	9,005	649					
Statutory reserve	34,130	36,457	34,130	2,640					
Balances due from other banking institutions	2,779	4,875	2,779	353					
	45,914	50,293	45,914	3,642					
8. Treasury bills									
Maturing within 90 days from date of acquisition	14,477	759	14,477	-					
Maturing 91 days - 120 days	3,116	2,299	3,116	-					
Maturing 121 days - 180 days	10,915	4,976	10,915	418					
Maturing 181 days - 240 days	3,752	17,841	3,752	223					
Maturing 241 days - 300 days	1,171	18,324	1,171	65					
Maturing 301 days - 360 days	1,157	7,863	1,157	845					
Maturing 361 days - 728 days	13	1,871	13	2,340					
	34,601	53,933	34,601	3,891					
Gains and losses from treasury bills comprise:									
Marking to market of treasury bills	3,330	3,551	3,330	271					
	37,931	57,484	37,931	4,162					
8.1 Treasury bills analysis									
Treasury bills assets	37,931	68,678	37,931	5043					
Treasury bills liabilities (buybacks)	-	(11,194)	-	(881)					
8.2 Marking to market yield curve									
Residual tenor	30	60	90	120	150	180	270	365	728
Yield (%) - 2006	200	136	116	137	123	112	88	71	42
Yield (%) - 2005	61	83	96	95	94	93	71	60	35
9. Loans and advances to customers									
Sectorial analysis									
	Inflation Adjusted				Historical				
	2006	2005	2006	2005	2006	2005	2006	2005	
	\$millions	%	\$millions	%	\$millions	%	\$millions	%	
Private individuals	3,020	12	497	2	3,020	12	36	2	
Agriculture	3,851	17	7,117	26	3,851	17	516	26	
Mining	1,052	5	249	1	1,052	5	18	1	
Manufacturing	6,910	30	5,375	19	6,910	30	389	19	
Distribution	1,371	6	9,258	33	1,371	6	670	33	
Construction	37	-	124	1	37	-	9	1	
Transport	1,281	5	3,067	11	1,281	5	222	11	
Services	5,049	22	1,119	4	5,049	22	81	4	
Financial institutions	602	3	387	1	602	3	28	1	
Other	10	-	440	2	10	-	32	2	
	23,183	100	27,633	100	23,183	100	2,001	100	
10. Trade investments - Unquoted at fair value									
Opening	64	340	4	4					
Unrealised gain/(loss)	22	(276)	82	-					
	86	64	86	4					
11. Investment in associated company									
Brains Computer Processing (Private) Limited 33%		622	-	-					
Share of loss	(624)	(622)	43	-					
Unrealised gain/(loss)	668	-	1	-					
	44	-	44	-					
12. Investment in subsidiaries									
Opening	41	41	3	3					
Divided received	(6)	-	-	-					
Unrealised (loss)	(35)	-	(3)	-					
	-	41	-	3					

