



# Barclays Africa Group Limited

**Financial results**

for the reporting period ended 31 December 2014

## Reporting changes overview

The following changes have impacted the financial results for the comparative reporting period ended 31 December 2013. Comparative balances have been restated accordingly.



### 1. Accounting policy changes due to amended International Financial Reporting Standards

- The application of International Accounting Standards (“IAS”) 32 – Financial Instruments: Presentation (revised) (“IAS 32”) has resulted in the Group no longer presenting certain financial assets and liabilities on a net basis.




### 2. Internal accounting policy changes

- The Group elected to change the classification of Investment securities by reclassifying the previously disclosed “Statutory liquid asset portfolio” to, and also removing “Investments linked to investment” contracts from “Investment securities”. The restatement has resulted in the reclassification of the aforementioned items in the Summary consolidated statement of financial position.
- Retail Banking South Africa’s Card division has refined the classification of income from certain products based on the nature of the products, which resulted in restatements within “Net fee and commission income”.
- Business Banking South Africa reviewed the classification of certain income streams, which resulted in a restatement within “Other income”.
- Retail Banking South Africa reviewed its classification of revocable and irrevocable contingencies in terms of the National Credit Act, which resulted in a restatement of contingencies.
- In line with the Group’s strategic intent to manage its investment capabilities on an integrated basis, “Assets under management and administration” has been restated to reflect the combined view of Wealth, Investment Management and Insurance (“WIMI”) and Corporate and Investment Bank (“CIB”).
- The Group refined its geographical segment disclosure of inter-segment elimination entries for Rest of Africa, which resulted in restatements between the South Africa and Rest of Africa segments.
- All financial guarantee contracts were reassessed and as a consequence the disclosure has been refined.

The aforementioned changes have no impact on the overall financial position or net earnings of the Group.

### 3. Business portfolio changes

- WIMI has been disclosed as a separate market segment from 1 January 2014. WIMI consists of the Wealth sub-segment and Absa Alternative Asset Management (Pty) Ltd (both previously reported in Corporate, Investment Bank and Wealth) as well as the previously disclosed Financial Services segment.
- Retail Banking South Africa changed its reporting of the Private Bank division to be reported by product classification. Private Bank has therefore been removed as a separate reportable segment.

Navigation icons				
				
Negative increase	Negative decrease	Remains the same	Positive increase	Positive decrease

Dividend per share	
Final	525
Interim	400
Key dates	
Annual general meeting	19 May 2015
Financial year-end	31 December 2015
Dividend payment	20 April 2015
Shareholder communications	
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The term Barclays Africa Group or the Group, refers to Barclays Africa Group Limited and its subsidiaries.

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# Group performance

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Barclays Africa Group Limited (1986/003934/06)  
**Results for the reporting period ended 31 December 2014.**  
These audited financial results were prepared by Barclays Africa Group Limited Financial Control under the direction and supervision of the Deputy Chief Executive Officer and Group Financial Director, D W P Hodnett CA(SA).  
Date of publication: 3 March 2015

## Group performance overview

Our results for 2014 demonstrate that we are firmly on track in executing our strategy, meeting the objectives we had set out last year and delivering on the strategic priorities for our business. We see great potential to extract more value from our existing franchise in the Rest of Africa to reach our financial commitments.

Maria Ramos, *Chief Executive Officer*

### Favourable

- Return on average equity (“RoE”) increased to 16,7%, above 13,5% cost of equity (“CoE”).
- Net interest margin widened to 4,65% from 4,46%.
- Credit loss ratio improved to 1,02% from 1,20%.
- Dividends per share (“DPS”) increased 13% to 925 cents.
- Core Equity Tier 1 (“CET 1”) ratio strong at 11,9%.
- CIB Rest of Africa earnings grew 38% to R1 154m.

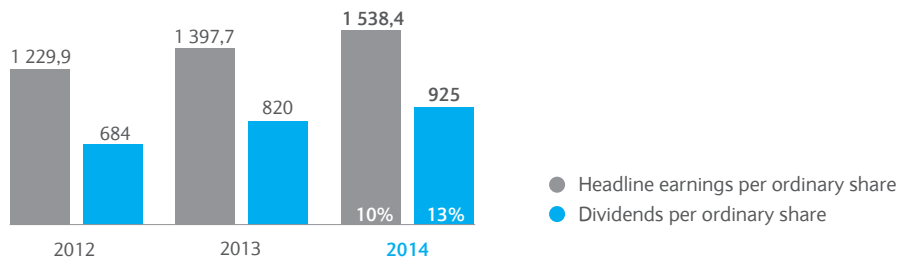
### Unfavourable

- Modest 2% non-interest income growth.
- Cost-to-income ratio increased to 56,8% from 56,3%.
- RBB Rest of Africa headline earnings fell 19% to R785m.
- WIMI’s headline earnings declined 3% to R1 383m.

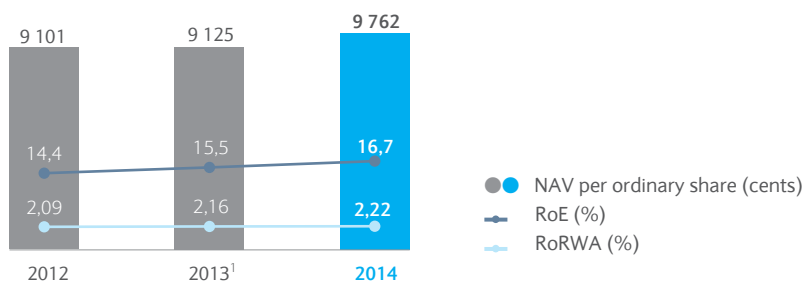


\*Consolidated salient features, page 7 †Profit and dividend announcement, page 9

### Headline earnings per ordinary share and dividends per ordinary share (cents)



### Net asset value (“NAV”) per ordinary share, RoE and return on risk weighted assets (“RoRWA”) (cents and %)



#### Note

<sup>1</sup>For the calculation of RoRWA, the RWA have been restated. Refer to the inside cover page for the reporting changes overview. Additional disclosures for 31 December 2013 have been restated where applicable.

## Group overview

Barclays Africa Group Limited is a diversified financial services provider. We offer an integrated set of products and services across personal and business banking, credit cards, corporate and investment banking, wealth and investment management and insurance. We are building a leading financial services group in our chosen countries in Africa, and selected customer and client segments.



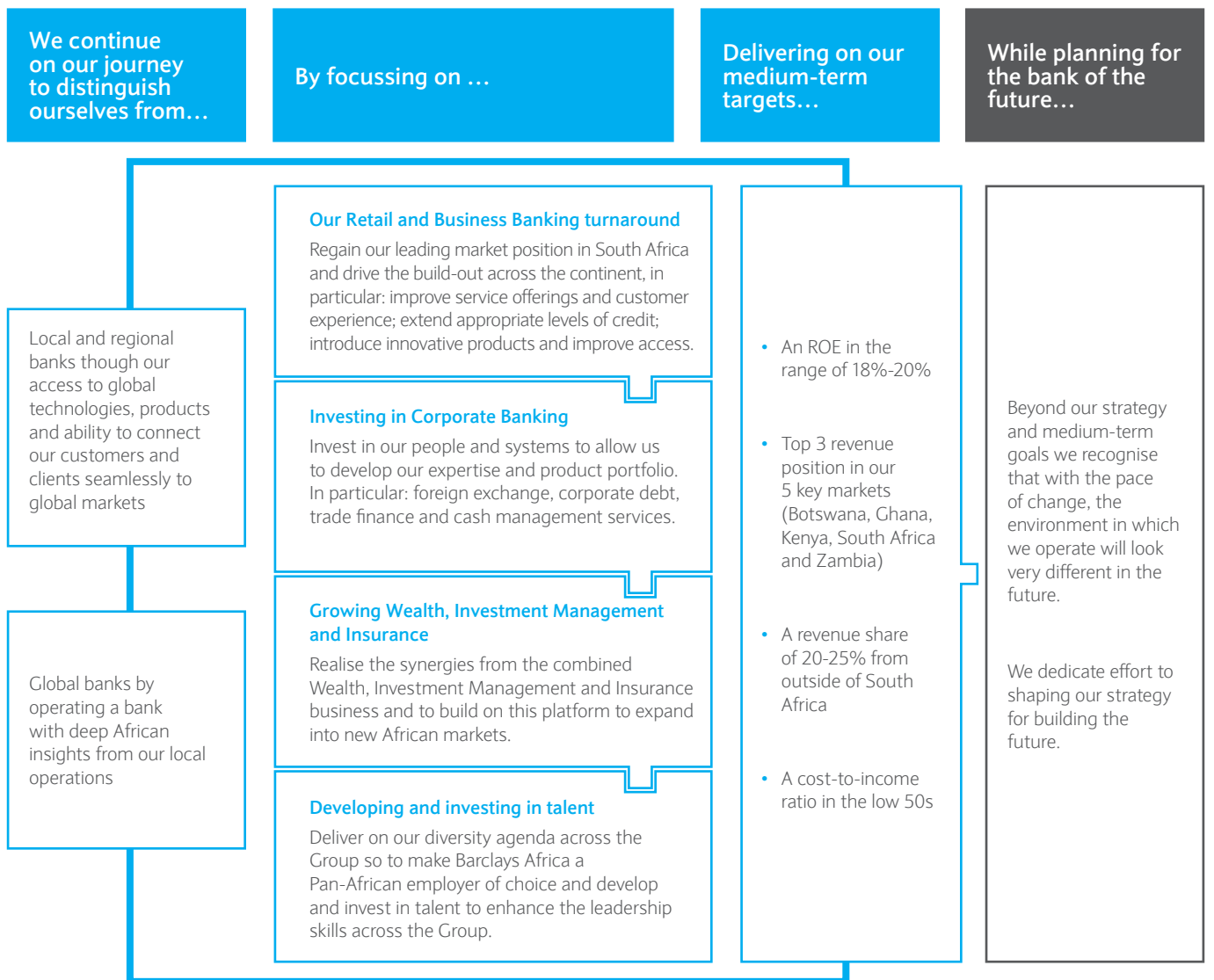
Our Values define the way we think, work and act ...



To reinforce the importance of living our Values every day, the performance of our business and employees are evaluated on both our objectives ('what') and our values ('how').

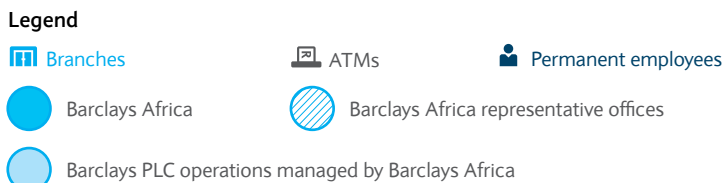
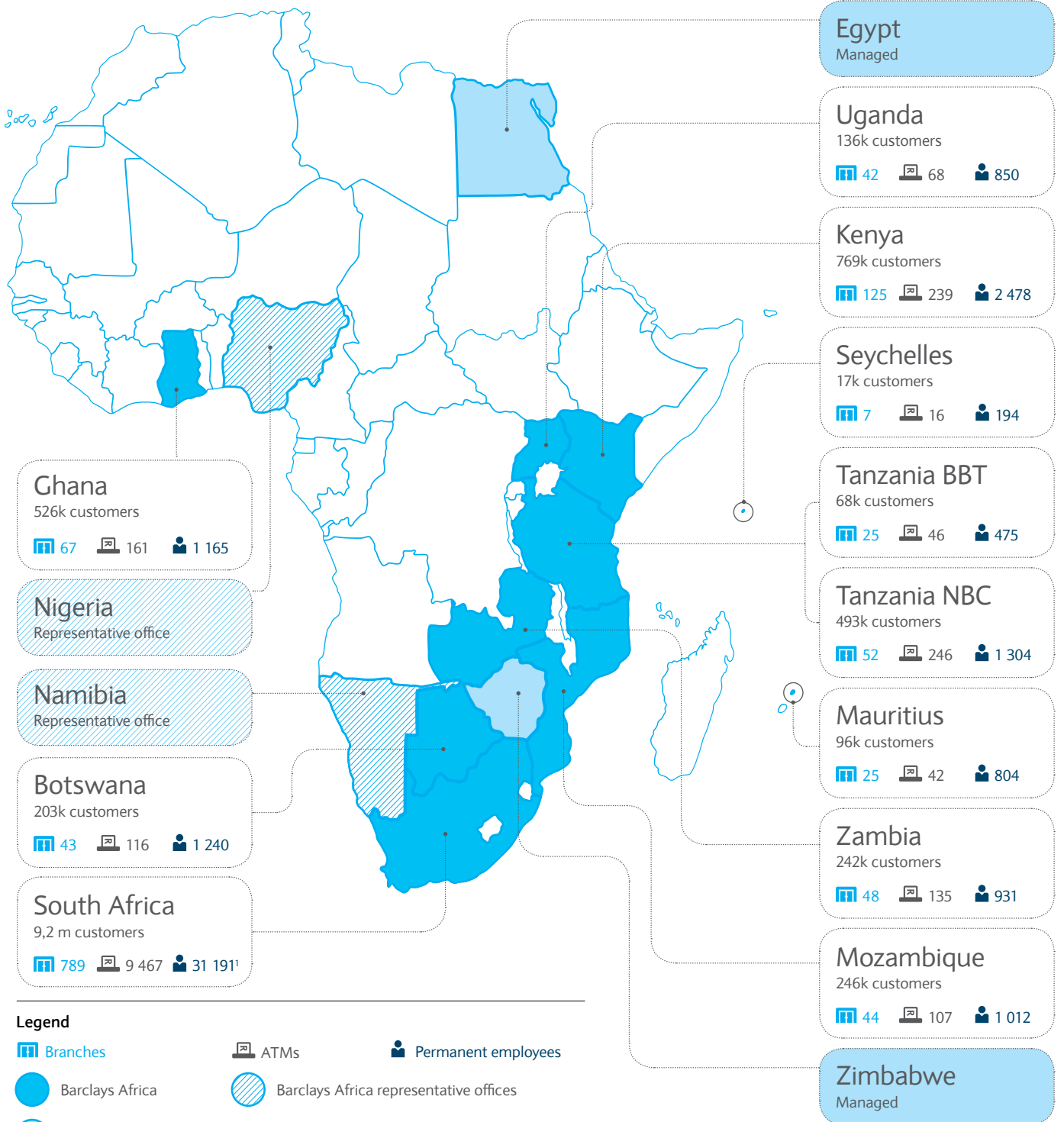
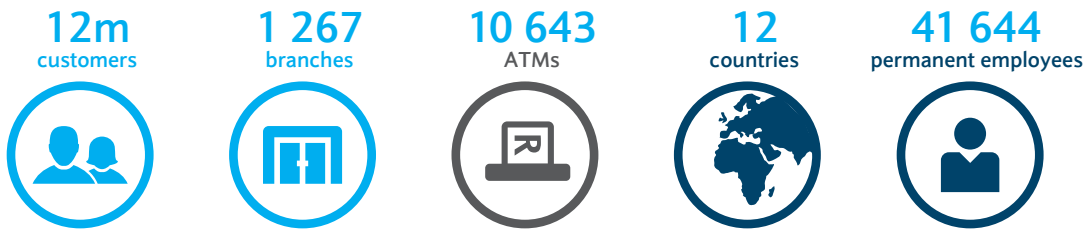
## Our One Africa strategy

Our growth strategy is based on a unique competitive advantage – we are an African bank that is fully global, fully regional and fully local.



## Our presence

With our long-standing local presence and our regional and global expertise, we have a strong platform to capture the growth opportunity in Africa.



**Note**

<sup>1</sup>Includes Barclays Africa Regional Office employees.



## Consolidated salient features

31 December

	2014 (Audited)	2013 <sup>1</sup> (Audited)	Change %
<b>Statement of comprehensive income (Rm)</b>			
Revenue	63 125	59 406	6
Operating expenses	35 848	33 420	7
Profit attributable to ordinary equity holders	13 216	11 981	10
Headline earnings <sup>2</sup>	13 032	11 843	10
<b>Statement of financial position</b>			
Loans and advances to customers (Rm)	636 326	606 223	5
Total assets (Rm)	991 414	962 863	3
Deposits due to customers (Rm)	624 886	588 897	6
Loans-to-deposits and debt securities ratio (%)	87,1	88,3	
<b>Financial performance (%)</b>			
RoE	16,7	15,5	
RoA	1,33	1,29	
RoRWA	2,22	2,16	
<b>Operating performance (%)<sup>3</sup></b>			
Net interest margin on average interest-bearing assets	4,65	4,46	
Credit loss ratio	1,02	1,20	
Non-performing loans ("NPL") ratio	4,19	4,71	
Non-interest income as percentage of revenue	43,6	45,5	
Cost-to-income ratio	56,8	56,3	
Jaws	(1,00)	(2,14)	
Effective tax rate, excluding indirect taxation	28,3	28,9	
<b>Share statistics (million)</b>			
Number of ordinary shares in issue	847,8	847,8	
Number of ordinary shares in issue (excluding treasury shares)	846,9	847,3	
Weighted average number of ordinary shares in issue (excluding treasury shares)	847,1	847,3	
Diluted weighted average number of ordinary shares in issue (excluding treasury shares)	847,6	848,0	
<b>Share statistics (cents)</b>			
Headline earnings per ordinary share	1 538,4	1 397,7	10
Diluted headline earnings per ordinary share	1 537,5	1 396,6	10
Basic earnings per ordinary share	1 560,1	1 414,0	10
Diluted basic earnings per ordinary share	1 559,2	1 412,9	10
Dividend per ordinary share relating to income for the reporting period	925	820	13
Dividend cover (times)	1,7	1,7	—
Special dividend per ordinary share	—	708	(100)
NAV per ordinary share	9 762	9 125	7
Tangible NAV per ordinary share	9 382	8 754	7
<b>Capital adequacy (%)<sup>3</sup></b>			
Barclays Africa Group Limited	14,4	15,5	
Absa Bank Limited	13,7	15,6	
<b>Common Equity Tier 1 (%)<sup>3</sup></b>			
Barclays Africa Group Limited	11,9	12,1	
Absa Bank Limited	10,6	11,0	

### Notes

<sup>1</sup>Restated, refer to inside cover page for reporting changes overview. Additional disclosures for 31 December 2013 have been restated where applicable.

<sup>2</sup>After allowing for R305m (2013: R294m) profit attributable to preference equity holders of Absa Bank Limited.

<sup>3</sup>Ratios are unaudited.

## Consolidated salient features by segment

31 December

	2014	2013 <sup>1</sup>	Change %
<b>Headline earnings (Rm)</b>			
RBB	8 316	7 618	9
Retail Banking South Africa	5 529	5 160	7
Business Banking South Africa	2 002	1 492	34
RBB Rest of Africa	785	966	(19)
CIB	3 887	3 348	16
WIMI	1 383	1 420	(3)
Head Office and other operations	(554)	(543)	2
<b>Return on average risk-weighted assets (%)</b>			
RBB	2,22	2,18	
Retail Banking South Africa	2,55	2,56	
Business Banking South Africa	2,80	2,11	
RBB Rest of Africa	0,91	1,27	
CIB	2,17	2,02	
<b>Return on average regulatory capital (%)<sup>2</sup></b>			
RBB	20,0	19,1	
CIB	19,6	18,3	
WIMI <sup>3</sup>	23,2	24,7	
<b>Credit loss ratio (%)</b>			
RBB	1,32	1,50	
Retail Banking South Africa	1,35	1,49	
Business Banking South Africa	0,87	1,34	
RBB Rest of Africa	1,75	1,86	
CIB	0,16	0,19	
WIMI	0,25	0,73	
<b>Loans and advances to customers (Rm)</b>			
RBB	463 182	451 681	3
Retail Banking South Africa	362 693	354 622	2
Business Banking South Africa	61 000	60 708	0
RBB Rest of Africa	39 489	36 351	9
CIB	162 099	143 537	13
WIMI	10 507	10 885	(3)
Head Office and other operations	538	120	>100
<b>Deposits due to customers (Rm)</b>			
RBB	305 880	279 666	9
Retail Banking South Africa	150 432	135 697	11
Business Banking South Africa	96 765	87 915	10
RBB Rest of Africa	58 683	56 054	5
CIB	316 536	309 429	2
WIMI	5 276	4 878	8
Head Office and other operations	(2 806)	(5 076)	(45)
<b>Off-statement of financial position (Rbn)</b>			
Assets under management and administration	259	264	(2)
Exchange traded funds	36	30	20
Money market	50	57	(12)
Non-money market	181	181	—
Intra-segment eliminations	(8)	(4)	100

### Notes

<sup>1</sup>Restated, refer to inside cover page for reporting changes overview. Additional disclosures for 31 December 2013 have been restated where applicable.

<sup>2</sup>During the current reporting period, the Group reassessed its target regulatory capital requirements and revised this from the mid-point to the upper end of the board target range and the return on average regulatory capital ("RoRC") was restated accordingly. These restated ratios also include other refinements to segmental RoRC disclosures. This does not alter any submissions made to the South African Reserve Bank ("SARB").

<sup>3</sup>As WIMI consists primarily of a set of legal entities with a smaller contribution from the Wealth division of Absa Bank Limited, the denominator in the RoRC for WIMI is calculated as the sum of average legal entities' equity including the regulatory capital ("RC") contribution for the Wealth division.

### Salient features

- Diluted HEPS increased 10% to 1 537,5 cents.
- Declared a total dividend per share ("DPS") of 925 cents, up 13%.
- Rest of Africa headline earnings grew 14% to R2,0bn and South Africa rose 9% to R11,1bn.
- Return on equity ("RoE") improved to 16,7% from 15,5%.
- Pre-provision profit increased 5% to R27,3bn.
- Revenue grew 6% to R63,1bn, as net interest income increased 10% and non-interest income rose 2%, while operating expenses grew 7% to R35,8bn.
- Credit impairments fell 10% to R6,3bn, resulting in a 1,02% credit loss ratio from 1,20%.
- Barclays Africa Group Limited's CET 1 of 11,9% remains above regulatory requirements and our board targets.

### Overview of results

Barclays Africa Group Limited's headline earnings increased 10% to R13 032m from R11 843m. Diluted HEPS also grew 10% to 1 537,5 cents from 1 396,6 cents. The Group's RoE improved to 16,7% from 15,5%, comfortably above its 13,5% cost of equity, due to slightly higher leverage and a RoA of 1,33% from 1,29%. Barclays Africa declared a 13% higher total ordinary DPS of 925 cents, given its strong CET 1 and internal capital generation. Its NAV per share increased 7% to 9 762 cents.

Pre-provision profit increased 5% to R27,3bn, which was the largest driver of earnings growth. Non-interest revenue growth of 2% dampened 10% higher net interest income, as the Group's net interest margin ("on average interest-bearing assets") improved to 4,65% from 4,46%.

Loans and advances to customers grew 5% to R636,3bn, while deposits due to customers increased 6% to R624,9bn. Operating expenses grew 7%, so the Group's cost-to-income ratio increased to 56,8% from 56,3%. Credit impairments fell 10%, despite further improvement in NPL cover and portfolio provisions increased to 0.70% of performing loans, from 0.64%. NPLs declined to 4,2% of gross loans and advances to customers from 4,7%.

RBB's headline earnings increased 9% to R8,3bn, due largely to lower credit impairments. Headline earnings from WIMI decreased 3% to R1,4bn, while CIB grew 16% to R3,9bn.

Rest of Africa revenue rose 9% to account for 19% of the total and its headline earnings contributed 15% of the Group's after increasing 14%. The Barclays Africa Limited acquisition was earnings accretive, increasing the Group's 2014 HEPS by 0,6%.

### Operating environment

Global growth recovered steadily in 2014, supported by developed market economies, particularly the United States of America ("US"), while emerging market growth slowed. As a result, central banks generally maintained their accommodative monetary policy stance. South Africa's economic growth moderated to 1,5% in 2014 from 2,2%, given subdued demand from key trading partners, protracted industrial action in some sectors and electricity supply constraints. Household consumption growth slowed further in 2014. Consumer appetite for credit waned and credit extension to households fell to 3,4% from 8,3%. The rand depreciated over the year, reaching a low of R11,76 to the US\$ in December 2014 after starting the year at R10,48. Growth in the Barclays Africa markets outside South Africa moderated to an estimated 3,5%, given a more adverse external environment. In spite of resilient economic growth in several of these countries, fiscal pressures continued to build in a number of markets and rating agencies reacted with a mix of outlook or rating downgrades.

## Profit and dividend announcement

### Group performance

#### Statement of financial position

Total Group assets increased 3% to R991,4bn at 31 December 2014, predominantly due to 5% higher loans and advances to customers and 9% growth in investment securities, while loans and advances to banks declined 10%.

#### *Loans and advances to customers*

Gross loans and advances to customers increased 5% to R652,5bn. Excluding property loans, gross loans and advances to customers grew 11%. Retail Banking South Africa's gross loans rose 2% to R373,5bn, given 10% growth in credit cards and 9% higher instalment credit agreements, while mortgages decreased 2%, in part due to lower NPLs given strong collections. Business Banking South Africa's gross loans were flat at R63,0bn, despite 9% lower commercial property finance ("CPF"), as overdrafts and term loans grew 6% and 8% respectively. RBB Rest of Africa's gross loans increased 8% to R41,8bn, with 17% higher retail loan sales. CIB's gross loans increased 13% to R162,9bn, given strong growth in corporate overdrafts, term loans and Rest of Africa lending.

#### *Funding*

The Group maintained its strong liquidity position, growing deposits due to customers 6% to R624,9bn and improving its loans-to-deposits ratio to 87,1% from 88,3%. Deposits due to customers contributed 80% to total funding from 78%. Retail Banking South Africa maintained its leading market share, increasing deposits 11% to R150,4bn. Business Banking South Africa's deposits grew 10% to R96,8bn, with 48% higher savings and transmission deposits. CIB's deposits increased 2% to R316,5bn, as 3% higher cheque account and 56% higher foreign currency deposits offset lower fixed and notice deposits.

#### *Net asset value*

The Group's NAV rose 7% to R82,7bn, as it generated profit of R13,2bn in the period, from which it paid R7,4bn in dividends. The Group's NAV per share also grew 7% to 9 762 cents.

#### *Capital to risk-weighted assets*

The Group's risk-weighted assets increased 10% to R618bn at 31 December 2014, largely due to growth in loans and advances to customers. Capital levels remain strong and above both board targets and regulatory requirements. Barclays Africa Group Limited's CET 1 and Tier 1 capital adequacy ratios were 11,9% and 12,7% respectively (from 12,1% and 13,0%). The Group generated 2,2% of CET 1 internally during the period. Its total capital ratio was 14,4%, which remains above the board target of 12,5% to 14,0%. Declaring a total DPS of 925 cents for the period – a dividend cover of 1,7 times – was well considered, based on the Group's strong capital position, internal capital generation, strategy and growth plans.

### Statement of comprehensive income

#### *Net interest income*

Net interest income increased 10% to R35 601m from R32 351m, with average interest-bearing assets growing 6%. The Group's net interest margin improved to 4,65% from 4,46%. Loan mix and pricing had a four basis point ("bps") negative impact, due to a higher proportion of CIB lending. The deposit margin widened 14 bps, given an increase in retail deposits and less reliance on more expensive wholesale funding. Higher South African interest rates increased the endowment contribution on deposits and equity by four bps. The benefit from structural hedging declined five bps, although R1 494m was released to the income statement. The cash flow hedging reserve decreased to R0,35bn after tax from R0,6bn. Although Rest of Africa's margin remains well above South Africa's, declining rates, increased competition and regulatory changes meant it contributed six bps less to the Group margin. Changing the funding model for foreign currency loans added four bps to the total margin, with a concomitant reduction in non-interest income, while other hedging gains and treasury activities added eight bps.

### Group performance *(continued)*

#### Statement of comprehensive income *(continued)*

##### *Impairment losses on loans and advances*

Credit impairments improved 10% to R6 290m from R6 987m, resulting in a 1,02% credit loss ratio from 1,20%. Total NPL cover improved further to 43,0% from 41,8%. Balance sheet portfolio provisions increased 14% to R4,4bn, or 0,70% of performing loans from 0,64%. Group NPLs declined 7% to R27,4bn or 4,2% of gross customer loans and advances from 4,7%.

RBB's credit impairments fell 10% to R6,0bn, a 1,32% credit loss ratio from 1,50%. Retail Banking South Africa's charge declined 7% to R4,9bn, as significantly lower mortgage credit impairments outweighed a 19% increase in Card.

Home Loans' charge decreased 51% to R858m, a 0,38% credit loss ratio, given improved collections processes and the high quality of new business written in recent years. Mortgage NPLs fell 24% or by R3,2bn to 4,5% of gross loans. NPL cover in mortgages decreased to 25,3% from 27,8%, due to a 31% reduction in the legal book to R7,0bn. Vehicle and Asset Finance's ("VAF") credit loss ratio increased to 1,02% from 0,90%, given higher cover on the performing book. VAF NPLs improved to 1,7% of gross loans and its NPL cover declined to 46,1%, due to accelerating write offs of aged legal accounts, which reduced the book's average age materially.

Credit card's charge increased 19% to R2 262m from R1 903m, a 6,19% credit loss ratio from 5,63% in 2013 and 7,64% in the first half. The Edcon portfolio's charge declined 3% to R1 056m, an 11,50% credit loss ratio, after a far better second half. The credit loss ratio for the remainder of the Card book was within expectation, given the operating environment and seasoning of recent growth. Personal Loans' credit loss ratio increased slightly to 6,50% from 6,23% reflecting improved NPL cover.

Business Banking South Africa's credit impairments fell 36% to R527m, a 0,87% credit loss ratio from 1,34%, although its performing loan cover increased further to 1,05%. A 73% lower charge for CPF was the main driver. RBB Rest of Africa's credit impairments decreased 2% in constant currency, improving its credit loss ratio to 1,75% from 1,86%. CIB's 0,16% credit loss ratio included a 45% lower charge in the Rest of Africa.

##### *Non-interest income*

Non-interest income increased 2% to R27 524m from R27 055m to account for 44% of total income. Rest of Africa growth of 6% to R4,2bn, in part due to rand depreciation, exceeded South Africa's 1% increase to R23,3bn.

Net fee and commission income rose 1% to R18,7bn, as credit-related fees and commissions increased 1% to R15,8bn. Electronic banking fees grew 2% to R4,3bn, while merchant income rose 8% to R1,9bn and Trust and other fiduciary services was flat at R1,4bn. Investment banking fees increased 22% to R0.3bn.

RBB's non-interest income grew 4% to R16,9bn, 61% of the total. Retail Banking South Africa increased 2% to R11,5bn and Business Banking South Africa 2% to R3,2bn. Retail Banking South Africa's 18% growth in merchant acquiring turnover offset lower customer numbers and transactions shifting to electronic channels and Value Bundles. Retail customer numbers declined 0,2% in the second half, due to closing Sekulula accounts, which offset growth in the key middle and affluent segments. Despite electronic banking fees and cash-related fees growing 4% and 5% respectively, migration to digital channels, 2% lower customer numbers and declining cheque payment volumes constrained Business Banking South Africa's non-interest revenue growth to 2%. RBB Rest of Africa's non-interest income rose 14% to R2,2bn, with rand depreciation and higher card volumes outweighing pressure on fees and a non-recurring gain in the prior year.

WIMI's non-interest income increased 2% to R4,6bn, with 1% growth in South Africa dampening the 36% rise in the Rest of Africa. Net Life premiums in South Africa grew 1%, while short-term insurance increased 6%.

CIB's non-interest income decreased 9% to R6,2bn, largely due to changing its funding model for foreign currency loans which reduced hedging revenue, negative revaluations and lower realisations in Private Equity and Infrastructure Investments and subdued transactional income in Corporate. Overall Markets net revenue (including net interest income) grew 17% to R4,8bn, including 36% higher Fixed Income and Credit, 22% growth in Rest of Africa and a 24% rise in Equities and Prime Services. Margin compression outweighed 16% volume growth in Foreign Exchange.

## Profit and dividend announcement

### Group performance *(continued)*

#### Statement of comprehensive income *(continued)*

##### Operating expenses

Operating expenses grew 7% to R35 848m from R33 420m, increasing the Group's cost-to-income ratio to 56,8% from 56,3%. Rand depreciation accounted for 1% of the increase. South African costs grew 6%, in line with inflation, while the other African operations increased 10% given continued investment spend. Staff costs rose 10% to R19,3bn to account for 54% of total expenses. Salaries grew 12% due to more senior and specialist hires, higher wage increases for entry level employees and large inflationary increases in certain countries. Incentives rose 14%, largely due to 68% higher share-based payments following a 38% increase in the Group's share price. Other staff costs declined 21%, due to lower Rest of Africa restructuring costs.

Non-staff costs increased 4% to R16,5bn. Property-related costs increased 4% to R5,3bn, but declined 1% excluding a R252m property dilapidation provision reflecting ongoing portfolio optimisation. Total information technology-related costs increased 3% to R6 258m, 17% of overall costs, due to efficiency gains that supported continued investment. Depreciation fell 3% due to efficiency gains and realigning computer equipment's useful lives. Amortisation of intangible assets increased 7% to R503m. Marketing costs grew 19% to R1 616m, reflecting substantially higher product advertising spend. Professional fees and communication costs increased 2% and 3% respectively.

RBB and WIMI both increased operating expenses 8% to R26,7bn and R2,9bn respectively, while CIB's grew 7% to R6,7bn. In South Africa, RBB and CIB's costs both rose 7%, while WIMI's increased 6%. Retail Banking South Africa's operating expenses grew 9%, due to investment in marketing and its multi-channel programme and higher fraud losses. Despite investing in front line staff, Business Banking South Africa's cost growth was contained to 2%, due to customers migrating to electronic channels and internal cost efficiencies. RBB Rest of Africa's constant currency costs grew 6% despite strategic investments and inflationary pressures.

##### Taxation

The Group's taxation expense increased 7% to R5 573m, slightly less than the growth in pre-tax profit, resulting in a 28,3% effective tax rate from 28,9%.

### Segment performance

Group earnings remain well diversified by business and product line. RBB accounted for 61% of Group headline earnings excluding head office, eliminations and other central items, while CIB contributed 29% and WIMI 10%. RBB's return on regulatory capital improved to 20,0% from 19,1%.

#### Retail Banking South Africa

Headline earnings grew 7% to R5 529m largely due to 7% lower credit impairments as pre-provision profits grew 1%. Home Loans' earnings increased 78% to R1 813m, as credit impairments fell 51% and cost growth was contained to 2%. VAF's 3% earnings growth to R1 169m reflects 9% revenue growth offset by 27% higher credit impairments. Card earnings fell 17% to R1 644m, largely due to 19% higher credit impairments and a R9m loss from the Edcon portfolio. Personal Loans earnings increased 21% to R434m, given improved pricing and cost containment. Transactional and Deposits earnings were flat at R2 843m reflecting moderate revenue growth. Losses in the 'Other' segment, which is largely central costs, increased 10% to **R2 374m** (2013: R2 164m) due to higher spend on marketing and the multi-channel programme. Retail Banking South Africa accounted for 41% of Group headline earnings excluding head office, eliminations and other central items.

#### Business Banking South Africa

Headline earnings increased 34% to R2 002m, reflecting 25% growth in Business Banking excluding equities and a 59% lower loss in its non-core equity portfolio. A 36% decline in credit impairments, 10% deposit growth and cost containment outweighed flat loans and 2% non-interest revenue growth. Business Banking South Africa generated 15% of overall earnings excluding head office, eliminations and other central items.

#### Retail and Business Banking Rest of Africa

Headline earnings decreased 19% to R785m, due to margin compression, continued investment spend, non-recurring gains in the base and a higher tax charge. Non-interest income grew 14% in part due to rand depreciation. RBB Rest of Africa constituted 6% of Group headline earnings excluding head office, eliminations and other central items.

### Segment performance *(continued)*

#### Corporate and Investment Bank

Headline earnings rose 16% to R3 887m, reflecting 10% higher revenue on 13% loan growth and a 35 bps wider margin. Corporate headline earnings grew 24% to R1 639m and Investment Bank's 11% to R2 248m. Markets net revenue increased 17%, with strong growth in Fixed Income and Credit, Equities and Prime Services and Rest of Africa. Private Equity net revenue declined due to negative revaluations and lower realisations. Corporate's net revenue grew 12% to R5 935m and Investment Banking 11% to R1 719m. CIB's South African earnings grew 9%, while Rest of Africa increased 38%. CIB's return on regulatory capital was 19,6% from 18,3%.

#### Wealth, Investment Management and Insurance

Headline earnings declined 3% to R1 383m, while net operating income was flat at R1 796m. Life Insurance headline earnings fell 9% to R694m, with 4% higher net premium income, a non-recurring gain in 2013 and lower investment returns. Its embedded value of new business grew 11% and its return on embedded value was 31,1%. Wealth and Investment Management's headline earnings increased 3% to R475m given 4% revenue growth. Short-term Insurance earnings increased 32% to R204m as its underwriting margin and loss ratio improved. Fiduciary Services earnings grew 16% to R117m, while Distribution lost R56m because of investments in sales capacity and introduction of a new operating model. Rest of Africa headline earnings grew 36% to R49m and South Africa declined 4% to R1 334m. WIMI's RoE declined to 23,1% from 24,7%.

### Prospects

While volatility will persist, we expect the recovery in the global economy to continue in 2015 as uncertainty around US Federal Reserve tapering diminishes, fiscal headwinds abate and monetary policy gains traction. We expect global GDP to grow 3,5%.

South Africa growth will likely recover from the strike-ridden 2014, as the impact of modest fiscal tightening is offset by a boost to household disposable income from lower petrol prices. Electricity shortages remain a binding supply-side constraint on growth and means that there is downside risk to our 2,1% GDP growth forecast. The SARB is likely to keep rates on hold for some time, given the current domestic inflation dynamics.

Significantly weaker commodity markets pose a threat to the growth outlook of our markets outside South Africa, although we expect growth to improve to 5,0% from 3,5%.

With South African interest rates likely to remain low for longer, we do not expect the Group's net interest margin to improve further in 2015, although its loan growth should increase. Focus on revenue growth and continued cost management should improve the Group's cost-to-income ratio, while its credit loss ratio has probably troughed. These factors should increase our RoE in 2015.

### Basis of presentation

The Group's annual financial results have been prepared in accordance with the recognition and measurement requirements of International Financial Reporting Standards ("IFRS"), interpretations issued by the IFRS Interpretations Committee, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by Financial Reporting Standards Council, the JSE Listings Requirements and the requirements of the Companies Act. The principal accounting policies applied are set out in the Group's most recent annual consolidated financial statements.

The information disclosed in the SENS is derived from the information contained in the audited annual consolidated financial statements and does not contain full or complete disclosure details. Any investment decisions by shareholders should be based on consideration of the audited annual consolidated financial statements available on request. The presentation and disclosure complies with IAS 34.

The preparation of financial information requires the use of estimates and assumptions about future conditions. Use of available information and application of judgement are inherent in the formation of estimates. The accounting policies that are deemed critical to the Group's results and financial position, in terms of the materiality of the items to which the policy is applied and which involve a high degree of judgement including the use of assumptions and estimation, are impairment of loans and advances, goodwill impairment, fair value measurements, impairment of available-for-sale financial assets, consolidation of structured or sponsored entities, post-retirement benefits, provisions, income taxes, share-based payments, liabilities arising from claims made under short-term insurance contracts, liabilities arising from claims made under life insurance contracts and offsetting of financial assets and liabilities.

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## Profit and dividend announcement

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### Accounting policies

The accounting policies applied in preparing the audited consolidated annual financial statements are the same as those in place for the reporting period ended 31 December 2013 except for:

- Business portfolio changes between operating segments;
- Internal accounting policy changes; and
- Implementation of amended IFRS standards specifically IAS 32 Offsetting Financial Assets and Financial Liabilities.

### Auditors' report

Ernst & Young Inc. and PricewaterhouseCoopers Inc., Barclays Africa Group Limited's independent auditors, have audited the consolidated annual financial statements of Barclays Africa Group Limited from which management prepared the summary consolidated financial results. The auditors have expressed an unqualified audit opinion on the consolidated annual financial statements. The summary consolidated financial results comprise the summary consolidated statement of financial position at 31 December 2014, summary consolidated statement of comprehensive income, summary consolidated statement of changes in equity and summary consolidated statement of cash flows for the year then ended and selected explanatory notes, excluding items not indicated as audited. The audit report of the consolidated annual financial statements is available for inspection at Barclays Africa Group Limited's registered office.

### Events after the reporting period

The directors are not aware of any events occurring between the reporting date of 31 December 2014 and the date of authorisation of these Summary consolidated financial results as defined in IAS 10 Events after the reporting period.

On behalf of the board

**W E Lucas-Bull**

*Group Chairman*

Johannesburg

3 March 2015

**M Ramos**

*Chief Executive Officer*



### Declaration of final ordinary dividend number 57

Shareholders are advised that an ordinary dividend of 525 cents per ordinary share was declared today, 3 March 2015, for the period ended 31 December 2014. The ordinary dividend is payable to shareholders recorded in the register of members of the Company at the close of business on 17 April 2015. The directors of Barclays Africa Group Limited confirm that the Group will satisfy the solvency and liquidity test immediately after completion of the dividend distribution.