	Inflation adjusted		Historical						
	2006	2005	2006	2005					
	\$millions	\$millions	\$millions	\$millions					
13. Investment property									
Year ended 31 December 2006									
Opening carrying amount	1,755	1,230	1	1					
Depreciation charge on cost	(288)	(288)	(1)	-					
Impairment on investment property	(27)	813	-	-					
Closing net book value	1,440	1,755	-	1					
Year ended 31 December 2006									
Cost	2,874	2,874	1	1					
Accumulated depreciation on cost	(1,440)	(1,152)	(1)	-					
Impairment on investment property	6	33	-	-					
Closing net book value	1,440	1,755	-	1					
14. Property and equipment									
At January 2006	5,468	4,833	62	22					
Revaluations-	16,052	-	17,826	-					
Additions	1,639	902	720	47					
Disposals	(485)	(423)	-	-					
Depreciation charge	(703)	(193)	(82)	(7)					
Depreciation on disposal	491	349	-	-					
Balance at 31 December 2006	22,462	5,468	18,526	62					
15. Other assets									
Internal accounts	2,018	2,473	2,018	179					
Remittances in transit	562	196	562	14					
Staff loans pre-payment	804	5,235	804	380					
	3,384	7,904	3,384	573					
16. Customer deposits									
Current deposit accounts	90,386	114,348	90,386	8,276					
Deposits due to other banking institution	18,252	5,278	18,252	382					
Other money market deposit	17,198	15,121	17,198	1,099					
	125,836	134,747	125,836	9,757					
16.1 Sectorial analysis									
	Inflation Adjusted				Historical				
	2006	2005	2006	2005	2006	2005	2006	2005	
	\$millions	%	\$millions	%	\$millions	%	\$millions	%	
Private individuals	33,368	27	13,361	10	33,368	27	967	10	
Agriculture	5,096	4	3,869	3	5,096	4	280	3	
Mining	3,143	2	4,380	3	3,143	2	317	3	
Manufacturing	7,341	6	17,989	13	7,341	6	1,302	13	
Distribution	7,445	6	20,283	15	7,445	6	1,468	15	
Construction	761	1	456	-	761	1	33	-	
Transport	1,586	1	1,257	1	1,586	1	91	1	
Services	138	-	25,976	19	138	-	1,880	19	
Financial organisations	23,321	19	28,587	21	23,321	19	2,069	21	
Other	43,637	34	18,589	15	43,637	34	1,350	15	
	125,836	100	134,747	100	125,836	100	9,757	100	
17. Other liabilities									
Inflation Adjusted					Historical				
	2006	2005	2006	2005	2006	2005	2006	2005	
	\$millions	\$millions	\$millions	\$millions	\$millions	\$millions	\$millions	\$millions	
Accrued expenses	490	580	490	42					
Internal accounts including bank cheques account	3,236	5,769	3,236	418					
Future medical aid liability	482	608	482	44					
Other provisions	5,745	1,135	5,745	82					
	9,953	8,092	9,953	586					
18. 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.									
19 Shareholders' equity									
Share capital	1	1	1	1					
Share premium	3,711	107	3,711	107					
Adjustment to share capital	44,169	38,706	-	-					
Capital Reserves	13,116	2,501	14,397	1,357					
Accumulated (loss)/profit	(25,011)	(14,083)	14,893	181					
Share options reserve fund	735	235	15	4					
	36,721	27,467	33,017	1,650					
19.1 Ordinary shares and share premium									
	No. of shares	Ordinary shares	Share premium	Total					
	millions	\$millions	\$millions	\$millions					
Balance as at 1 January 2006	1,982	1	107	108					
Issue of share capital - Scrip divided	42	-	228	228					
Issue of share capital - Bonus issue	120	-	3,375	3,375					
Issue of share capital - Share options	-	-	1	1					
Balance as at 31 December 2006	2,144	1	3,711	3,712					
20. Capital Adequacy - supplementary information									
	Inflation adjusted		Historical						
	2006	2005	2006	2005					
	\$millions	\$millions	\$millions	\$millions					
Ordinary paid-up share capital	1	1	1	1					
Share premium	3,711	107	3,711	107					
Adjustment to share capital	44,169	38,706	-	-					
Accumulated (losses)/profits	(25,011)	(14,083)	14,893	1,357					
Share options reserve fund	735	235	15	4					
Available for sale reserves	2,024	2,501	2,024	181					
Tier 1 capital	25,629	27,467	20,644	1,650					
Revaluation reserves	11,092	-	12,373	-					
General provisions (limited to 1.25% of weighted risk assets)	327	101	327	24					
Tier 2 capital	11,419	101	12,700	24					
Tier 3 Capital									
Market Risk	1,140	151	1,140	36					
Operational Risk	2,748	940	2,748	224					
Tier 3 Capital	3,888	1,091	3,888	260					
Total tier 1 & 2 capital	37,048	27,568	33,344	1,674					
Less: Investment in subsidiaries	-	(13)	-	(3)					
Total tier 1 & 2 capital base	37,048	27,555	33,344	1,671					
Tier 3	(3,888)	(1,091)	(3,888)	(260)					
Total Capital Base	33,160	26,464	29,456	1,411					
Risk Weighted Assets	52,417	58,370	52,417	3,893					
Operational risk equivalent assets	34,342	42,252	34,342	3,058					
Market risk equivalent assets	14,252	6,204	14,252	449					
Total risk weighted assets (RWA's)	101,011	106,826	101,011	7,400					
Tier 1 capital ratio	25%	26%	20%	22%					
Tier 1 & 2 capital ratio	37%	26%	33%	23%					
Tier 1 & 2 ratio after deducting Tier 3 capital	33%	25%	29%	19%					
Capital adequacy ratio excluding market and operational risks	71%	47%	63%	43%					