The dividend will be subject to the dividend tax that was introduced with effect from 1 April 2012. In accordance with paragraphs 11.17 (a) (i) to (x) and 11.17 (c) of the JSE Listings Requirements, the following additional information is disclosed:

- The dividend has been declared out of income reserves.
- The local dividend tax rate is fifteen per cent (15%).
- The gross local dividend amount is 525 cents per ordinary share for shareholders exempt from the dividend tax.
- The net local dividend amount is 446,25 cents per ordinary share for shareholders liable to pay for the dividend tax.
- Barclays Africa Group currently has 847 750 679 ordinary shares in issue (includes 880 000 treasury shares).
- Barclays Africa Group Limited's income tax reference number is 9150116714.

In compliance with the requirements of Strate, the electronic settlement and custody system used by the JSE Limited, the following salient dates for the payment of the dividend are applicable:

Last day to trade cum dividend	Friday, 10 April 2015
Shares commence trading ex dividend	Monday, 13 April 2015
Record date	Friday, 17 April 2015
Payment date	Monday, 20 April 2015

Share certificates may not be dematerialised or rematerialised between Monday, 13 April 2015 and Friday, 17 April 2015, both dates inclusive. On 20 April 2015 the dividend will be electronically transferred to the bank accounts of certificated shareholders who use this facility.

The accounts of those shareholders who have dematerialised their shares (which are held at their participant or broker) will be credited on 20 April 2015.

On behalf of the board

**N R Drutman**

*Group Company Secretary*

Johannesburg  
3 March 2015

Barclays Africa Group Limited is a company domiciled in South Africa. Its registered office is 7th Floor, Barclays Towers West, 15 Troye Street, Johannesburg, 2001.

## Summary consolidated statement of comprehensive income

for the reporting period ended 31 December

	Note	2014 (Audited) Rm	2013 <sup>1</sup> (Audited) Rm	Change %
Net interest income	2	35 601	32 351	10
Interest and similar income		65 646	60 232	9
Interest expense and similar charges		(30 045)	(27 881)	8
Non-interest income	3	27 524	27 055	2
Net fee and commission income		18 667	18 554	1
Fee and commission income	3.1	21 598	21 348	1
Fee and commission expense	3.1	(2 931)	(2 794)	5
Net insurance premium income	3.2	6 014	5 686	6
Net claims and benefits incurred on insurance contracts	3.3	(3 044)	(2 819)	8
Changes in investment and insurance contract liabilities	3.4	(752)	(2 457)	(69)
Gains and losses from banking and trading activities	3.5	4 373	4 361	0
Gains and losses from investment activities	3.6	1 133	2 831	(60)
Other operating income	3.7	1 133	899	26
<b>Total income</b>		<b>63 125</b>	<b>59 406</b>	<b>6</b>
Impairment losses on loans and advances	4	(6 290)	(6 987)	(10)
<b>Operating income before operating expenditure</b>		<b>56 835</b>	<b>52 419</b>	<b>8</b>
Operating expenses	5	(35 848)	(33 420)	7
Other expenses		(1 412)	(1 033)	37
Other impairments		(429)	(33)	>100
Indirect taxation	6	(983)	(1 000)	(2)
Share of post-tax results of associates and joint ventures		142	130	9
<b>Operating profit before income tax</b>		<b>19 717</b>	<b>18 096</b>	<b>9</b>
Taxation expense		(5 573)	(5 222)	7
<b>Profit for the reporting period</b>		<b>14 144</b>	<b>12 874</b>	<b>10</b>
<b>Profit attributable to:</b>				
Ordinary equity holders		13 216	11 981	10
Non-controlling interest – ordinary shares		623	599	4
Non-controlling interest – preference shares		305	294	4
		14 144	12 874	10
<b>Earnings per share:</b>				
Basic earnings per ordinary share (cents)	1	1 560,1	1 414,0	10
Diluted basic earnings per ordinary share (cents)	1	1 559,2	1 412,9	10

### Note

<sup>1</sup>Restated, refer to inside cover page for reporting changes overview. Additional disclosures for 31 December 2013 have been restated where applicable.

**Summary consolidated statement of comprehensive income**  
for the reporting period ended 31 December

	2014 (Audited) Rm	2013 <sup>1</sup> (Audited) Rm	Change %
<b>Profit for the reporting period</b>	<b>14 144</b>	12 874	10
<b>Other comprehensive income</b>			
<b>Items that will not be reclassified to profit or loss</b>	<b>62</b>	(324)	>100
Movement in retirement benefit fund assets and liabilities	62	(324)	>100
Increase/(decrease) in retirement benefit surplus	149	(92)	>100
Increase in retirement benefit deficit	(86)	(229)	(62)
Deferred tax	(1)	(3)	(67)
<b>Total items that will not be reclassified to profit or loss</b>	<b>62</b>	(324)	>100
<b>Items that are or may be subsequently reclassified to profit or loss</b>	<b>(517)</b>	1 271	>(100)
Foreign exchange differences on translation of foreign operations	(199)	2 986	>(100)
Movement in cash flow hedging reserve	(251)	(1 822)	(86)
Fair value gains/(losses) arising during the reporting period	1 094	(903)	>100
Amount removed from other comprehensive income and recognised in profit or loss	(1 443)	(1 629)	(11)
Deferred tax	98	710	(86)
Movement in available-for-sale reserve	(67)	107	>(100)
Fair value (losses)/gains arising during the reporting period	(142)	131	>(100)
Amount removed from other comprehensive income and recognised in profit or loss	44	10	>100
Deferred tax	31	(34)	>100
<b>Total items that are or may be subsequently reclassified to profit or loss</b>	<b>(517)</b>	1 271	>(100)
<b>Total comprehensive income for the reporting period</b>	<b>13 689</b>	13 821	(1)
<b>Total comprehensive income attributable to:</b>			
Ordinary equity holders	12 682	12 610	1
Non-controlling interest – ordinary shares	702	917	(23)
Non-controlling interest – preference shares	305	294	4
	<b>13 689</b>	13 821	(1)

## Summary consolidated statement of financial position

as at 31 December

	Note	2014 (Audited) Rm	2013 <sup>1</sup> (Audited) Rm	Change %
<b>Assets</b>				
Cash, cash balances and balances with central banks		50 335	50 130	0
Investment securities		85 886	79 004	9
Loans and advances to banks		72 225	80 622	(10)
Trading portfolio assets		90 498	88 761	2
Hedging portfolio assets		2 350	3 357	(30)
Other assets		15 514	15 829	(2)
Current tax assets		381	529	(28)
Non-current assets held for sale		972	4 814	(80)
Loans and advances to customers	7	636 326	606 223	5
Reinsurance assets		731	870	(16)
Investments linked to investment contracts		19 317	16 134	20
Investments in associates and joint ventures		845	694	22
Investment properties		727	1 089	(33)
Property and equipment		11 177	10 679	5
Goodwill and intangible assets		3 219	3 141	2
Deferred tax assets		911	987	(8)
<b>Total assets</b>		<b>991 414</b>	<b>962 863</b>	<b>3</b>
<b>Liabilities</b>				
Deposits from banks		52 977	70 791	(25)
Trading portfolio liabilities		49 772	52 128	(5)
Hedging portfolio liabilities		2 577	2 391	8
Other liabilities		21 079	19 775	7
Provisions		2 943	2 460	20
Current tax liabilities		54	173	(69)
Non-current liabilities held for sale		372	1 651	(77)
Deposits due to customers	8	624 886	588 897	6
Debt securities in issue	9	106 098	97 829	8
Liabilities under investment contracts		23 299	19 773	18
Policyholder liabilities under insurance contracts		3 871	3 958	(2)
Borrowed funds	10	11 208	16 525	(32)
Deferred tax liabilities		1 333	1 311	2
<b>Total liabilities</b>		<b>900 469</b>	<b>877 662</b>	<b>3</b>
<b>Equity</b>				
<b>Capital and reserves</b>				
Attributable to ordinary equity holders:				
Share capital	10	1 694	1 695	0
Share premium	10	4 548	4 474	2
Retained earnings		70 237	64 701	9
Other reserves		6 211	6 447	(4)
		<b>82 690</b>	<b>77 317</b>	<b>7</b>
Non-controlling interest – ordinary shares		3 611	3 240	11
Non-controlling interest – preference shares		4 644	4 644	—
<b>Total equity</b>		<b>90 945</b>	<b>85 201</b>	<b>7</b>
<b>Total liabilities and equity</b>		<b>991 414</b>	<b>962 863</b>	<b>3</b>

### Note

<sup>1</sup>Restated, refer to inside cover page for reporting changes overview. Additional disclosures for 31 December 2013 have been restated where applicable.

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## Summary consolidated statement of changes in equity

for the reporting period ended 31 December

	Number of ordinary shares '000	Share capital Rm	Share premium Rm	Retained earnings Rm	Total other reserves Rm
<b>Balance at the beginning of the reporting period</b>	847 313	1 695	4 474	64 701	6 447
Total comprehensive income for the reporting period	—	—	—	13 232	(550)
Profit for the reporting period	—	—	—	13 216	—
Other comprehensive income	—	—	—	16	(550)
Dividends paid during the reporting period	—	—	—	(7 365)	—
Purchase of Group shares in respect of equity-settled share-based payment arrangements	—	—	(46)	—	—
Elimination of the movement in treasury shares held by Group entities	(443)	(1)	97	—	—
Movement in share-based payment reserve	—	—	23	—	11
Transfer from share-based payment reserve	—	—	23	—	(23)
Value of employee services	—	—	—	—	34
Movement in foreign insurance subsidiary regulatory reserve	—	—	—	(4)	4
Movement in general credit risk reserve	—	—	—	(157)	157
Share of post-tax results of associates and joint ventures	—	—	—	(142)	142
Acquisition of non-controlling interest and related transaction costs	—	—	—	—	—
Disposal of subsidiary <sup>1</sup>	—	—	—	(28)	—
<b>Balance at the end of the reporting period</b>	<b>846 870</b>	<b>1 694</b>	<b>4 548</b>	<b>70 237</b>	<b>6 211</b>

	Number of ordinary shares '000	Share capital Rm	Share premium Rm	Retained earnings Rm	Total other reserves Rm
<b>Balance at the beginning of the reporting period</b>	847 203	1 694	5 336	64 898	5 168
Total comprehensive income for the reporting period	—	—	—	11 657	953
Profit for the reporting period	—	—	—	11 981	—
Other comprehensive income	—	—	—	(324)	953
Dividends paid during the reporting period	—	—	—	(11 602)	—
Accounting adjustments related to business combinations under common control <sup>3</sup>	—	—	(443)	—	—
Purchase of Group shares in respect of equity-settled share-based payment arrangements	0	—	(76)	—	—
Elimination of the movement in treasury shares held by Group entities	110	1	(280)	—	—
Movement in share-based payment reserve	—	0	38	—	(27)
Transfer from share-based payment reserve	—	0	38	—	(38)
Value of employee services	—	—	—	—	11
Movement in foreign insurance subsidiary regulatory reserve	—	—	—	(3)	3
Movement in general credit risk reserve	—	—	—	(220)	220
Share of post-tax results of associates and joint ventures	—	—	—	(130)	130
Acquisition of non-controlling interest and related transaction costs <sup>2</sup>	—	—	(2)	101	—
Transaction costs related to shares issued on the acquisition of Barclays Africa Limited	—	—	(99)	—	—
<b>Balance at the end of the reporting period</b>	<b>847 313</b>	<b>1 695</b>	<b>4 474</b>	<b>64 701</b>	<b>6 447</b>

### Notes

<sup>1</sup>The Group sold its investment in a non-core subsidiary on 2 January 2014 and the subsidiary has been derecognised.

<sup>2</sup>In the previous reporting period, the Group increased its percentage shareholding in National Bank of Commerce Limited from 55% to 66%. The increased shareholding was driven by a rights issue by National Bank of Commerce Limited. The Group exercised its rights, together with a portion of the rights relating to non-controlling shareholders. The shareholders that did not take up their portion of the rights issue were granted a one-year option to acquire the shares from Barclays Africa Group Limited.

<sup>3</sup>The excess of the purchase price over the Group's share of the net assets of Barclays Africa Limited, acquired on 31 July 2013, is accounted for as a deduction against share premium. The purchase price was applied retrospectively, resulting in the deemed excess of the purchase price over the historical carrying values of the underlying net assets of Barclays Africa Limited being similarly included within share premium. This application results in a net movement recognised in share premium for each retrospective reporting period to date of acquisition.

2014  
(Audited)

General credit risk reserve Rm	Available for-sale reserves Rm	Cash flow hedging reserve Rm	Foreign currency translation reserve Rm	Foreign insurance subsidiary regulatory reserve Rm	Share-based payment reserve Rm	Associates and joint ventures' reserve Rm	Capital and reserves attributable to ordinary equity holders Rm	Non-controlling interest – ordinary shares Rm	Non-controlling interest – preference shares Rm	Total equity Rm
440	979	604	3 697	16	45	666	77 317	3 240	4 644	85 201
—	(67)	(251)	(232)	—	—	—	12 682	702	305	13 689
—	(67)	(251)	(232)	—	—	—	13 216	623	305	14 144
—	—	—	—	—	—	—	(534)	79	—	(455)
—	—	—	—	—	—	—	(7 365)	(311)	(305)	(7 981)
—	—	—	—	—	—	—	(46)	—	—	(46)
—	—	—	—	—	—	—	96	—	—	96
—	—	—	—	—	11	—	34	—	—	34
—	—	—	—	—	(23)	—	—	—	—	—
—	—	—	—	—	34	—	34	—	—	34
157	—	—	—	4	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	142	—	—	—	—
—	—	—	—	—	—	—	—	(48)	—	(48)
—	—	—	—	—	—	—	(28)	28	—	—
597	912	353	3 465	20	56	808	82 690	3 611	4 644	90 945

2013  
(Audited)

General credit risk reserve Rm	Available for-sale reserves Rm	Cash flow hedging reserve Rm	Foreign currency translation reserve Rm	Foreign insurance subsidiary regulatory reserve Rm	Share-based payment reserve Rm	Associates and joint ventures' reserve Rm	Capital and reserves attributable to ordinary equity holders Rm	Non-controlling interest – ordinary shares Rm	Non-controlling interest – preference shares Rm	Total equity Rm
220	872	2 426	1 029	13	72	536	77 096	2 705	4 644	84 445
—	107	(1 822)	2 668	—	—	—	12 610	917	294	13 821
—	107	(1 822)	2 668	—	—	—	11 981	599	294	12 874
—	—	—	—	—	—	—	629	318	—	947
—	—	—	—	—	—	—	(11 602)	(346)	(294)	(12 242)
—	—	—	—	—	—	—	(443)	—	—	(443)
—	—	—	—	—	—	—	(76)	—	—	(76)
—	—	—	—	—	—	—	(279)	—	—	(279)
—	—	—	—	—	(27)	—	11	—	—	11
—	—	—	—	—	(38)	—	—	—	—	—
—	—	—	—	—	11	—	11	—	—	11
220	—	—	—	3	—	—	—	—	—	—
—	—	—	—	—	—	130	—	—	—	—
—	—	—	—	—	—	—	99	(36)	—	63
—	—	—	—	—	—	—	(99)	—	—	(99)
440	979	604	3 697	16	45	666	77 317	3 240	4 644	85 201

## Summary consolidated statement of cash flows

for the reporting period ended 31 December

	Note	2014 (Audited) Rm	2013 <sup>1</sup> (Audited) Rm	Change %
Net cash generated from operating activities		18 233	20 358	(10)
Net cash utilised in investing activities		(5 462)	(4 164)	31
Net cash utilised in financing activities		(12 055)	(14 616)	(18)
<b>Net increase in cash and cash equivalents</b>		<b>716</b>	<b>1 578</b>	<b>(48)</b>
Cash and cash equivalents at the beginning of the reporting period	1	15 854	13 985	13
Effect of foreign exchange rate movements on cash and cash equivalents		56	291	>(100)
<b>Cash and cash equivalents at the end of the reporting period</b>	<b>2</b>	<b>16 626</b>	<b>15 854</b>	<b>5</b>
<b>Notes to the summary consolidated statement of cash flows</b>				
<b>1. Cash and cash equivalents at the beginning of the reporting period</b>				
Cash, cash balances and balances with central banks <sup>2</sup>		12 653	11 085	14
Loans and advances to banks <sup>3</sup>		3 201	2 900	10
		<b>15 854</b>	<b>13 985</b>	<b>13</b>
<b>2. Cash and cash equivalents at the end of the reporting period</b>				
Cash, cash balances and balances with central banks <sup>2</sup>		12 903	12 653	2
Loans and advances to banks <sup>3</sup>		3 723	3 201	16
		<b>16 626</b>	<b>15 854</b>	<b>5</b>

### Notes

<sup>1</sup>Restated, refer to inside cover page for reporting changes overview. Additional disclosures for 31 December 2013 have been restated where applicable.

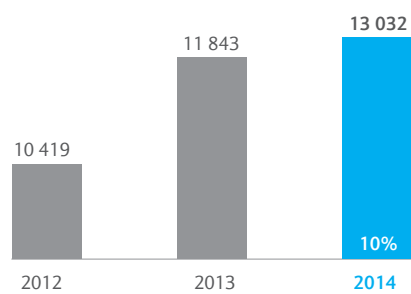
<sup>2</sup>Includes coins and bank notes, which are part of "Cash, cash balances and balances with central banks".

<sup>3</sup>Includes call advances, which are used as working capital by the Group and are a component of other advances reported within "Loans and advances to banks".



## 1. Headline earnings and earnings per ordinary share

### Headline earnings (Rm and change %)



Headline earnings	2014 (Audited)		2013 (Audited)		Net change <sup>1</sup> %
	Gross Rm	Net <sup>1</sup> Rm	Gross Rm	Net <sup>1</sup> Rm	
Headline earnings is determined as follows:					
Profit attributable to ordinary equity holders		13 216		11 981	10
Total headline earnings adjustment		(184)		(138)	33
IFRS 3 – Goodwill impairment	1	1	—	—	>100
IFRS 5 – Gains on disposal of non-current assets held for sale	(97)	(86)	(171)	(138)	(38)
IAS 16 – (Profit)/loss on disposal of property and equipment	(19)	(15)	5	4	>(100)
IAS 21 – Recycled foreign currency translation reserve	(397)	(397)	—	—	>(100)
IAS 27 – (Profit)/loss on disposal of subsidiary	(44)	(35)	8	8	>(100)
IAS 36 – Impairment of investments in associates and joint ventures	2	2	2	2	—
IAS 36 – Impairment of property and equipment	260	189	—	—	>100
IAS 36 and IAS 38 – Loss on disposal and impairment of intangible assets	148	107	1	—	>100
IAS 39 – Release of available-for-sale reserves	44	31	10	7	>100
IAS 39 – Disposal and impairment of available-for-sale assets	—	—	6	4	(100)
IAS 40 – Change in fair value of investment properties	18	19	(29)	(25)	>100
<b>Headline earnings/diluted headline earnings</b>		<b>13 032</b>		<b>11 843</b>	<b>10</b>

### Notable adjustments to headline earnings

- “Gains on disposal of non-current assets held for sale” during the current reporting period are mainly attributable to the disposal of a non-core business line in CIB. Disposals of non-current assets from the line began in 2013 and were completed in 2014.
- The “Recycled foreign currency translation reserve” is attributable to the settlement of a foreign currency loan forming part of the permanent capital of a foreign operation.
- The profit on disposal of subsidiaries and change in the fair value of investment properties relate to CPF in RBB.
- The impairment of property and equipment in the current reporting period relates to leasehold improvements and furniture situated in buildings that we have exited or renovated.
- The impairment of intangible assets was incurred in Head Office and other operations and relates to the continued investment in integrating our technology across Africa.

#### Note

<sup>1</sup>The net amount is reflected after taxation and non-controlling interest.

## Performance indicators and summary notes to the consolidated financial statements

for the reporting period ended 31 December

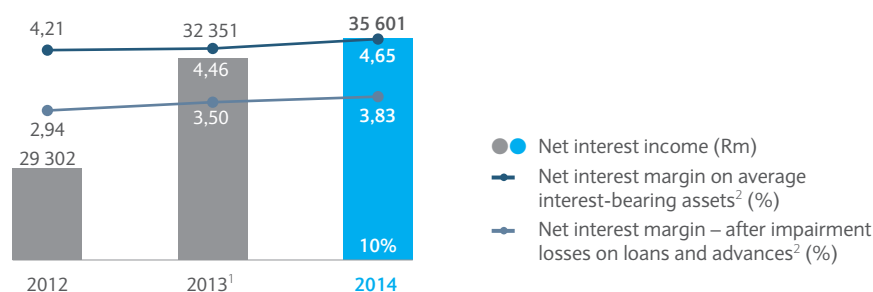
### 1. Headline earnings and earnings per ordinary share *(continued)*

Pro forma earnings and headline earnings per share	2014 (Audited)	2013 (Audited)	Change value/%
<b>Basic earnings per share</b>			
<b>Basic earnings attributable to ordinary equity holders (Rm)</b>	<b>13 216</b>	<b>11 981</b>	<b>10</b>
Weighted average number of ordinary shares in issue (millions)	847,1	847,3	—
Issued shares at the beginning of the reporting period (millions)	847,8	718,2	18
Shares issued during the reporting period (millions)	—	129,5	(100)
Treasury shares held by Group entities (millions)	(0,7)	(0,4)	50
<b>Basic earnings per share (cents)</b>	<b>1 560,1</b>	<b>1 414,0</b>	<b>10</b>
<b>Diluted basic earnings per share</b>			
<b>Diluted basic earnings attributable to ordinary equity holders (Rm)</b>	<b>13 216</b>	<b>11 981</b>	<b>10</b>
Diluted weighted average number of ordinary shares in issue (millions)	847,6	848,0	—
Issued number of ordinary shares (millions)	847,1	847,3	—
Adjustments for share options at no value (millions)	0,5	0,7	(29)
<b>Diluted basic earnings per share (cents)</b>	<b>1 559,2</b>	<b>1 412,9</b>	<b>10</b>
<b>Headline earnings per share</b>			
<b>Headline earnings attributable to ordinary equity holders (Rm)</b>	<b>13 032</b>	<b>11 843</b>	<b>10</b>
Weighted average number of ordinary shares in issue (millions)	847,1	847,3	—
<b>Headline earnings per share (cents)</b>	<b>1 538,4</b>	<b>1 397,7</b>	<b>10</b>
<b>Diluted headline earnings per share</b>			
<b>Diluted headline earnings attributable to ordinary equity holders (Rm)</b>	<b>13 032</b>	<b>11 843</b>	<b>10</b>
Diluted weighted average number of ordinary shares in issue (millions)	847,6	848,0	—
<b>Diluted headline earnings per share (cents)</b>	<b>1 537,5</b>	<b>1 396,6</b>	<b>10</b>

The Group acquired the entire issued share capital of Barclays Africa Limited and issued 129 540 636 consideration shares to Barclays Africa Group Holdings Limited (a wholly owned subsidiary of Barclays Bank PLC). Following the acquisition, Barclays increased its stake to 62,3% from 55,5% in the ordinary shares of Barclays Africa Group. No weighting was applied to this share issue in line with the principles of accounting for business combinations under common control.

## 2. Net interest income

### Net interest income and net interest margin (Rm, % and change %)



Group average statement of financial position	2014			2013¹		
	Average balance² Rm	Average rate %	Interest income/ (expense) Rm	Average balance² Rm	Average rate %	Interest income/ (expense) Rm
<b>Assets</b>						
Cash, cash balances and balances with central banks	12 968	2,76	358	14 110	1,74	245
Investment securities	74 379	8,78	6 533	70 209	9,15	6 424
Loans and advances to banks and customers	678 098	8,46	57 389	640 418	8,09	51 825
Other interest³	—	—	1 366	—	—	1 738
Interest-bearing assets	765 445	8,58	65 646	724 737	8,31	60 232
Non-interest-bearing assets	216 444	—	—	193 938	—	—
<b>Total assets</b>	<b>981 889</b>	<b>6,69</b>	<b>65 646</b>	<b>918 675</b>	<b>6,56</b>	<b>60 232</b>
<b>Liabilities</b>						
Deposits from banks and due to customers	610 205	(3,98)	(24 407)	566 306	(3,91)	(22 158)
Debt securities in issue	106 310	(6,38)	(6 785)	107 503	(6,09)	(6 544)
Borrowed funds	12 674	(10,04)	(1 272)	15 912	(9,33)	(1 484)
Other interest³	—	—	2 419	—	—	2 306
Interest-bearing liabilities	729 189	(4,12)	(30 045)	689 721	(4,04)	(27 880)
Non-interest-bearing liabilities	165 583	—	—	145 483	—	—
<b>Total liabilities</b>	<b>894 772</b>	<b>(3,36)</b>	<b>(30 045)</b>	<b>835 204</b>	<b>(3,34)</b>	<b>(27 880)</b>
<b>Total equity</b>	<b>87 117</b>	<b>—</b>	<b>—</b>	<b>83 471</b>	<b>—</b>	<b>—</b>
<b>Total liabilities and equity</b>	<b>981 889</b>	<b>(3,06)</b>	<b>(30 045)</b>	<b>918 675</b>	<b>(3,03)</b>	<b>(27 880)</b>
<b>Net interest margin on average interest-bearing assets</b>		<b>4,65</b>			<b>4,46</b>	

#### Notes

¹Restated, refer to inside cover page for reporting changes overview. Additional disclosures for 31 December 2013 have been restated where applicable.

²Average balances are calculated based on daily and monthly weighted average balances.

³"Other interest" on assets and liabilities includes fair value adjustments on hedging instruments and hedged items.

## Performance indicators and summary notes to the consolidated financial statements

for the reporting period ended 31 December

### 2. Net interest income *(continued)*

	2014 bps	2013 bps
<b>Change in net interest margin</b>		
<b>Loans and advances to customers (i)</b>	(4)	22
Change in customer rates (pricing)	(2)	5
Change in composition (mix)	(2)	17
<b>Deposits due to customers (ii)</b>	14	(4)
Change in customer rates (pricing)	6	(3)
Change in composition (mix)	6	—
Endowment (iii)	2	(1)
<b>Equity endowment (iii)</b>	2	(1)
<b>Interest rate risk management (hedging strategy) (iii)</b>	(5)	(4)
<b>Rest of Africa (iv)</b>	(6)	7
<b>Other (v)</b>	18	(2)
	<b>19</b>	<b>18</b>

### Performance

The Group's net interest margin expanded by **19** bps (2013: 18) during the current reporting period. The increase in the net interest margin is mainly attributable to:

#### (i) *Loans and advances to customers*

- New business pricing increases in Personal Loans together with lower margin business rolling off in Home Loans drove higher asset margins, this was however offset by an increase in cost of funds allocated to products.
- Higher CIB advances growth drives an adverse composition effect partially offset by the impact of the 10% increase in Card advances.

#### (ii) *Deposits due to customers*

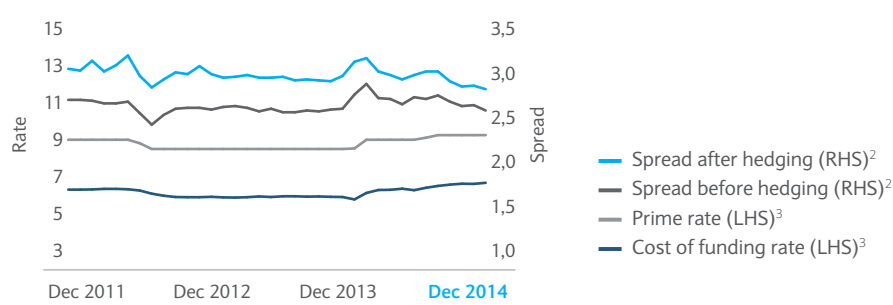
- Higher margins were earned on fixed and call deposits as a result of the increases in the prime rates, as well as an increase in the funding rates earned on these product types.
- Higher growth in Retail and Business Bank deposits reduces the reliance on more expensive wholesale funding, resulting in a positive composition effect.

## 2. Net interest income (continued)

Performance (continued)

### (iii) Hedging strategy

Hedging impact on net interest margin<sup>1</sup> (%)



- Absa Bank Limited employs a governed interest rate hedging strategy (“hedge programme”) through the interest rate cycle to reduce margin volatility associated with structural balances (i.e. rate insensitive liabilities as well as the endowment associated with equity).
- Qualification criterion for balances to be treated as structural are well-defined and tested. As at 31 December 2014 an aggregate of **15%** (31 December 2013: 15%) of Absa Bank Limited’s total capital and liabilities constituted structural balances.
- Cash flow hedge accounting is applied to account for the interest rate swaps executed as part of the hedging programme. The change in mark-to-market value is deferred to the cash flow hedging reserve (“other reserves”), from where it is released to the Statement of comprehensive income on an accrual basis. The cash flow hedging reserve decreased to **R0,4bn** after tax (2013: R0,6bn) as a result of the increase in average swap rates compared to the previous reporting period.
- The benefit realised in the current reporting period of 20 bps was **5 bps** (2013: 4 bps) lower when compared to the benefit of 25 bps in the previous period, but still contributed positively to the overall margin. In the current reporting period, **R1 494m** (2013: R1 730m) was released to the Statement of comprehensive income.

### (iv) Rest of Africa

- Africa had a 6 bps negative impact on the margin mainly due to pricing changes (-12 bps) partially offset by its increased weighting in the overall composition, with higher margins relative to the Group margin (6 bps). The negative impact from pricing changes was largely due to declining interest rate environments, an increase in market competition as well as regulatory changes which had a negative impact on margins.

### (v) Other

Other factors that contributed to a favourable year-on-year margin included:

- the repayment of the subordinated callable note (3 bps);
- lower relative weighting from the statutory liquid asset portfolio (3 bps);
- change in funding model applied to foreign currency loans in CIB (4 bps); and
- other hedging gains and treasury activities (8 bps).

#### Notes

<sup>1</sup>Absa Bank Limited hedging strategy:

- The hedging programme provides greater margin stability from an interest rate risk perspective over the entire cycle.
- In a decreasing rate scenario, the hedging programme enhances the net interest margin while the opposite is true for an increasing rate scenario.
- Basis risk still remains between prime assets and the three-month Johannesburg Interbank Agreed Rate (“JIBAR”) repricing liabilities after hedging.

<sup>2</sup>Right-hand side of the “y” axis.

<sup>3</sup>Left-hand side of the “y” axis.

## Performance indicators and summary notes to the consolidated financial statements

for the reporting period ended 31 December

### 3. Non-interest income

#### 3.1 Net fee and commission income

	2014 (Audited) Rm	2013' (Audited) Rm	Change %
Asset management and other related fees	129	160	(19)
Consulting and administration fees	705	661	7
Credit-related fees and commissions	15 814	15 626	1
Cheque accounts	3 871	3 598	8
Credit cards <sup>2</sup>	1 591	1 603	(1)
Electronic banking	4 334	4 233	2
Other <sup>3</sup>	3 716	3 889	(4)
Savings accounts	2 302	2 303	0
Insurance commission received	1 148	1 315	(13)
Investment banking fees	312	255	22
Merchant income <sup>4</sup>	1 861	1 716	8
Other	210	203	3
Trust and other fiduciary service fees	1 419	1 412	(0)
Portfolio and other management fees	1 138	1 144	(1)
Trust and estate income	281	268	5
Fee and commission income	21 598	21 348	1
Fee and commission expense	(2 931)	(2 794)	5
Cheque processing fees	(131)	(150)	(13)
Insurance commission paid	(1 075)	(1 001)	7
Other	(1 426)	(1 298)	10
Transaction-based legal fees	(77)	(115)	(33)
Trust and other fiduciary service fees	(78)	(88)	(11)
Valuation fees	(144)	(142)	1
	<b>18 667</b>	18 554	1
<b>Segment split<sup>5</sup></b>			
RBB	15 750	15 421	2
Retail Banking South Africa	10 938	10 768	2
Business Banking South Africa	2 963	2 851	4
RBB Rest of Africa	1 849	1 802	3
CIB	1 800	2 036	(12)
WIMI	1 247	1 284	(3)
Head Office and other operations	(130)	(187)	(30)
	<b>18 667</b>	18 554	1

#### Notes

<sup>1</sup>Restated, refer to inside cover page for reporting changes overview. Additional disclosures for 31 December 2013 have been restated where applicable.

<sup>2</sup>"Credit cards" includes card issuing fees.

<sup>3</sup>"Other" includes service and credit-related fees and commissions on mortgage loans and foreign exchange transactions.

<sup>4</sup>"Merchant income" includes card acquiring fees.

<sup>5</sup>Segment split is unaudited.

### 3. Non-interest income *(continued)*

#### 3.2 Net insurance premium income

	2014 (Audited) Rm	2013 (Audited) Rm	Change %
Gross insurance premiums	8 415	7 813	8
Premiums ceded to reinsurers	(2 401)	(2 127)	13
	<b>6 014</b>	5 686	6
<b>Segment split<sup>1</sup></b>			
Retail Banking South Africa (consisting of Woolworths Financial Services (Pty) Ltd)	250	229	9
WIMI	5 764	5 457	6
	<b>6 014</b>	5 686	6

#### 3.3 Net claims and benefits incurred on insurance contracts

	2014 (Audited) Rm	2013 (Audited) Rm	Change %
Gross claims and benefits incurred on insurance contracts	(4 122)	(4 733)	(13)
Reinsurance recoveries	1 078	1 914	(44)
	<b>(3 044)</b>	(2 819)	8
<b>Segment split<sup>1</sup></b>			
Retail Banking South Africa (consisting of Woolworths Financial Services (Pty) Ltd)	(27)	(19)	42
WIMI	(3 016)	(2 816)	7
Head Office and other operations	(1)	16	>(100)
	<b>(3 044)</b>	(2 819)	8

#### 3.4 Changes in investment and insurance contract liabilities

	2014 (Audited) Rm	2013 (Audited) Rm	Change %
Increase in insurance contract liabilities	(168)	(183)	(8)
Increase in investment contract liabilities	(584)	(2 274)	(74)
	<b>(752)</b>	(2 457)	(69)
<b>Segment split<sup>1</sup></b>			
Retail Banking South Africa (consisting of Woolworths Financial Services (Pty) Ltd)	2	—	100
WIMI	(758)	(2 457)	(69)
Head Office and other operations	4	—	>100
	<b>(752)</b>	(2 457)	(69)

**Note**

<sup>1</sup>Segment split is unaudited.

## Performance indicators and summary notes to the consolidated financial statements

for the reporting period ended 31 December

### 3. Non-interest income (continued)

#### 3.5 Gains and losses from banking and trading activities

	2014 (Audited) Rm	2013 (Audited) Rm	Change %
Net (losses)/gains on investments	(91)	312	>(100)
Debt instruments designated at fair value through profit or loss	7	181	(96)
Equity instruments designated at fair value through profit or loss	(54)	141	>(100)
Available-for-sale unwind from reserves	(44)	(10)	>100
Net trading result	4 246	3 854	10
Net trading income excluding the impact of hedge accounting	4 493	4 092	10
Ineffective portion of hedges	(247)	(238)	4
Cash flow hedges	(239)	(234)	2
Fair value hedges	(8)	(4)	100
Other gains	174	195	(11)
Profit on sale of subsidiaries <sup>1</sup>	44	—	100
	4 373	4 361	0
<b>Segment split<sup>2</sup></b>			
RBB	388	23	>100
Retail Banking South Africa	63	73	(14)
Business Banking South Africa	(19)	(139)	(86)
RBB Rest of Africa	344	89	>100
CIB	4 237	4 544	(7)
WIMI	4	3	33
Head Office and other operations	(256)	(209)	22
	4 373	4 361	0

#### 3.6 Gains and losses from investment activities

	2014 (Audited) Rm	2013 (Audited) Rm	Change %
Net gains on investments from insurance activities	1 090	2 803	(61)
Policyholder – insurance contracts	299	337	(11)
Policyholder – investment contracts	508	2 181	(77)
Shareholder funds	283	285	(1)
Other gains	43	28	54
	1 133	2 831	(60)
<b>Segment split<sup>2</sup></b>			
RBB			
RBB Rest of Africa	—	(8)	(100)
CIB	7	8	(13)
WIMI	1 313	2 992	(56)
Head Office and other operations	(187)	(161)	16
	1 133	2 831	(60)

#### Notes

<sup>1</sup>The Group sold its investment in a non-core subsidiary on 2 January 2014. The disposal resulted in the derecognition of the subsidiary and a non-headline earnings profit of R44m.

<sup>2</sup>Segment split is unaudited.



### 3. Non-interest income *(continued)*

#### 3.7 Other operating income

	2014 (Audited) Rm	2013 <sup>1</sup> (Audited) Rm	Change %
Property-related income	318	468	(32)
Income from investment properties	185	324	(43)
Change in fair value	13	62	(79)
Rentals	172	262	(34)
Profit/(loss) on disposal of property and equipment	19	(5)	>100
Profit on disposal of developed properties	31	49	(37)
Profit on disposal of repossessed properties	32	15	>100
Rental income	51	85	(40)
Other operating income	815	431	89
Foreign exchange differences, including recycle from other comprehensive income	403	40	>100
Income from maintenance contracts	28	16	75
Loss on disposal of intangible assets	(2)	(1)	100
Sundry income <sup>2</sup>	386	376	3
	<b>1 133</b>	899	26
<b>Segment split<sup>3</sup></b>			
Property-related income	318	468	(32)
RBB	273	433	(37)
Retail Banking South Africa	76	54	41
Business Banking South Africa	192	365	(47)
RBB Rest of Africa	5	14	(64)
CIB	3	(2)	>100
WIMI	18	25	(28)
Head Office and other operations	24	12	100
Other operating income	815	431	89
RBB	247	203	22
Retail Banking South Africa	205	145	41
Business Banking South Africa	27	9	>100
RBB Rest of Africa	15	49	(69)
CIB	176	253	(30)
WIMI	59	43	37
Head Office and other operations	333	(68)	>100
	<b>1 133</b>	899	26

#### Notes

<sup>1</sup>Restated, refer to inside cover page for reporting changes overview. Additional disclosures for 31 December 2013 have been restated where applicable.

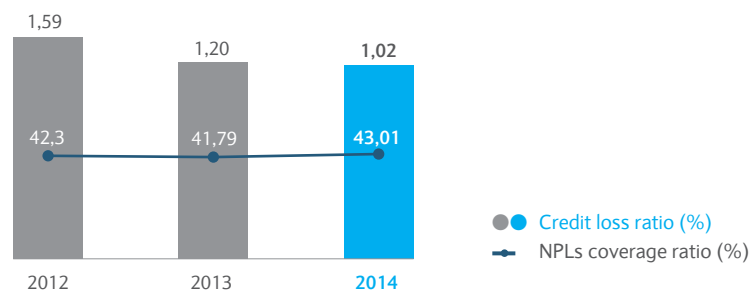
<sup>2</sup>"Sundry income" includes service fees levied on asset finance as well as the profit on disposal of sundry non-core business activities.

<sup>3</sup>Segment split is unaudited.

## Performance indicators and summary notes to the consolidated financial statements for the reporting period ended 31 December

### 4. Impairment losses on loans and advances

#### Credit loss and NPLs ratios (%)



	2014 (Audited) Rm	2013 (Audited) Rm	Change %
<b>Charge to the statement of comprehensive income by segment</b>			
<b>RBB</b>			
Total charge	6 015	6 678	(10)
Credit loss ratio (%) <sup>1</sup>	1,32	1,50	
<b>Retail Banking South Africa<sup>2</sup></b>			
Card	2 262	1 903	19
Consumer Bank	932	860	8
Home Loans	858	1 746	(51)
Other	—	96	(100)
Vehicle and Asset Finance	798	629	27
Total charge	4 850	5 234	(7)
Credit loss ratio (%) <sup>1</sup>	1,35	1,49	
<b>Business Banking South Africa<sup>2</sup></b>			
Business Banking (excluding Equities)	527	824	(36)
Business Banking Equities	—	(1)	>(100)
Total charge	527	823	(36)
Credit loss ratio (%) <sup>1</sup>	0,87	1,34	
<b>RBB Rest of Africa</b>			
Total charge	638	621	3
Credit loss ratio (%) <sup>1</sup>	1,75	1,86	
<b>CIB</b>			
Total charge	248	239	4
Credit loss ratio (%) <sup>1</sup>	0,16	0,19	
<b>WIMI</b>			
Total charge	27	84	(68)
Credit loss ratio (%) <sup>1</sup>	0,25	0,73	
<b>Head Office and other operations</b>			
Total charge	—	(14)	(100)
<b>Total charge to the statement of comprehensive income</b>	<b>6 290</b>	<b>6 987</b>	<b>(10)</b>
<b>Comprising:</b>			
Impairments raised	7 280	8 105	(10)
Identified impairments	6 967	7 754	(10)
Unidentified impairments	313	351	(11)
Recoveries of loans and advances previously written off <sup>3</sup>	(990)	(1 118)	(11)
<b>Total charge to the statement of comprehensive income</b>	<b>6 290</b>	<b>6 987</b>	<b>(10)</b>
<b>Credit loss ratio (%)<sup>1</sup></b>	<b>1,02</b>	<b>1,20</b>	

#### Notes

<sup>1</sup>Ratios are unaudited.

<sup>2</sup>Business unit split is audited, but product split is unaudited.

<sup>3</sup>"Recoveries of loans and advances previously written off" includes collection costs of R193m (2013: R120m).