Barclays Bank of Zimbabwe Limited

Audited Results for the year ended 31 December 2006

	Inflation adjusted		Historical	
	2006	2005	2006	2005
	\$millions	\$millions	\$millions	\$millions
21. Liquidity ratios - supplementary information				
Cash and balances with central bank	9,005	8,964	9,005	649
Treasury bills - available for sale	37,931	57,484	37,931	4,162
Government and municipal stocks	35,782	1,326	35,782	96
External assets	8,229	28,751	8,229	2,082
	90,947	96,525	90,947	6,989
Customer deposits	90,386	114,286	90,386	8,276
Other money market deposits	17,198	20,461	17,198	1,099
Total liabilities to the public	107,584	134,747	107,584	9,375
Liquidity ratio (RBZ minimum - 10%)	85%	72%	85%	75%

	Up to 1 month	1 month to 3 months	3 months to 6 months	6 months to 1 year	1 year to 5 years	over 5 years	Total
22. Liquidity profiling - supplementary information							
As at 31 December 2006							
Assets							
Cash and cash equivalents	45,914	-	-	-	-	-	45,914
Treasury bills	5,950	12,769	13,226	5,973	13	-	37,931
Investment securities available - for sale through equity	2,025	702	201	-	-	-	2,928
Government and municipal stocks	39	-	-	-	35,743	-	35,782
Loans and advances to customers	17,880	882	2,134	1,259	411	617	23,183
Trade investments	-	-	-	-	-	86	86
Investments in subsidiaries	-	-	-	-	-	-	-
Investments in associated companies	-	-	-	-	-	44	44
Investment property	-	-	-	-	-	1,440	1,440
Property and equipment	-	-	-	-	-	22,462	22,462
Amounts due by group banks	8,229	-	-	-	-	-	8,229
Other assets	3,384	-	-	-	-	-	3,384
	83,421	14,353	15,561	7,232	36,167	24,649	181,383
Liabilities							
Customer deposits including other banks	119,028	850	2,382	3,025	551	-	125,836
Amounts due to Group banks	154	-	-	-	-	-	154
Interest payable and other accounts	9,953	-	-	-	-	-	9,953
Taxation - current	663	-	-	-	-	-	663
Taxation-deferred	-	-	-	-	-	8,056	8,056
	129,798	850	2,382	3,025	551	8,056	144,662
Liquidity gap	(46,377)	13,503	13,179	4,207	35,616	16,593	36,721
Cummulative liquidity gap	(46,377)	(32,874)	(19,695)	(15,488)	20,128	36,721	-

The main funding source of the Bank is customer deposits. Liquidity is measured by expressing liquid assets (Treasury Bills, Government Bonds, cash, placing with other banks etc) as a percentage of liabilities to the public. The Bank's objective is to maintain a liquidity ratio that is above 10% minimum requirement. The bank has a comprehensive contingent liquidity plan which is reviewed and updated periodically.

	Up to 1 month	1 month to 3 months	3 months to 6 months	6 months to 1 year	1 year to 5 years	Over 5 year	Non-Interest bearing	Total
23. Local and foreign currency balances								
As at 31 December 2006								
Assets								
Cash and cash equivalents	-	-	-	-	-	-	45,914	45,914
Treasury bills	247	12,769	16,497	8,405	13	-	-	37,931
Investment securities available for sale through equity	2,025	702	201	-	-	-	-	2,928
Government and municipal stocks	-	-	-	35,782	-	-	-	35,782
Loans and advances to customers	17,880	882	2,134	1,259	411	617	-	23,183
Trade investments	-	-	-	-	-	-	86	86
Investments in subsidiaries	-	-	-	-	-	-	-	-
Investments in associated companies	-	-	-	-	-	-	44	44
Investment property	-	-	-	-	-	-	1,440	1,440
Property and equipment	-	-	-	-	-	-	22,462	22,462
Amounts due by group banks	8,229	-	-	-	-	-	-	8,229
Other assets	3,384	-	-	-	-	-	-	3,384
	31,765	14,353	18,832	45,446	424	617	69,946	181,383
Liabilities								
Customer deposits	125,834	2	-	-	-	-	-	125,836
Amounts due to Group banks	20	-	-	-	-	-	134	154
Interest payable and other accounts	-	-	-	-	-	-	9,953	9,953
Taxation - current	-	-	-	-	-	-	663	663
Taxation-deferred	-	-	-	-	-	-	8,056	8,056
	125,854	2	-	-	-	-	18,806	144,662
Interest rate repricing gap	(94,089)	14,351	18,832	45,446	424	617	51,140	36,721
Cummulative gap	(94,089)	(79,738)	(60,906)	(15,460)	(15,036)	(14,419)	36,721	-