#### 4. Impairment losses on loans and advances (continued)

Loans and advances to customers	Performing loans			2014 Non-performing loans			Net total exposure Rm
	Exposure Rm	Impair- ment Rm	Coverage ratio %	Exposure Rm	Impair- ment Rm	Coverage ratio %	
<b>RBB</b>	<b>452 944</b>	<b>3 929</b>	<b>0,87</b>	<b>25 462</b>	<b>11 295</b>	<b>44,36</b>	<b>463 182</b>
Retail Banking South Africa	355 285	2 977	0,84	18 252	7 867	43,10	362 693
Credit cards	35 814	699	1,95	4 808	3 439	71,53	36 484
Instalment credit agreements	70 392	479	0,68	1 195	551	46,11	70 557
Loans to associates and joint ventures	13 012	—	—	—	—	—	13 012
Mortgages	217 714	1 364	0,63	10 292	2 599	25,25	224 043
Other loans and advances	410	—	—	—	—	—	410
Overdrafts	2 215	32	1,44	122	83	68,03	2 222
Personal and term loans	15 728	403	2,56	1 835	1 195	65,12	15 965
Business Banking South Africa	59 103	621	1,05	3 925	1 407	35,85	61 000
Loans to associates and joint ventures	305	—	—	—	—	—	305
Mortgages (including CPF)	29 208	269	0,92	1 827	777	42,53	29 989
Overdrafts	17 740	216	1,22	921	358	38,87	18 087
Term loans	11 850	136	1,15	1 177	272	23,11	12 619
RBB Rest of Africa	38 556	331	0,86	3 285	2 021	61,52	39 489
<b>CIB</b>	<b>161 201</b>	<b>373</b>	<b>0,23</b>	<b>1 652</b>	<b>381</b>	<b>23,06</b>	<b>162 099</b>
WIMI	10 406	57	0,54	253	95	37,55	10 507
Head Office and other operations	538	—	—	—	—	—	538
<b>Loans and advances to customers</b>	<b>625 089</b>	<b>4 359</b>	<b>0,70</b>	<b>27 367</b>	<b>11 771</b>	<b>43,01</b>	<b>636 326</b>

Loans and advances to customers	Performing loans			2013 Non-performing loans			Net total exposure Rm
	Exposure Rm	Impair- ment Rm	Coverage ratio %	Exposure Rm	Impair- ment Rm	Coverage ratio %	
<b>RBB</b>	<b>438 649</b>	<b>3 431</b>	<b>0,78</b>	<b>28 098</b>	<b>11 635</b>	<b>41,41</b>	<b>451 681</b>
Retail Banking South Africa	345 360	2 730	0,79	19 680	7 688	39,07	354 622
Credit cards	33 900	699	2,06	3 034	2 165	71,36	34 070
Instalment credit agreements	64 130	290	0,45	1 462	731	50,00	64 571
Loans to associates and joint ventures	10 287	—	—	—	—	—	10 287
Mortgages	219 142	1 327	0,61	13 541	3 763	27,79	227 593
Other loans and advances	262	—	—	—	—	—	262
Overdrafts	2 006	31	1,55	96	56	58,33	2 015
Personal and term loans	15 633	383	2,45	1 547	973	62,90	15 824
Business Banking South Africa	58 126	374	0,64	4 865	1 909	39,24	60 708
Loans to associates and joint ventures	559	—	—	—	—	—	559
Mortgages (including CPF)	29 906	125	0,42	2 844	1 235	43,42	31 390
Overdrafts	16 710	137	0,82	863	361	41,83	17 075
Term loans	10 951	112	1,02	1 158	313	27,03	11 684
RBB Rest of Africa	35 163	327	0,93	3 553	2 038	57,36	36 351
<b>CIB</b>	<b>143 366</b>	<b>237</b>	<b>0,17</b>	<b>851</b>	<b>443</b>	<b>52,06</b>	<b>143 537</b>
WIMI	10 739	33	0,31	339	160	47,20	10 885
Head Office and other operations	230	110	47,83	—	—	—	120
<b>Loans and advances to customers</b>	<b>592 984</b>	<b>3 811</b>	<b>0,64</b>	<b>29 288</b>	<b>12 238</b>	<b>41,79</b>	<b>606 223</b>

**Performance indicators and summary notes to the consolidated financial statements**  
for the reporting period ended 31 December

**4. Impairment losses on loans and advances** (continued)

Reconciliation of allowance for impairment losses on loans and advances to customers	2014 (Audited)						Total Rm
	Retail Banking South Africa Rm	Business Banking South Africa Rm	RBB Rest of Africa Rm	CIB Rm	WIMI Rm	Head Office and other opera- tions Rm	
Balance at the beginning of the reporting period	10 418	2 283	2 365	680	193	110	16 049
Net present value unwind on non-performing book	(495)	(147)	—	—	(2)	—	(644)
Exchange differences	—	—	(76)	—	—	—	(76)
Amounts written-off	(4 633)	(815)	(666)	(185)	(70)	(110)	(6 479)
Impairment raised – identified	5 433	687	640	201	6	—	6 967
Impairment raised – unidentified	121	20	89	58	25	—	313
<b>Balance at the end of the reporting period</b>	<b>10 844</b>	<b>2 028</b>	<b>2 352</b>	<b>754</b>	<b>152</b>	<b>—</b>	<b>16 130</b>

Reconciliation of allowance for impairment losses on loans and advances to customers	2013 (Audited)						Total Rm
	Retail Banking South Africa Rm	Business Banking South Africa Rm	RBB Rest of Africa Rm	CIB Rm	WIMI Rm	Head Office and other opera- tions Rm	
Balance at the beginning of the reporting period	10 466	2 357	1 968	651	210	125	15 777
Net present value unwind on non-performing book	(697)	(153)	—	—	(1)	—	(851)
Exchange differences	—	—	422	—	—	—	422
Amounts written-off	(5 479)	(887)	(726)	(210)	(101)	(1)	(7 404)
Impairment raised – identified	6 040	861	645	169	53	(14)	7 754
Impairment raised – unidentified	88	105	56	70	32	—	351
<b>Balance at the end of the reporting period</b>	<b>10 418</b>	<b>2 283</b>	<b>2 365</b>	<b>680</b>	<b>193</b>	<b>110</b>	<b>16 049</b>

Statement of financial position – identified and unidentified impairments	2014 Rm	2013 Rm	Change %
Comprising:			
Identified impairments	14 318	14 634	(2)
Performing loans	2 547	2 396	6
Non-performing loans	11 771	12 238	(4)
Unidentified impairments	1 812	1 415	28
	<b>16 130</b>	<b>16 049</b>	<b>1</b>

## 4. Impairment losses on loans and advances *(continued)*

### Performance

Impairment losses on loans and advances improved 10% relative to the prior reporting period. This decrease is largely attributable to continued strong performance in business banking attributable to lower default experience and retail mortgages where the collection strategies implemented has continued to improve the Group's on- and off-balance sheet recoveries. Given the current economic environment in which the Group operates, performing loan coverage has been increased by R298m since 31 December 2013 representing an overall performing coverage level of **0,70%** (2013: 0,64%). NPL coverage has increased to **42,9%** (2013: 41,8%).

### RBB

#### *Retail Banking South Africa* (↓7%)

The total impairment charge decreased by 7% resulting in an improved credit loss ratio of 1,35% from 1,49%. This improvement is attributable to the improvement in Home Loans which is partially offset by the deterioration in the Card portfolio.

- Home loans impairments improved by 51% to **R858m** (2013: R1 746m), due to continued strong performance from new business with lower flows into NPL and remained focus on the underlying workout process of NPLs.
- Credit card impairment losses increased to **R2 262m** (2013: R1 903m), within expectation and agreed risk appetite. NPLs increased, driven by store card portfolios aligning to the Group write-off policy.
- The VAF charge has increased to **R798m** (2013: R629m). Portfolio performance remained stable with the increase driven by increased performing provision following improved segmentation and the implementation of an accelerated write-off policy for legal accounts.

The impairment charge on Consumer Bank has increased to **R932m** (2013: R860m) due to increased coverage on the portfolio as the customer remains under strain, as evidenced by declining affordability levels.

#### *Business Banking South Africa* (↓36%)

The Business Banking impairment losses ratio improved to **0,87%** (31 December 2013: 1,34%), driven by:

- An improvement in both the volume and value of new defaults experienced.
- The impairment charge for the CPF portfolio was significantly lower by 72,6% at **R112m** (31 December 2013: R409m) and resulted in an improved impairment loss ratio of **0,37%** (31 December 2013: 1,25%).
- The Commercial segment's year-on-year performance was flat even though overall default levels started to show some improvement. Commercial was negatively impacted during the period under review by three Large Name Defaults.
- Continued focus on maximising recoveries of previously written-off exposures, resulting in a 21,6% increase in collections of **R180m** (31 December 2013: R148m).
- The performing loan coverage ratio increased to **105 bps** (2013: 64 bps).
- NPLs continued to reduce, improving by 19,3% year-on-year on the back of a concerted effort to expedite realisation of collateral held. NPL's coverage ratio reduced to **35,8%** (31 December 2013: 39,2%), largely due to settling and subsequently writing off older NPLs.

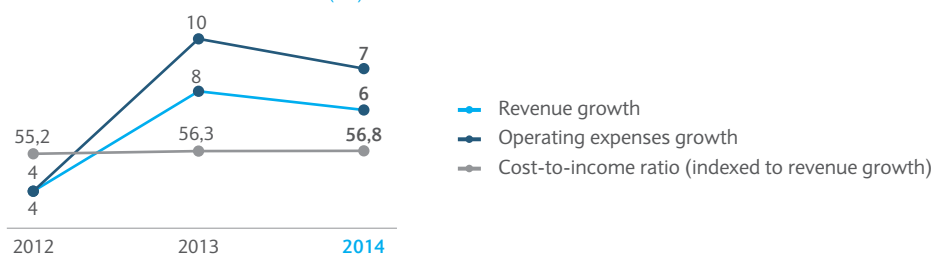
#### *RBB Rest of Africa* (↑3%)

- Credit impairments increased 3% to **R638m** (2013: R621m), resulting in a credit loss ratio of **1,75%** (2013: 1,86%). The increase in credit impairments were negatively impacted by foreign exchange translations. Excluding this impact, credit impairments improved year-on-year, driven by an overall improvement in the quality of the loan book and improved collections. The 11 bps reduction in the credit loss ratio was dampened by releases in the latter part of the previous reporting period not being repeated in the current reporting period.

## Performance indicators and summary notes to the consolidated financial statements for the reporting period ended 31 December

### 5. Operating expenses

#### Jaws and cost-to-income ratio (%)



#### Breakdown of operating expenses

	2014 (Audited) Rm	2013 (Audited) Rm	Change %
Administration fees	801	791	1
Amortisation of intangible assets	503	470	7
Auditors' remuneration	268	259	3
Cash transportation	827	715	16
Depreciation	1 594	1 641	(3)
Equipment costs	378	391	(3)
Information technology <sup>1</sup>	2 156	2 078	4
Investment properties charges – change in fair value	31	33	(6)
Marketing costs	1 616	1 355	19
Operating lease expenses on properties	1 369	1 309	5
Other <sup>2</sup>	2 014	2 122	(5)
Printing and stationery	394	310	27
Professional fees	1 609	1 578	2
Property costs	1 916	1 692	13
Staff costs	19 334	17 593	10
Bonuses	1 693	1 679	1
Deferred cash and share-based payments	717	428	68
Other <sup>3</sup>	945	1 203	(21)
Salaries and current service costs on post-retirement benefits	15 665	13 942	12
Training costs	314	341	(8)
Telephone and postage	1 038	1 083	(4)
	<b>35 848</b>	<b>33 420</b>	<b>7</b>

#### Breakdown of information technology-related spend included in operating expenses

	2014 Rm	2013 Rm	Change %
Amortisation of intangible assets and depreciation of equipment	1 298	1 286	1
Information technology	2 168	2 078	4
Staff costs	1 488	1 321	13
Other	1 304	1 419	(8)
	<b>6 258</b>	<b>6 104</b>	<b>3</b>

#### Notes

<sup>1</sup>"Information technology" and "Professional fees" include research and development costs totalling **R397m** (2013: R280m).

<sup>2</sup>"Other" includes fraud losses and travel and entertainment costs as well as administration fees relocated to the Edcon portfolio.

<sup>3</sup>"Other staff costs" include recruitment costs, membership fees to professional bodies, staff parking, redundancy fees, study assistance, staff relocation and refreshment costs.

## 5. Operating expenses *(continued)*

### Performance

- Operating expenses increased by 7% to **R35 848m** (2013: R33 420m). The Group's cost-to-income ratio increased marginally to 56,8% from 56,3%. South African business costs grew 6% in line with inflation, with other African operations costs growing 10%, as we continue with our investment into Africa.
- Staff costs increased by 10%, while non-staff-related costs increased by 4% driven by efficiency gains which were offset by various investments in the business.
- Administration fees only increased 1% due to the non-recurrence of previous reporting period's impact of the Barclays Africa Limited deal.
- Cash transportation costs grew 16% in line with increased volumes, as well as increased customer cash device service costs.
- Information technology ("IT") costs increased due to the impact of the depreciating currency on imported IT services. The increase was mitigated by continued efficiency gains, resulting in an overall increase of 4%. Amortisation of intangible assets grew 4% due to impairments recognised in the current year. Depreciation fell 3% due to efficiency gains and the realignment of computer equipment's useful lives. The Group financial results exclude certain IT investments in the former Barclays Africa Limited countries that were acquired in 2013 which in terms of the purchase agreement are being funded by Barclays Bank PLC.
- Marketing costs increased 19% largely due to increased marketing spend across the Group, in particular on higher direct product advertising in RBB. This was partially offset by our continuing focus on balancing the mix between sponsorships and advertising which resulted in the Group exiting certain key sponsorships.
- Other operating costs decreased by 5% to **R2 014m** (2013: R2 122m) driven by recoveries for services provided to other Barclays Bank PLC Group entities and a reduction in travel costs as compared to the previous reporting period in which more travel was undertaken to aid the early stress of integration of the Barclays Africa operations.
- The Group's initiative to optimise both corporate and branch property costs continued in 2014 with R252m property dilapidation provisions being raised; these changes and the restatements of staff parking costs drove Property costs to an increase of 13%. Excluding these amounts, underlying total Property costs and Operating lease expenses were flat at **R3 033m** (2013: R3 001m) despite above inflation increases in rates and utility costs, reflecting the benefits arising from our portfolio optimisation.
- Staff costs grew by 10% to **R19 334m** (2013: R17 593m), reflecting 12% higher salary costs and relatively flat performance bonuses. The increase in Deferred cash and share-based payments is largely driven by the increase in the Group's share price and new share schemes introduced. Salaries grew largely due to higher wage increases particularly amongst entry level employees together with the increase in employee numbers in senior frontline client facing positions and specialist areas such as IT. This was offset by Other staff costs decreasing 21% to **R945m** (2013: R1 203m) driven by lower restructuring costs and the restatements of staff parking costs into Property costs. Investments in training materials during 2013, an increase in computer-based training and the continued roll out of Barclays Bank PLC training courses resulted in a reduction in training costs of 8%.
- Telephone and postage costs declined 4% due to reductions in postage costs with ongoing reduction in physical statement volumes in line with our strategy to migrate our customers into digital channels. New investment in internal printing capability resulted in a once-off increase in printing and stationery costs of 27%. The increase in printing and stationery costs was partially offset by a 3% reduction in rented equipment costs.
- Included in total operating expenses for 2014 is **R526m** of investment into rightsizing our branch network and integrating IT across Africa which was not incurred in 2013.

## Performance indicators and summary notes to the consolidated financial statements

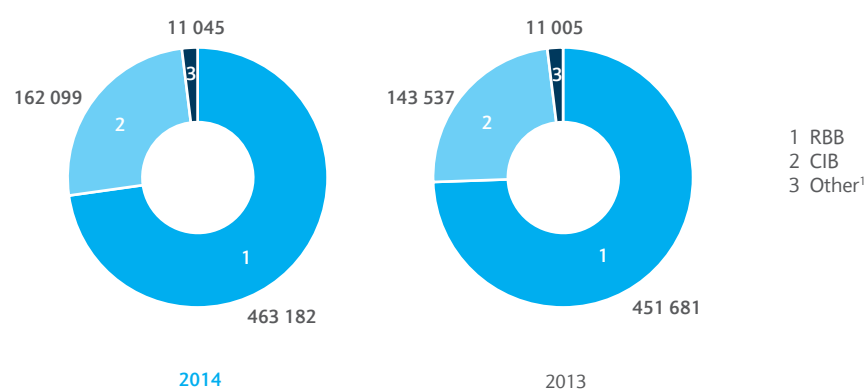
for the reporting period ended 31 December

### 6. Indirect taxation

	2014 (Audited) Rm	2013 (Audited) Rm	Change %
Training levy	130	117	11
Value-added tax net of input credits	853	883	(3)
	<b>983</b>	<b>1 000</b>	<b>(2)</b>

### 7. Loans and advances to customers

Loans and advances to customers by segment (Rm)



#### Loans and advances to customers mix

	2014 %	2013 %
RBB	72,8	74,5
Retail Banking South Africa	57,0	58,5
Business Banking South Africa	9,6	10,0
RBB Rest of Africa	6,2	6,0
CIB	25,5	23,7
Other <sup>1</sup>	1,7	1,8
	<b>100,0</b>	<b>100,0</b>

**Note**

<sup>1</sup>"Other" includes the loans and advances to customers of WIMI and Head Office and other operations.



## 7. Loans and advances to customers (continued)

Loans and advances to customers by segment	2014 (Audited) Rm	2013 (Audited) Rm	Change %
<b>RBB</b>			
Gross loans and advances to customers	478 406	466 747	2
Impairment losses on loans and advances	(15 224)	(15 066)	1
	463 182	451 681	3
<b>Retail Banking South Africa<sup>1</sup></b>			
Credit cards	40 622	36 934	10
Instalment credit agreements	71 587	65 592	9
Loans to associates and joint ventures	13 012	10 287	26
Mortgages	228 006	232 684	(2)
Other loans and advances	410	261	57
Overdrafts	2 337	2 102	11
Personal and term loans	17 563	17 180	2
Gross loans and advances to customers	373 537	365 040	2
Impairment losses on loans and advances	(10 844)	(10 418)	4
	362 693	354 622	2
<b>Business Banking South Africa<sup>1</sup></b>			
Loans to associates and joint ventures	305	559	(45)
Mortgages (including CPF)	31 035	32 750	(5)
Overdrafts	18 661	17 573	6
Term loans	13 027	12 109	8
Gross loans and advances to customers	63 028	62 991	0
Impairment losses on loans and advances	(2 028)	(2 283)	(11)
	61 000	60 708	0
<b>RBB Rest of Africa</b>			
Gross loans and advances to customers	41 841	38 716	8
Impairment losses on loans and advances	(2 352)	(2 365)	(1)
	39 489	36 351	9
<b>CIB<sup>1</sup></b>			
Corporate overdrafts	60 173	52 548	15
Foreign currency loans	22 446	22 384	0
Mortgages	3 718	5 304	(30)
Term loans	17 604	14 619	20
Overdrafts	10 322	11 551	(11)
Overnight finance	17 622	13 374	32
Preference shares	11 850	8 955	32
Reverse repurchase agreements	5 819	3 893	49
Other loans and advances	13 299	11 589	15
Gross loans and advances to customers	162 853	144 217	13
Impairment losses on loans and advances	(754)	(680)	11
	162 099	143 537	13

### Note

<sup>1</sup>Business unit split is audited, but product split is unaudited.

## Performance indicators and summary notes to the consolidated financial statements

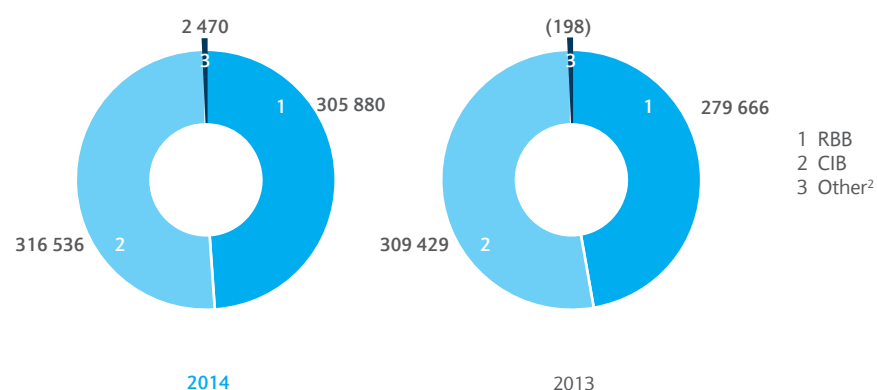
for the reporting period ended 31 December

### 7. Loans and advances to customers (continued)

Loans and advances to customers by segment (continued)	2014 (Audited) Rm	2013 (Audited) Rm	Change %
<b>WIMI<sup>1</sup></b>			
CPF	947	1 157	(18)
Instalment credit agreements	263	230	14
Mortgages	5 048	5 209	(3)
Overdrafts	2 733	2 746	0
Other loans and advances	1 668	1 736	(4)
<b>Gross loans and advances to customers</b>	<b>10 659</b>	<b>11 078</b>	<b>(4)</b>
Impairment losses on loans and advances	(152)	(193)	(22)
	<b>10 507</b>	<b>10 885</b>	<b>(3)</b>
<b>Head Office and other operations</b>			
<b>Gross loans and advances to customers</b>	<b>538</b>	<b>230</b>	<b>&gt;100</b>
Impairment losses on loans and advances	—	(110)	(100)
	<b>538</b>	<b>120</b>	<b>&gt;100</b>
<b>Total loans and advances to customers</b>			
<b>Gross loans and advances to customers</b>	<b>652 456</b>	<b>622 272</b>	<b>5</b>
Impairment losses on loans and advances	(16 130)	(16 049)	0
<b>Net loans and advances to customers</b>	<b>636 326</b>	<b>606 223</b>	<b>5</b>

### 8. Deposits due to customers

Deposits due to customers by segment (Rm)



Total funding mix	2014 %	2013 %
<b>Deposits due to customers</b>	<b>79,6</b>	<b>77,7</b>
RBB	39,0	36,9
Retail Banking South Africa	19,2	17,9
Business Banking South Africa	12,3	11,6
RBB Rest of Africa	7,5	7,4
CIB	40,3	40,8
Other <sup>2</sup>	0,3	0
<b>Deposits from banks</b>	<b>6,9</b>	<b>9,4</b>
<b>Debt securities in issue</b>	<b>13,5</b>	<b>12,9</b>
	<b>100,0</b>	<b>100,0</b>

#### Notes

<sup>1</sup>Business unit split is audited, but product split is unaudited.

<sup>2</sup>“Other” includes the deposits due to customers of WIMI and Head Office and other operations.

## 8. Deposits due to customers *(continued)*

Deposits due to customers by segment	2014 (Audited) Rm	2013 (Audited) Rm	Change %
<b>RBB</b>	<b>305 880</b>	279 666	9
Retail Banking South Africa <sup>1</sup>	150 432	135 697	11
Call deposits	297	371	(20)
Cheque account deposits	22 435	20 817	8
Credit card deposits	1 932	1 914	1
Fixed deposits	32 357	30 743	5
Investment products	49 735	36 141	38
Notice deposits	10 152	10 605	(4)
Other deposits	498	406	23
Savings and transmission deposits	33 026	34 700	(5)
<b>Business Banking South Africa<sup>1</sup></b>	<b>96 765</b>	87 915	10
Call deposits	9 707	10 862	(11)
Cheque account deposits	42 509	42 350	0
Fixed deposits	19 939	17 471	14
Notice deposits	1 277	1 460	(13)
Savings and transmission deposits	23 333	15 772	48
<b>RBB Rest of Africa</b>	<b>58 683</b>	56 054	5
<b>CIB<sup>1</sup></b>	<b>316 536</b>	309 429	2
Call deposits	45 150	40 919	10
Cheque account deposits	94 142	91 086	3
Fixed deposits	100 359	107 069	(6)
Foreign currency deposits	23 580	15 103	56
Investment products	822	203	>100
Notice deposits	38 315	44 273	(13)
Other deposits	10 092	8 226	23
Repurchase agreements with non-banks	2 165	1 208	79
Savings and transmission deposits	1 911	1 342	42
<b>WIMI<sup>1</sup></b>	<b>5 276</b>	4 878	8
Call deposits	274	363	(25)
Cheque account deposits	2 306	2 514	(8)
Fixed deposits	826	985	(16)
Foreign currency deposits	114	102	12
Notice deposits	20	11	82
Savings and transmission deposits	1 736	903	92
<b>Head Office and other operations</b>	<b>(2 806)</b>	(5 076)	(45)
<b>Total deposits due to customers</b>	<b>624 886</b>	588 897	6

### Note

<sup>1</sup>Business unit split is audited, but product split is unaudited.

## Performance indicators and summary notes to the consolidated financial statements

for the reporting period ended 31 December

### 9. Debt securities in issue

	2014 (Audited) Rm	2013 (Audited) Rm	Change %
<b>Debt securities in issue</b>			
Credit linked notes	8 823	8 155	8
Floating rate notes	41 524	44 719	(7)
Liabilities arising from securitised structured entities	496	495	0
Negotiable certificates of deposit	29 504	20 494	44
Other	217	11	>100
Promissory notes	949	935	1
Structured notes and bonds	1 187	1 487	(20)
Senior notes	23 398	21 533	9
	<b>106 098</b>	97 829	8
<b>Segment split</b>			
RBB	3 071	3 477	(12)
Retail Banking South Africa	2 191	2 996	(27)
RBB Rest of Africa	880	481	83
CIB	81 523	75 674	8
Head Office and other operations	21 504	18 678	15
	<b>106 098</b>	97 829	8

## 10. Equity and borrowed funds

	2014 (Audited) Rm	2013 (Audited) Rm	Change %
<b>Share capital and share premium</b>			
<b>Authorised</b>			
<b>880 467 500</b> (2013: 880 467 500) ordinary shares of R2,00 each	1 761	1 761	—
<b>Issued</b>			
<b>847 750 679</b> (2013: 847 750 679) ordinary shares of R2,00 each	1 696	1 696	—
<b>880 000</b> (2013: 437 896) treasury shares held by Group entities	(2)	(1)	100
	<b>1 694</b>	1 695	0
<b>Total issued capital</b>			
Share capital	1 694	1 695	0
Share premium	4 548	4 474	2
	<b>6 242</b>	6 169	1
	2014 Number of shares (million)	2013 Number of shares (million)	Change value (%)
<b>Number of ordinary shares in issue (after deduction of treasury shares) at the reporting date</b>			
Ordinary shares in issue of R2,00 each	847,8	718,2	18
Issued shares for the acquisition of Barclays Africa Limited	—	129,5	(100)
Treasury shares held by Group entities	(0,9)	(0,4)	>100
	<b>846,9</b>	847,3	0

The Group acquired the entire share capital of Barclays Africa Limited and on 31 July 2013 issued 129 540 636 consideration shares to Barclays Africa Group Holdings Limited (a wholly owned subsidiary of Barclays Bank PLC). Following the acquisition, Barclays Bank PLC increased its stake to 62,3% from 55,5% in the ordinary shares of Barclays Africa Group. No weighting was applied to this share issue in line with the principles of accounting for business combinations under common control.

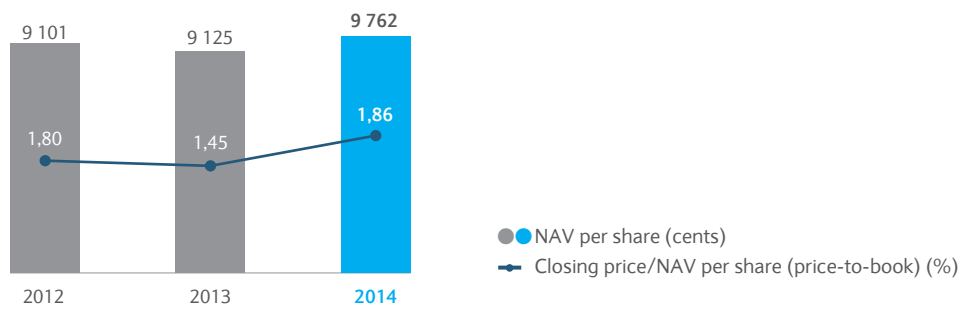
**Performance indicators and summary notes to the consolidated financial statements**  
for the reporting period ended 31 December

**10. Equity and borrowed funds** *(continued)*

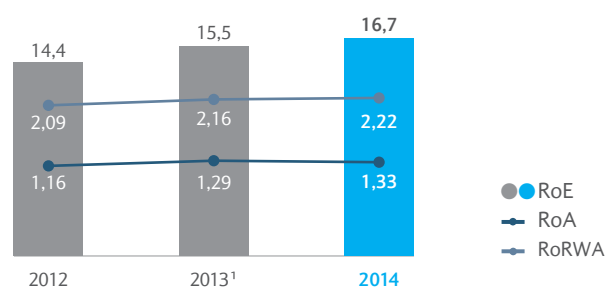
<b>Borrowed funds</b>		<b>2014 (Audited) Rm</b>	2013 (Audited) Rm	Change %
<b>Subordinated callable notes issued by Absa Bank Limited</b>				
The subordinated debt instruments in the following list qualify as secondary capital in terms of the Banks Act No. 94 of 1990, except where indicated.				
<b>Interest rate</b>	<b>Final maturity date</b>			
8,10%	27 March 2020	<b>2 000</b>	2 000	—
8,295%	21 November 2023	<b>1 188</b>	1 188	—
10,28%	3 May 2022	<b>600</b>	600	—
8,80%	7 March 2019	—	1 725	(100)
10,84%	19 November 2019	<b>130</b>	—	100
Three-month JIBAR + 2,10%	3 May 2022	<b>400</b>	400	—
Three-month JIBAR <sup>1</sup> + 1,95%	21 November 2022	<b>1 805</b>	1 805	—
Three-month JIBAR <sup>1</sup> + 2,05%	21 November 2023	<b>2 007</b>	2 007	—
Three-month JIBAR <sup>1</sup> + 3,30%	19 November 2019	<b>370</b>	—	100
Consumer Price Index linked notes, fixed at the following coupon rates:				
6,00%	20 September 2019	—	3 000	(100)
5,50%	7 December 2028	<b>1 500</b>	1 500	—
<b>Subordinated callable notes issued by other subsidiaries</b>				
Bank of Botswana Certificates rate + 0,85%	30 October 2014	—	120	(100)
Bank of Botswana Certificates 11%	9 May 2015	<b>109</b>	—	>100
Ninety-one day Kenyan Government Treasury Bill rate + 0,60% (non-qualifying)	19 November 2014	—	121	(100)
Ninety-one day Zambian Government Treasury Bill rate + 2,00% (non-qualifying)	9 May 2015	<b>91</b>	96	(5)
One-hundred and eighty-two day Kenyan Government Treasury Bill rate + 1,00%	14 July 2015	<b>94</b>	90	4
Barclays Kenya 11,50%	14 July 2015	<b>161</b>	153	5
National Bank of Commerce Limited (Tanzania) 16,44%	24 January 2024	<b>31</b>	—	>100
One-hundred and eighty-two day Zambian Government Treasury Bill rate + 2,50% (capped at 13,00%)	18 May 2016	<b>91</b>	96	(5)
United States dollar three-month London Interbank Offered Rate + 1,00% (non-qualifying)	31 March 2018	<b>76</b>	69	10
Accrued interest on total subordinated debt instruments		<b>592</b>	1 490	(60)
Fair value adjustments on total subordinated debt instruments		<b>(37)</b>	65	>(100)
		<b>11 208</b>	16 525	(32)

## 10. Equity and borrowed funds *(continued)*

### NAV per share and closing price/NAV per share (cents and %)



### RoE, RoA and RoRWA (%)



## Performance

The Group's RoE increased to **16,7%** (2013: 15,5%), driven by an improvement in the Group's RoA to **1,33%** (2013: 1,29%) and increased leverage. The improvement in RoA was mainly a result of increased net interest margin and reduced impairment losses on loans and advances. RoE remains above the Group's internal CoE of 13,5% (2013: 13,0%).

The Group remains well capitalised above the minimum regulatory requirements and board-approved target ranges due to strong net generation of equity with a strong focus on RWA management. The efficient use of capital is fundamental to ensure a clear focus on enhancing shareholder value through the careful deployment of capital resources.

### Note

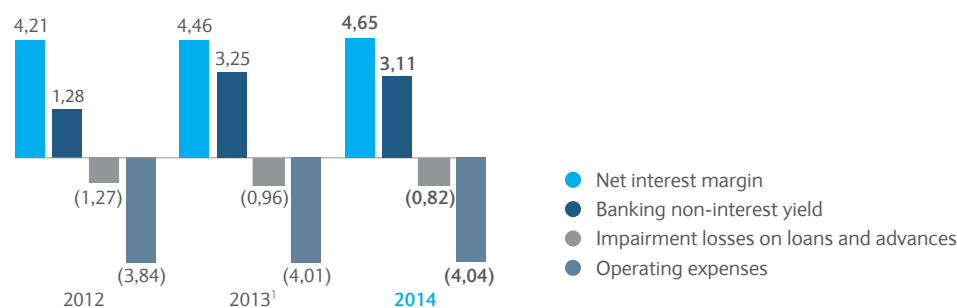
<sup>1</sup>For the calculation of RoRWA, the RWA have been restated. Refer to the inside cover page for the reporting changes overview. Additional disclosures for 31 December 2013 have been restated where applicable.

## Performance indicators and summary notes to the consolidated financial statements

for the reporting period ended 31 December

### 11. RoE decomposition

#### Major drivers of RoE (%)



	2014 %	2013 <sup>1</sup> %
Net interest margin (average interest-bearing assets)	4,65	4,46
Less: Impairment losses on loans and advances/average interest-bearing assets	0,82	0,96
Equals: Net interest margin – after impairment losses (average interest-bearing assets)	3,83	3,50
Multiply: Average interest-bearing assets/average banking assets	86,31	86,95
Equals: Banking interest yield	3,30	3,04
Plus: Banking non-interest yield	3,11	3,25
Equals: Banking revenue yield	6,41	6,29
Less: Operating expenses/average banking assets	4,04	4,01
Equals: Net banking return	2,36	2,28
Less: Other <sup>2</sup>	0,90	0,86
Equals: Banking return	1,47	1,42
Multiply: Average banking assets/total average assets	90,48	90,75
Equals: RoA	1,33	1,29
Multiply: Leverage	12,58	11,98
Equals: RoE	16,7	15,5

### Performance

RoE improved by 1,2% for the period from 15,5% to 16,7%. The increase can be mainly attributed to the following:

- Increase in leverage resulted in an additional 80 bps to RoE. The higher leverage was driven by the reduction in equity as a result of the special dividend paid.
- RoA increased by 4 bps from 1,29% to 1,33%. This increase resulted in a 47 bps increase in RoE. Improvement in the RoA is largely driven by lower loan losses and a higher net interest rate.

#### Notes

<sup>1</sup>Restated, refer to inside cover page for reporting changes overview. Additional disclosures for 31 December 2013 have been restated where applicable.

<sup>2</sup>“Other” includes other impairments, indirect taxation, share of post-tax results of associates and joint ventures and taxation expense.



## 12. Off-statement of financial position items

	2014 Rm	2013 Rm	Change %
Financial guarantee contracts <sup>1</sup>	96	96	—
<b>Commitments</b>			
Authorised capital expenditure Contracted but not provided for	1 675	745	>100
<b>Other commitments</b>			
No later than one year	991	—	>100
	<b>2 666</b>	745	>100
<b>Contingencies</b>			
Guarantees <sup>2</sup>	34 011	21 215	60
Irrevocable debt facilities	125 334	127 218	(1)
Irrevocable equity facilities	366	400	(9)
Letters of credit	4 827	6 402	(25)
Other	3 774	5 674	(33)
	<b>168 312</b>	160 909	5

## Performance

- The Group has capital commitments in respect of computer equipment and property development. Management is confident that future net revenues and funding will be sufficient to cover these commitments.
- Capital commitments have increased by >100% in the current year, mainly due to infrastructure commitments into rightsizing the branch network and the corporate real estate consolidation strategy.
- The SARB announced in August 2014 that African Bank Limited (a subsidiary of African Bank Investments Limited) would be placed under curatorship. A consortium of six South African banks (including Barclays Africa Group Limited) and the Public Investment Corporation have underwritten R5bn respectively. 50% of the amount underwritten by the banks is guaranteed by the SARB, of which Barclays Africa Group Limited contributed R991m (pre the SARB guarantee). The value of the amount to be underwritten was determined with reference to the respective underwriter's proportion of total Tier 1 capital of the consortium as at 30 June 2014.
- The 60% increase in guarantees is due to large guarantees issued by CIB, which is in line with its current growth strategy.
- During the current reporting period, terms and conditions associated with unutilised customer facilities were reviewed and confirmed to be irrevocable in nature. These facilities are now disclosed as irrevocable debt facilities. Comparative numbers were also restated from R49bn to R127bn.

## 13. Legal proceedings

The Group is engaged in various litigation proceedings involving claims by and against it, which arise in the ordinary course of business. The Group does not expect the ultimate resolution of any proceedings, to which the Group is party, to have a significant adverse effect on the financial results. The Group has not disclosed the contingent liabilities associated with these claims either because they cannot reasonably be estimated or such disclosure could be prejudicial to the conduct of the claim. Provision is made for all liabilities which are expected to materialise.

### Notes

<sup>1</sup>Restated, refer to inside cover page for reporting changes overview. Additional disclosures for 31 December 2013 have been restated where applicable.

<sup>2</sup>"Guarantees" include performance and payment guarantee contracts.

# Segment performance

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## Segment performance overview

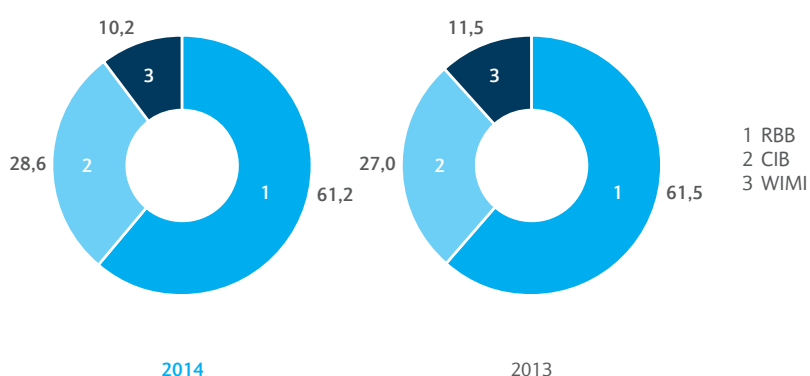
for the reporting period ended 31 December

Higher earnings were driven by improved net interest income and lower impairments, mainly from the RBB and CIB segments.

RBB's headline earnings increased 9% to R8 316m, largely due to a 10% decline in credit impairments. CIB's headline earnings increased by 16% to R3 887m, driven by strong performance in core operating divisions, while WIMI's headline earnings declined by 3%.

### Overview per market segment

#### Headline earnings – market segments (%)



Calculation based on the exclusion of Head Office and other operations.

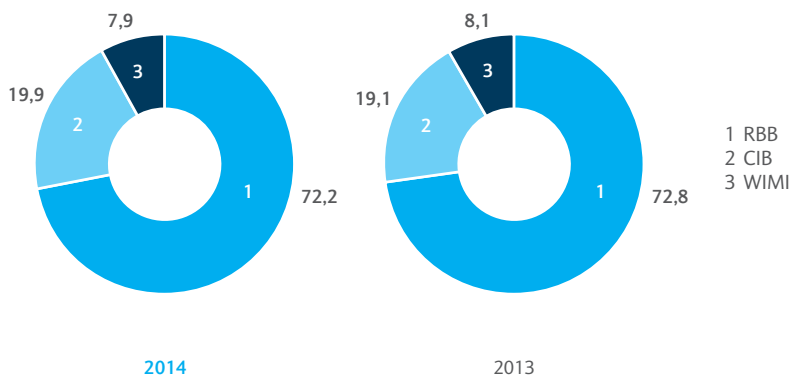
	2014 (Audited) Rm	2013 (Audited) Rm	Change %
<b>Headline earnings</b>			
RBB	8 316	7 618	9
CIB	3 887	3 348	16
WIMI	1 383	1 420	(3)
Head Office and other operations	(554)	(543)	2
	<b>13 032</b>	<b>11 843</b>	<b>10</b>

## Segment performance overview

for the reporting period ended 31 December

### Overview per market segment *(continued)*

#### Revenue – market segments (%)



Calculation based on the exclusion of Head Office and other operations.

	2014 (Audited)	2013 (Audited)	Change %
<b>Revenue (Rm)</b>			
RBB	45 816	43 684	5
CIB	12 610	11 430	10
WIMI	5 009	4 880	3
Head Office and other operations	(310)	(588)	(47)
	<b>63 125</b>	<b>59 406</b>	<b>6</b>
<b>Operational key performance indicators<sup>3</sup></b>			
Delivery footprint (number)			
Retail Banking <sup>1</sup>	11 910	12 094	(2)
Outlets	1 267	1 314	(4)
ATMs	10 643	10 780	(1)
Number of customers ('000)	12 020	12 000	0
RBB <sup>2</sup>	11 991	11 967	0
CIB <sup>4</sup>	15	19	(21)
WIMI <sup>5</sup>	14	14	—

#### Notes

<sup>1</sup>Includes South Africa and Rest of Africa.

<sup>2</sup>Excludes Edcon portfolio customers.