As at 31 December 2005								
Total assets	63,068	-	6,162	35,205	19,385	6,922	50,805	181,547
Total liabilities	118,971	138	-	-	-	-	34,971	154,080
Interest rate repricing gap	(55,903)	(138)	6,162	35,205	19,385	6,922	15,834	27,467
Cummulative gap	(55,903)	(56,041)	(49,879)	(14,674)	4,711	11,633	27,467	-

24. Off balance sheet and financial instruments, contingent liabilities and commitments

	Inflation adjusted		Historical	
	2006	2005	2006	2005
	\$millions	\$millions	\$millions	\$millions
24.1. Contingent liabilities				
Letters of credit	5,290	25,216	5,290	1,825
Guarantees and performance bonds	1,192	3,054	1,192	21
Commitments to lend	3,070	14,259	3,070	1,032
	9,552	42,529	9,552	3,078
24.2 Capital commitments				
Authorised and contracted	684	1,672	684	121
Authorised but not contracted	572	-	572	-
Total capital commitments	1,256	1,672	1,256	121
Capital commitments will be funded from own resources				

25. Business segments

	Inflation Adjusted		
	Wholesale banking	Retail	Total
	\$millions	\$millions	\$millions
Operating income	53,344	32,738	86,082
Profit before taxation	8,102	1,983	10,085
Taxation	(9,034)	(2,210)	(11,244)
Net profit for the year	(932)	(227)	1,159

	Inflation Adjusted		
	Wholesale banking	Retail	Total
	\$millions	\$millions	\$millions
Segment assets	172,356	9,027	181,383
Segment liabilities	100,801	43,861	144,662
Capital expenditure	1,639	-	1,639
Depreciation	670	33	703
Impairment charge - loans	1,581	-	1,581
Impairment charge on investment property	(27)	-	(27)
Impairment charge trade investments and subsidiaries	(13)	-	(13)
Gain on investment in associate company	668	-	668
Other - share options	489	-	489

Primary segment information

For year ended 31 December 2005

Operating income	72,441	12,129	84,570
Profit before taxation	4,051	2,525	6,576
Taxation	(7,921)	(4,937)	(12,858)
Net profit for the year	(3,870)	(2,412)	(6,282)
Segment assets	170,313	11,234	181,547
Segment liabilities	150,359	3,721	154,080
Additions to property	902	-	902
Depreciation	193	-	193
Impairment charge - loans	5,262	-	5,262
Impairment release on investment property	813	-	813
Impairment charge - trade investments and subsidiaries	276	-	276
Gain on investment in associate company	1	-	1
Other - share options	26	-	26

26. Shareholding structure	2006	2005
Barclays Bank PLC (%)	68	68
Zimbabwe public (%)	32	32
	100	100

27. Risk Management

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

Credit Risk

Credit risk is the risk that the bank's customers, clients or counterparties will not be able or willing to pay interest, repay capital or otherwise fulfill 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 and credit scoring all customer borrowing applications and only lend to those which met the criteria. The Bank monitors cashflows and utilisation against limits to identify customers 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 or 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.

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. 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 depositors and fulfil commitments to lend. The bank identifies this risk through periodic liquidity gap analysis and the maturity profile of assets and against that of its liabilities. Where major gaps appear, action is taken in advance to close or minimise the gaps. The bank's Asset and Liability Committee (ALCO) monitors and manages liquidity risk.

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 re-pricing gaps. Action is taken to close the gaps in excess of limits. Interest rate risk is also monitored and managed by ALCO.

Daily Value at Risk (DVaR)

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.

Stress Tests

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

Annual Earnings at Risk

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.

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. 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.

BBZim DVaR: Summary table for 2006 and 2005 Year

	Year ending 31 December 2006			Year ending 31 December 2005		
	Average	High	Low	Average	High	Low
	Z\$m	Z\$m	Z\$m	Z\$m	Z\$m	Z\$m
Interest rate risk	801	2,391	131	88	125	50
Foreign exchange risk	7	36	-	1	2	-
Total DVaR	808	2,427	131	89	127	50

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 reserves has left the bank with a liability sensitive balance sheet structure

28. Dividend Announcement

The Board is pleased to announce a final dividend of \$2.05 per share. The dividend will be paid in cash on 24 April 2007 to shareholders registered in the books of the company as at close of business 3 April 2007. The transfer books and register will be closed from 4 April 2007 to 16 April 2007 both dates inclusive.

By order of the Board

G F Chihota
Company Secretary

Harare
28 March 2007