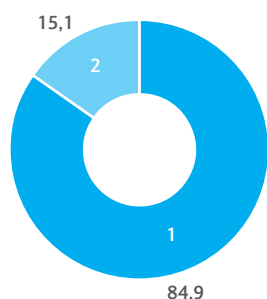
<sup>3</sup>Operational key performance indicators are unaudited.

<sup>4</sup>Customer numbers have decreased due to the cleanup of customer accounts performed during the current reporting period.

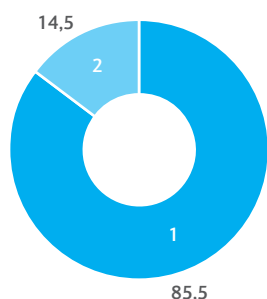
<sup>5</sup>Relates to Wealth customers.

## Overview per geographical segment

### Headline earnings – geographical segments (%)



2014

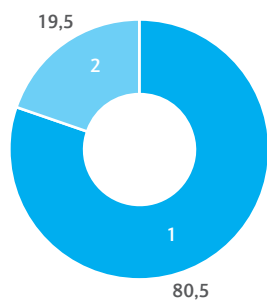


2013

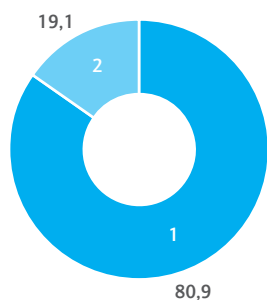
1 South Africa  
2 Rest of Africa

	2014 Rm	2013 Rm	Change %
<b>Headline earnings</b>			
South Africa	11 067	10 120	9
Rest of Africa	1 965	1 723	14
	<b>13 032</b>	<b>11 843</b>	<b>10</b>

### Revenue – geographical segments (%)



2014



2013

1 South Africa  
2 Rest of Africa

	2014 (Audited) Rm	2013 (Audited) Rm	Change %
<b>Revenue</b>			
South Africa	50 830	48 077	6
Rest of Africa	12 295	11 329	9
	<b>63 125</b>	<b>59 406</b>	<b>6</b>

## Segment performance overview

for the reporting period ended 31 December

### Overview per geographical segment *(continued)*

	2014	2013	Change %
<b>Operational key performance indicators</b>			
Delivery footprint (number)	<b>11 910</b>	12 094	(2)
South Africa	<b>10 256</b>	10 447	(2)
Outlets	<b>789</b>	829	(5)
ATMs	<b>9 467</b>	9 618	(2)
Rest of Africa	<b>1 654</b>	1 647	0
Outlets	<b>478</b>	485	(1)
ATMs	<b>1 176</b>	1 162	1
Number of customers ('000)	<b>12 020</b>	12 000	0
South Africa <sup>1</sup>	<b>9 224</b>	9 440	(2)
Rest of Africa	<b>2 796</b>	2 560	9
Number of employees	<b>41 644</b>	42 356	(2)
South Africa	<b>31 160</b>	31 972	(3)
Rest of Africa	<b>10 484</b>	10 384	1

#### Note

<sup>1</sup>Excludes Edcon portfolio customers.

## Segment reporting structure

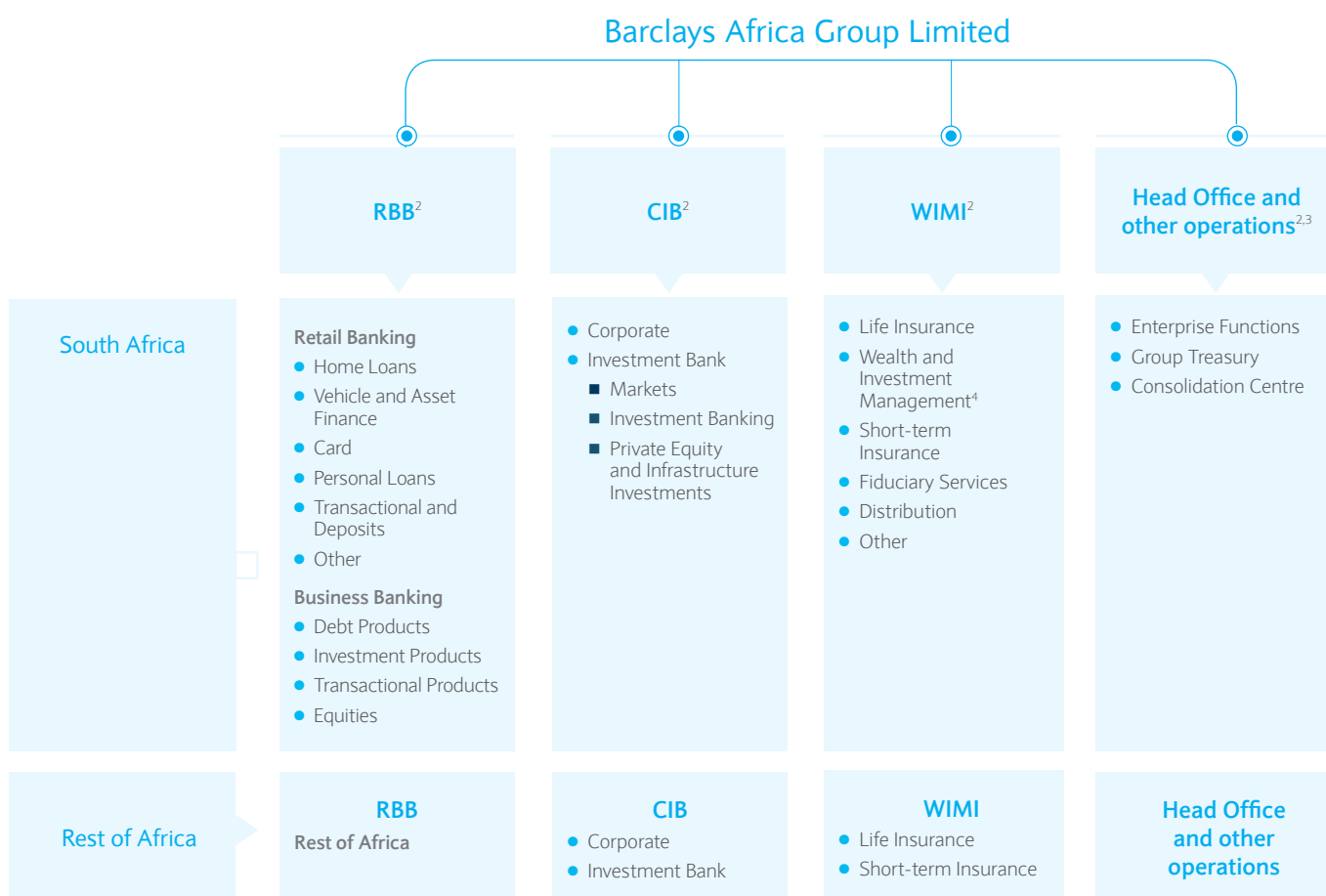
The Group has identified the following reportable operating segments based on a combination of products and services offered to customers and clients, external revenue generation and the location of the markets served.

The main reportable segments are mainly driven by products and services offered to customers and clients and are disclosed as the following market segments:

- Retail and Business Banking;
- Corporate and Investment Bank;
- Wealth, Investment Management and Insurance; and
- Head Office and other operations.

The Group has also identified the following geographical segments which are driven by the location of the markets being served:

- South Africa<sup>1</sup>
- Rest of Africa



### Notes

<sup>1</sup>Includes Absa Bank London operations, which are managed by Business Banking South Africa, CIB and Head Office and other operations. The results of the operations have been allocated accordingly.

<sup>2</sup>Refer to inside cover page for reporting changes.

<sup>3</sup>Includes Absa Manx Insurance Company.

<sup>4</sup>Includes the Wealth banking portfolio.

**Segment report per market segment**

for the reporting period ended 31 December

	RBB			CIB		
	2014 (Audited)	2013 <sup>1</sup> (Audited)	Change %	2014 (Audited)	2013 <sup>1</sup> (Audited)	Change %
<b>Statement of comprehensive income (Rm)</b>						
Net interest income	28 933	27 402	6	6 387	4 591	39
Non-interest income	16 883	16 282	4	6 223	6 839	(9)
<b>Total income</b>	<b>45 816</b>	<b>43 684</b>	<b>5</b>	<b>12 610</b>	<b>11 430</b>	<b>10</b>
Impairment losses on loans and advances	(6 015)	(6 678)	(10)	(248)	(239)	4
Operating expenses	(26 728)	(24 848)	8	(6 677)	(6 219)	7
Other	(240)	(389)	(38)	(110)	(74)	49
<b>Operating income before income tax</b>	<b>12 833</b>	<b>11 769</b>	<b>9</b>	<b>5 575</b>	<b>4 898</b>	<b>14</b>
Taxation expense	(3 779)	(3 453)	9	(1 374)	(1 206)	14
<b>Profit for the reporting period</b>	<b>9 054</b>	<b>8 316</b>	<b>9</b>	<b>4 201</b>	<b>3 692</b>	<b>14</b>
<b>Profit attributable to:</b>						
Ordinary equity holders	8 339	7 663	9	3 969	3 481	14
Non-controlling interest – ordinary shares	515	464	11	132	112	18
Non-controlling interest – preference shares	200	189	6	100	99	1
	<b>9 054</b>	<b>8 316</b>	<b>9</b>	<b>4 201</b>	<b>3 692</b>	<b>14</b>
<b>Headline earnings</b>	<b>8 316</b>	<b>7 618</b>	<b>9</b>	<b>3 887</b>	<b>3 348</b>	<b>16</b>
<b>Operating performance (%)<sup>2</sup></b>						
Net interest margin on average interest-bearing assets	4,41	4,41		1,53	1,18	
Credit loss ratio	1,32	1,50		0,16	0,19	
Non-interest income as percentage of revenue	36,8	37,3		49,3	59,8	
Revenue growth	5	9		10	12	
Cost growth	8	9		7	11	
Cost-to-income ratio	58,3	56,9		53,0	54,4	
<b>Statement of financial position (Rm)</b>						
Loans and advances to customers	463 182	451 681	3	162 099	143 537	13
Investment securities	45 537	45 614	—	18 540	17 056	9
Other assets	265 640	257 262	3	366 825	375 227	(2)
<b>Total assets</b>	<b>774 359</b>	<b>754 557</b>	<b>3</b>	<b>547 464</b>	<b>535 820</b>	<b>2</b>
Deposits due to customers	305 880	279 666	9	316 536	309 429	2
Debt securities in issue	3 071	3 477	(12)	81 523	75 674	8
Other liabilities	443 963	450 018	(1)	138 222	142 659	(3)
<b>Total liabilities</b>	<b>752 914</b>	<b>733 161</b>	<b>3</b>	<b>536 281</b>	<b>527 762</b>	<b>2</b>
<b>Financial performance (%)<sup>2</sup></b>						
RoRWA	2,22	2,18		2,17	2,02	
RoA	1,13	1,11		0,70	0,64	
RoRC <sup>3,4</sup>	20,0	19,1		19,6	18,3	

**Notes**<sup>1</sup>Restated, refer to inside cover page for reporting changes overview. Additional disclosures for 31 December 2013 have been restated where applicable.<sup>2</sup>Ratios are unaudited.<sup>3</sup>During the current reporting period, the Group reassessed its target regulatory capital requirements and revised this from the mid-point to the upper end of the board target range and the return on average regulatory capital ("RoRC") was restated accordingly. These restated ratios also include other refinements to segmental RoRC disclosures. This does not alter any submissions made to the South African Reserve Bank ("SARB").<sup>4</sup>As WIMI consists primarily of a set of legal entities with a smaller contribution from the Wealth division of Absa Bank Limited, the denominator in the RoRC for WIMI is calculated as the sum of average legal entities' equity plus the RC contribution for the Wealth division.



WIMI			Head Office and other operations			Group		
2014 (Audited)	2013 <sup>1</sup> (Audited)	Change %	2014 (Audited)	2013 <sup>1</sup> (Audited)	Change %	2014 (Audited)	2013 <sup>1</sup> (Audited)	Change %
378	349	8	(97)	9	>(100)	35 601	32 351	10
4 631	4 531	2	(213)	(597)	(64)	27 524	27 055	2
5 009	4 880	3	(310)	(588)	(47)	63 125	59 406	6
(27)	(84)	(68)	—	14	(100)	(6 290)	(6 987)	(10)
(2 893)	(2 688)	8	450	335	34	(35 848)	(33 420)	7
(143)	(134)	7	(777)	(306)	>100	(1 270)	(903)	41
1 946	1 974	(1)	(637)	(545)	17	19 717	18 096	9
(572)	(549)	4	152	(14)	>100	(5 573)	(5 222)	7
1 374	1 425	(4)	(485)	(559)	(13)	14 144	12 874	10
1 370	1 419	(3)	(462)	(582)	(21)	13 216	11 981	10
(2)	—	>(100)	(22)	23	>(100)	623	599	4
6	6	—	(1)	—	>(100)	305	294	4
1 374	1 425	(4)	(485)	(559)	(13)	14 144	12 874	10
1 383	1 420	(3)	(554)	(543)	2	13 032	11 843	10
n/a	n/a		n/a	n/a		4,65	4,46	
0,25	0,73		n/a	n/a		1,02	1,20	
92,5	92,8		n/a	n/a		43,6	45,5	
3	7		n/a	n/a		6	8	
8	9		n/a	n/a		7	10	
57,8	55,1		n/a	n/a		56,8	56,3	
10 507	10 885	(3)	538	120	>100	636 326	606 223	5
4 981	2 713	84	16 828	13 621	24	85 886	79 004	9
31 359	31 292	—	(394 622)	(386 145)	2	269 202	277 636	(3)
46 847	44 890	4	(377 256)	(372 404)	1	991 414	962 863	3
5 276	4 878	8	(2 806)	(5 076)	(45)	624 886	588 897	6
—	—	—	21 504	18 678	15	106 098	97 829	8
36 445	35 010	4	(449 145)	(436 751)	3	169 485	190 936	(11)
41 721	39 888	5	(430 447)	(423 149)	2	900 469	877 662	3
n/a	n/a		n/a	n/a		2,22	2,16	
2,96	3,16		n/a	n/a		1,33	1,29	
23,2	24,7		n/a	n/a		n/a	n/a	

## Segment report per geographical segment

for the reporting period ended 31 December

	South Africa		
	2014	2013 <sup>1</sup>	Change %
<b>Statement of comprehensive income (Rm)</b>			
Net interest income	27 481	24 953	10
Non-interest income	23 349	23 124	1
<b>Total income</b>	<b>50 830</b>	<b>48 077</b>	<b>6</b>
Impairment losses on loans and advances	(5 565)	(6 211)	(10)
Operating expenses	(28 045)	(26 342)	6
Other	(1 198)	(837)	43
<b>Operating income before income tax</b>	<b>16 022</b>	<b>14 687</b>	<b>9</b>
Taxation expense	(4 251)	(3 961)	7
<b>Profit for the reporting period</b>	<b>11 771</b>	<b>10 726</b>	<b>10</b>
<b>Profit attributable to:</b>			
Ordinary equity holders	11 252	10 251	10
Non-controlling interest – ordinary shares	214	181	18
Non-controlling interest – preference shares	305	294	4
	11 771	10 726	10
<b>Headline earnings</b>	<b>11 067</b>	<b>10 120</b>	<b>9</b>
<b>Operating performance (%)</b>			
Net interest margin on average interest-bearing assets	4,13	3,93	
Credit loss ratio	1,00	1,17	
Non-interest income as percentage of revenue	45,9	48,1	
Revenue growth	6	5	
Cost growth	6	8	
Cost-to-income ratio	55,2	54,8	
<b>Statement of financial position (Rm)</b>			
Loans and advances to customers	567 223	546 970	4
Investment securities	76 733	70 939	8
Other assets	203 945	201 688	1
<b>Total assets</b>	<b>847 901</b>	<b>819 597</b>	<b>3</b>
Deposits due to customers	519 935	486 033	7
Debt securities in issue	105 218	97 348	8
Other liabilities	151 219	168 448	(10)
<b>Total liabilities</b>	<b>776 372</b>	<b>751 829</b>	<b>3</b>
<b>Financial performance (%)</b>			
RoRWA	2,40	2,31	
RoA	1,31	1,27	

### Note

<sup>1</sup>Restated, refer to inside cover page for reporting changes overview. Additional disclosures for 31 December 2013 have been restated where applicable.

Rest of Africa			Group		
2014	2013 <sup>1</sup>	Change %	2014	2013 <sup>1</sup>	Change %
8 120	7 398	10	35 601	32 351	10
4 175	3 931	6	27 524	27 055	2
12 295	11 329	9	63 125	59 406	6
(725)	(776)	(7)	(6 290)	(6 987)	(10)
(7 803)	(7 078)	10	(35 848)	(33 420)	7
(72)	(66)	9	(1 270)	(903)	41
3 695	3 409	8	19 717	18 096	9
(1 322)	(1 261)	5	(5 573)	(5 222)	7
2 373	2 148	10	14 144	12 874	10
1 964	1 730	14	13 216	11 981	10
409	418	(2)	623	599	4
—	—	—	305	294	4
2 373	2 148	10	14 144	12 874	10
1 965	1 723	14	13 032	11 843	10
8,13	8,28		4,65	4,46	
1,17	1,54		1,02	1,20	
34,0	34,7		43,6	45,5	
9	21		6	8	
10	17		7	10	
63,5	62,5		56,8	56,3	
69 103	59 253	17	636 326	606 223	5
9 153	8 065	13	85 886	79 004	9
65 257	75 948	(14)	269 202	277 636	(3)
143 513	143 266	0	991 414	962 863	3
104 951	102 864	2	624 886	588 897	6
880	481	83	106 098	97 829	8
18 266	22 488	(19)	169 485	190 937	(11)
124 097	125 833	(1)	900 469	877 662	3
1,54	1,57		2,22	2,16	
1,42	1,44		1,33	1,29	

**Segment report per market and geographical segment**

for the reporting period ended 31 December

	2014 Rm	RBB 2013 <sup>1</sup> Rm	Change %
<b>South Africa per market segment<sup>2</sup></b>			
<b>Statement of comprehensive income</b>			
Net interest income	22 821	21 346	7
Non-interest income	14 670	14 336	2
<b>Total income</b>	<b>37 491</b>	<b>35 682</b>	<b>5</b>
Impairment losses on loans and advances	(5 377)	(6 057)	(11)
Operating expenses	(20 860)	(19 506)	7
Other	(190)	(345)	(45)
<b>Operating income before income tax</b>	<b>11 064</b>	<b>9 774</b>	<b>13</b>
Taxation expense	(3 092)	(2 713)	14
<b>Profit for the reporting period</b>	<b>7 972</b>	<b>7 061</b>	<b>13</b>
<b>Profit attributable to:</b>			
Ordinary equity holders	7 558	6 692	13
Non-controlling interest – ordinary shares	214	180	19
Non-controlling interest – preference shares	200	189	6
	<b>7 972</b>	<b>7 061</b>	<b>13</b>
<b>Headline earnings</b>	<b>7 531</b>	<b>6 652</b>	<b>13</b>
<b>Statement of financial position</b>			
Loans and advances to customers	423 693	415 330	2
Investment securities	38 155	38 757	(2)
Other assets	214 166	191 146	12
<b>Total assets</b>	<b>676 014</b>	<b>645 233</b>	<b>5</b>
Deposits due to customers	247 197	223 612	11
Debt securities in issue	2 191	2 996	(27)
Other liabilities	416 494	409 360	2
<b>Total liabilities</b>	<b>665 882</b>	<b>635 968</b>	<b>5</b>

	2014 Rm	RBB 2013 <sup>1</sup> Rm	C% <sup>3</sup>	FX% <sup>4</sup>	Change %
<b>Rest of Africa per market segment</b>					
<b>Statement of comprehensive income</b>					
Net interest income	6 112	6 056	—	1	1
Non-interest income	2 213	1 946	5	9	14
<b>Total income</b>	<b>8 325</b>	<b>8 002</b>	<b>1</b>	<b>3</b>	<b>4</b>
Impairment losses on loans and advances	(638)	(621)	(2)	5	3
Operating expenses	(5 868)	(5 342)	6	4	10
Other	(50)	(44)	14	—	14
<b>Operating income before income tax</b>	<b>1 769</b>	<b>1 995</b>	<b>(11)</b>	<b>—</b>	<b>(11)</b>
Taxation expense	(687)	(740)	(7)	—	(7)
<b>Profit for the reporting period</b>	<b>1 082</b>	<b>1 255</b>	<b>(13)</b>	<b>(1)</b>	<b>(14)</b>
<b>Profit attributable to:</b>					
Ordinary equity holders	781	971	(18)	(2)	(20)
Non-controlling interest – ordinary shares	301	284	6	—	6
	<b>1 082</b>	<b>1 255</b>	<b>(13)</b>	<b>(1)</b>	<b>(14)</b>
<b>Headline earnings</b>	<b>785</b>	<b>966</b>	<b>(18)</b>	<b>(1)</b>	<b>(19)</b>
<b>Statement of financial position</b>					
Loans and advances to customers	39 489	36 351	9	0	9
Investment securities	7 382	6 857	4	4	8
Other assets	51 474	66 116	(24)	2	(22)
<b>Total assets</b>	<b>98 345</b>	<b>109 324</b>	<b>(11)</b>	<b>1</b>	<b>(10)</b>
Deposits due to customers	58 683	56 054	5	—	5
Debt securities in issue	880	481	80	3	83
Other liabilities	27 469	40 658	(35)	3	(32)
<b>Total liabilities</b>	<b>87 032</b>	<b>97 193</b>	<b>(12)</b>	<b>2</b>	<b>(10)</b>

**Notes**<sup>1</sup>Restated, refer to inside cover page for reporting changes overview. Additional disclosures for 31 December 2013 have been restated where applicable.<sup>2</sup>No constant currency change is disclosed for Absa Bank London since it is deemed immaterial.<sup>3</sup>C% = Percentage change calculated based on constant currency. The applicable criteria on the basis of which the constant currency financial information has been prepared is set out on page 146.<sup>4</sup>FX% = Foreign currency change impact.

CIB			WIMI			Head Office and other operations		
2014 Rm	2013 <sup>1</sup> Rm	Change %	2014 Rm	2013 <sup>1</sup> Rm	Change %	2014 Rm	2013 <sup>1</sup> Rm	Change %
4 346	3 207	36	376	348	8	(62)	52	>(100)
4 508	5 039	(11)	4 363	4 334	1	(192)	(585)	(67)
8 854	8 246	7	4 739	4 682	1	(254)	(533)	(52)
(162)	(84)	93	(27)	(84)	(68)	1	14	(93)
(4 844)	(4 541)	7	(2 719)	(2 556)	6	378	261	45
(101)	(64)	58	(130)	(121)	7	(777)	(307)	>100
3 747	3 557	5	1 863	1 921	(3)	(652)	(565)	15
(833)	(816)	2	(538)	(533)	1	212	101	>100
2 914	2 741	6	1 325	1 388	(5)	(440)	(464)	(5)
2 814	2 642	7	1 319	1 382	(5)	(439)	(465)	(6)
—	—	—	—	—	—	—	1	(100)
100	99	1	6	6	—	(1)	—	>(100)
2 914	2 741	6	1 325	1 388	(5)	(440)	(464)	(5)
2 733	2 509	9	1 334	1 384	(4)	(531)	(425)	25
132 485	120 635	10	10 507	10 885	(3)	538	120	>100
18 536	17 056	9	4 900	2 660	84	15 142	12 466	21
339 470	345 285	(2)	30 267	30 398	—	(379 958)	(365 141)	4
490 491	482 976	2	45 674	43 943	4	(364 278)	(352 555)	3
270 444	262 450	3	5 276	4 878	8	(2 982)	(4 907)	(39)
81 523	75 674	8	—	—	—	21 504	18 678	15
133 047	139 814	(5)	35 750	34 349	4	(434 072)	(415 075)	5
485 014	477 938	1	41 026	39 227	5	(415 550)	(401 304)	4

CIB					WIMI				
2014 Rm	2013 <sup>1</sup> Rm	C% <sup>3</sup>	FX% <sup>4</sup>	Change %	2014 Rm	2013 <sup>1</sup> Rm	C% <sup>3</sup>	FX% <sup>4</sup>	Change %
2 041	1 384	45	2	47	2	1	100	—	100
1 715	1 800	(5)	—	(5)	268	197	26	10	36
3 756	3 184	17	1	18	270	198	26	10	36
(86)	(155)	(42)	(3)	(45)	—	—	—	—	—
(1 833)	(1 678)	7	2	9	(174)	(132)	24	8	32
(9)	(10)	13	(23)	(10)	(13)	(13)	—	—	—
1 828	1 341	37	(1)	36	83	53	36	21	57
(541)	(390)	40	(1)	39	(34)	(16)	79	34	>100
1 287	951	36	(1)	35	49	37	17	15	32
1 155	839	38	—	38	51	37	21	17	38
132	112	17	1	18	(2)	—	(100)	—	(100)
1 287	951	36	(1)	35	49	37	17	15	32
1 154	839	38	—	38	49	36	17	19	36
29 614	22 902	26	3	29	—	—	—	—	—
4	—	>100	—	100	81	53	40	13	53
27 355	29 942	(13)	4	(9)	1 092	894	14	8	22
56 973	52 844	4	4	8	1 173	947	16	8	24
46 092	46 979	(6)	4	(2)	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
5 175	2 845	79	3	82	695	661	(2)	7	5
51 267	49 824	(1)	4	3	695	661	(2)	7	5

### Total South Africa

2014 Rm	2013 <sup>1</sup> Rm	Change %
27 481	24 953	10
23 349	23 124	1
50 830	48 077	6
(5 565)	(6 211)	(10)
(28 045)	(26 342)	6
(1 198)	(837)	43
16 022	14 687	9
(4 251)	(3 961)	7
11 771	10 726	10
11 252	10 251	10
214	181	18
305	294	4
11 771	10 726	10
11 067	10 120	9
567 223	546 970	4
76 733	70 939	8
203 945	201 688	1
847 901	819 597	3
519 935	486 033	7
105 218	97 348	8
151 219	168 448	(10)
776 372	751 829	3

### Head Office and other operations

2014 Rm	2013 <sup>1</sup> Rm	C% <sup>3</sup>	FX% <sup>4</sup>	Change %
(35)	(43)	(25)	6	(19)
(21)	(12)	75	—	75
(56)	(55)	—	2	2
(1)	—	>(100)	—	>(100)
72	74	(5)	2	(3)
—	1	(100)	—	(100)
15	20	(21)	(4)	(25)
(60)	(115)	(47)	(1)	(48)
(45)	(95)	(53)	—	(53)
(23)	(117)	(80)	—	(80)
(22)	22	>(100)	(4)	>(100)
(45)	(95)	(53)	—	(53)
(23)	(118)	(81)	—	(81)
—	—	—	—	—
1 686	1 155	46	—	46
(14 664)	(21 004)	(30)	—	(30)
(12 978)	(19 849)	(35)	—	(35)
176	(169)	>100	—	>100
—	—	—	—	—
(15 073)	(21 676)	(31)	1	(30)
(14 897)	(21 845)	(32)	—	(32)

### Total Rest of Africa

2014 Rm	2013 <sup>1</sup> Rm	C% <sup>3</sup>	FX% <sup>4</sup>	Change %
8 120	7 398	9	1	10
4 175	3 931	2	4	6
12 295	11 329	6	3	9
(725)	(776)	(10)	3	(7)
(7 803)	(7 078)	7	3	10
(72)	(66)	7	2	9
3 695	3 409	8	—	8
(1 322)	(1 261)	5	—	5
2 373	2 148	10	—	10
1 964	1 730	15	(1)	14
409	418	(2)	—	(2)
2 373	2 148	10	—	10
1 965	1 723	15	(1)	14
69 103	59 253	16	1	17
9 153	8 065	10	3	13
65 257	75 948	(17)	3	(14)
143 513	143 266	(2)	2	0
104 951	102 864	—	2	2
880	481	80	3	83
18 266	22 488	(24)	5	(19)
124 097	125 833	(4)	3	(1)

## RBB overview

for the reporting period ended 31 December

### Favourable

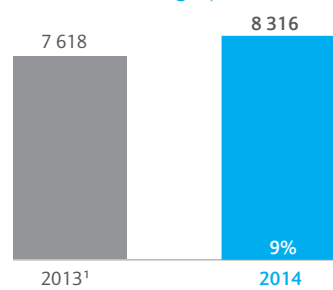
- Strategic goals remain intact, with the consistent performance reflective of a business that is well positioned to achieve its long-term targets.
- Improved customer experience through process enhancements and the launch of new innovative products.
- Declining credit impairments combined with solid growth in Business Banking pre-provision profit (12%) contributed to a 9% increase in headline earnings to R8 316m, despite the challenging economic environment.
- Revenue growth momentum in South Africa maintained at 5% in the second half through higher interest rates, significant deposit balance growth, improved asset pricing and stabilised customer numbers.
- Lower credit loss ratio driven by strong collections performance and quality loan growth. Performing and NPLs coverage ratios increased to **0,9%** (2013: 0,8%) and **44,4%** (2013: 41,4%) respectively.

- Strong deposits growth of 9% while maintaining focus on quality loan growth through a responsible risk appetite.

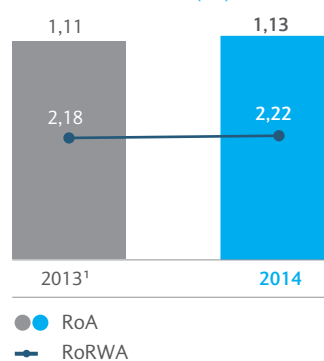
### Unfavourable

- Negative Jaws driving an increase in cost-to-income ratio to 58,3% as investment in marketing and the multi-channel programme continued into the second half.
- Margin on interest earning assets negatively impacted by tight interest rate environment and regulatory changes in Rest of Africa.
- Subdued growth in non-interest income largely attributable to South African operations with pricing pressure and the shift of transactions to lower-priced electronic channels.
- Reduced earnings in Rest of Africa.

Headline earnings (Rm and change %)



RoA and RoRWA (%)



### Salient features

	2014	2013 <sup>1</sup>	Change %
Revenue (Rm)	45 816	43 684	5
Attributable earnings (Rm)	8 339	7 663	9
Headline earnings (Rm)	8 316	7 618	9
Credit loss ratio (%)	1,32	1,50	
Cost-to-income ratio (%)	58,3	56,9	
RoRWA (%)	2,22	2,18	
RoA (%)	1,13	1,11	
RoRC (%)	20,0	19,1	

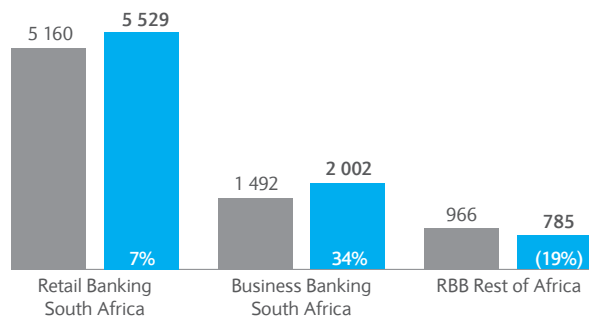
#### Note

<sup>1</sup>Restated, refer to inside cover page for reporting changes overview. Additional disclosures 31 December 2013 have been restated where applicable.

## RBB overview

for the reporting period ended 31 December

### Headline earnings per segment (Rm and % change)



- 2013
- 2014

### Headline earnings by segment

	2014 Rm	2013 Rm	Change %
<b>RBB</b>	<b>8 316</b>	7 618	9
Retail Banking South Africa	5 529	5 160	7
Home Loans	1 813	1 016	78
Vehicle and Asset Finance	1 169	1 130	3
Card	1 644	1 980	(17)
Consumer Banking	3 277	3 199	2
Personal Loans	434	359	21
Transactional and Deposits	2 843	2 840	—
Other	(2 374)	(2 165)	10
Business Banking South Africa	2 002	1 492	34
Business Banking (excluding equities)	2 070	1 657	25
Business Banking equities	(68)	(165)	(59)
RBB Rest of Africa	785	966	(19)



## RBB overview

for the reporting period ended 31 December

	Retail Banking South Africa		
	2014	2013 <sup>1</sup>	Change %
<b>Statement of comprehensive income (Rm)</b>			
Net interest income	17 261	16 167	7
Non-interest income	11 507	11 250	2
<b>Total income</b>	<b>28 768</b>	<b>27 417</b>	<b>5</b>
Impairment losses on loans and advances	(4 850)	(5 234)	(7)
Operating expenses	(15 595)	(14 320)	9
Other	(148)	(302)	(51)
<b>Operating income before income tax</b>	<b>8 175</b>	<b>7 561</b>	<b>8</b>
Taxation expense	(2 274)	(2 072)	10
<b>Profit for the reporting period</b>	<b>5 901</b>	<b>5 489</b>	<b>8</b>
<b>Profit attributable to:</b>			
Ordinary equity holders	5 539	5 177	7
Non-controlling interest – ordinary shares	214	178	20
Non-controlling interest – preference shares	148	134	10
	<b>5 901</b>	<b>5 489</b>	<b>8</b>
<b>Headline earnings</b>	<b>5 529</b>	<b>5 160</b>	<b>7</b>
<b>Operating performance (%)</b>			
Net interest margin on average interest-bearing assets	3,40	3,31	
Credit loss ratio	1,35	1,49	
Non-interest income as percentage of revenue	40,0	41,0	
Revenue growth	5	7	
Cost growth	9	10	
Cost-to-income ratio	54,2	52,2	
<b>Statement of financial position (Rm)</b>			
Loans and advances to customers	362 693	354 622	2
Investment securities	28 463	28 730	(1)
Other assets	182 609	167 111	9
<b>Total assets</b>	<b>573 765</b>	<b>550 463</b>	<b>4</b>
Deposits due to customers	150 432	135 697	11
Debt securities in issue	2 191	2 996	(27)
Other liabilities	413 210	403 973	2
<b>Total liabilities</b>	<b>565 833</b>	<b>542 666</b>	<b>4</b>
<b>Financial performance (%)</b>			
RoRWA	2,55	2,56	
RoA	1,02	1,00	

### Note

<sup>1</sup>Restated, refer to inside cover page for reporting changes overview. Additional disclosures for 31 December 2013 have been restated where applicable.

## RBB overview

for the reporting period ended 31 December

Business Banking South Africa			RBB Rest of Africa			Total RBB		
2014	2013 <sup>1</sup>	Change %	2014	2013 <sup>1</sup>	Change %	2014	2013 <sup>1</sup>	Change %
5 560	5 179	7	6 112	6 056	1	28 933	27 402	6
3 163	3 086	2	2 213	1 946	14	16 883	16 282	4
8 723	8 265	6	8 325	8 002	4	45 816	43 684	5
(527)	(823)	(36)	(638)	(621)	3	(6 015)	(6 678)	(10)
(5 265)	(5 186)	2	(5 868)	(5 342)	10	(26 728)	(24 848)	8
(42)	(43)	(2)	(50)	(44)	14	(240)	(389)	(38)
2 889	2 213	31	1 769	1 995	(11)	12 833	11 769	9
(818)	(641)	28	(687)	(740)	(7)	(3 779)	(3 453)	9
2 071	1 572	32	1 082	1 255	(14)	9 054	8 316	9
2 019	1 515	33	781	971	(20)	8 339	7 663	9
—	2	(100)	301	284	6	515	464	11
52	55	(5)	—	—	—	200	189	6
2 071	1 572	32	1 082	1 255	(14)	9 054	8 316	9
2 002	1 492	34	785	966	(19)	8 316	7 618	9
6,59	6,98		9,45	10,39		4,41	4,41	
0,87	1,34		1,75	1,86		1,32	1,50	
36,3	37,3		26,6	24,3		36,8	37,3	
6	5		4	24		5	9	
2	(2)		10	20		8	9	
60,4	62,7		70,5	66,8		58,3	56,9	
61 000	60 708	—	39 489	36 351	9	463 182	451 681	3
9 692	10 027	(3)	7 382	6 857	8	45 537	45 614	0
31 557	24 035	31	51 474	66 116	(22)	265 640	257 262	3
102 249	94 770	8	98 345	109 324	(10)	774 359	754 557	3
96 765	87 915	10	58 683	56 054	5	305 880	279 666	9
—	—	—	880	481	83	3 071	3 477	(12)
3 284	5 387	(39)	27 469	40 658	(32)	443 963	450 018	(1)
100 049	93 302	7	87 032	97 193	(10)	752 914	733 161	3
2,80	2,11		0,91	1,27		2,22	2,18	
2,10	1,71		0,79	1,20		1,13	1,11	

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## RBB – Retail Banking South Africa

for the reporting period ended 31 December

### Favourable

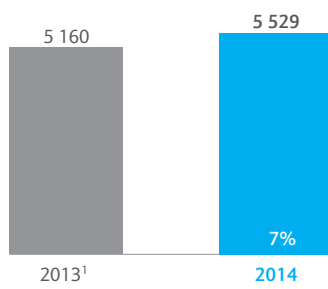
- Increase in headline earnings of 7% to **R5 529m** (2013: R5 160m) on the back of an improved impairment performance.
- Net interest income growth of 7% as a result of rigorous margin management and improved asset pricing. Risk-based pricing has been central to our pricing practices.
- Credit impairments declined by 7% to **R4 850m** (2013: R5 234m), resulting in a decrease in the credit loss ratio from 1,49% to 1,35%, predominantly due to lower NPLs in Home Loans. Performing loans coverage ratio increased to **0,84%** (2013: 0,79%).
- Overall NPL coverage ratio remains strong at **43,1%** (2013: 39,1%) as portfolio optimisation benefits materialise.
- Cost growth of 9% attributable to increased marketing and multi-channel programme spend, including targeted campaigns, improving customer experience and operational efficiencies aimed at delivering long-term sustainable cost reduction.
- Significant improvement in Edcon performance during the second half presents an encouraging trajectory.
- Production levels continue to increase in selected asset classes.

- Customer numbers have stabilised in the second half, whilst average profitability per account has improved.

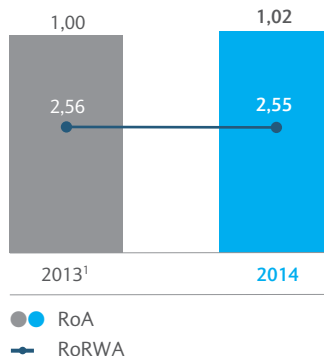
### Unfavourable

- Growth in loans and advances to customers impacted by the continued decline in Home Loans NPLs.
- Subdued growth in non-interest income, which includes the removal of monthly internet banking fees, along with continued migration to bundled products and digital channels.
- Cost growth higher than income growth driven by elevated levels of investment spend in multi-channel programme and marketing along with increased fraud losses.
- Consumer under continued financial strain.

#### Headline earnings (Rm and change %)



#### RoA and RoRWA (%)



#### Salient features

	2014	2013 <sup>1</sup>	Change %
Revenue (Rm)	28 768	27 417	5
Attributable earnings (Rm)	5 539	5 177	7
Headline earnings (Rm)	5 529	5 160	7
Credit loss ratio (%)	1,35	1,49	-
Cost-to-income ratio (%)	54,2	52,2	-
RoRWA (%)	2,55	2,56	-
RoA (%)	1,02	1,00	-

#### Note

<sup>1</sup>Restated, refer to inside cover page for reporting changes overview. Additional disclosures for 31 December 2013 have been restated where applicable.

## Business profile

Retail Banking South Africa offers a comprehensive suite of retail banking products and services to both individual and commercial asset finance customers. It caters for the full spectrum of customers, from those needing basic banking services to those requiring sophisticated financial solutions. The focus is on providing a consistently superior experience across each of the channels matched closely to the needs and expectations of each customer segment. Customers are served through an extensive branch and self-service terminal network, electronic and mobile channels, relationship managers as well as call centre agents.

### Key business areas

- **Home Loans** – offers residential property-related finance solutions direct to the customer through personalised services, as well as through a range of electronic channels (including the Absa Homeowners App) and intermediaries such as estate agents and originators. The introduction of new products like the Loyalty Bond and Family Springboard Bond have accentuated the current offering.
- **Vehicle and Asset Finance** – offers customised vehicle and movable asset finance products and services directly and via dealers through face-to-face engagements, call centre agents and digital channels to both individual and commercial asset finance customers with the latter including marine and aviation financing products, technology finance solutions as well as vehicle fleet management solutions, fleet card management and associated services. Joint ventures with Ford Financial Services and MAN Financial Services are an extension of VAF, with a specific focus on manufacturer specific asset financing solutions and offerings.
- **Card** – offers credit cards and merchant acquiring solutions via a mix of Absa branded and co-branded offerings including British Airways, Avios and Virgin Money. Included within this portfolio are strategic partnerships with Edcon (including the Namibian portfolio) which offers in-store cards and Woolworths Financial Services which offers in-store store cards, credit cards, personal loans and short-term insurance products.
- **Personal Loans** – offers unsecured instalment loans through face-to-face engagements, call centre agents as well as electronic and mobile channels.
- **Transactional and Deposits** – offers a full range of transactional banking, savings and investment products, rewards programme and services through a variety of channels. These include physical branches, digital channels, ATMs, priority suites and call centres.
- **Other** – includes Retail Banking central and head office costs, which are currently not allocated to business units along with branch distribution and channel net recoveries, and costs associated with the multi-channel investment programme.

The following organisational structure changes took place during the current reporting period impacting the reporting structure of Retail Banking South Africa:

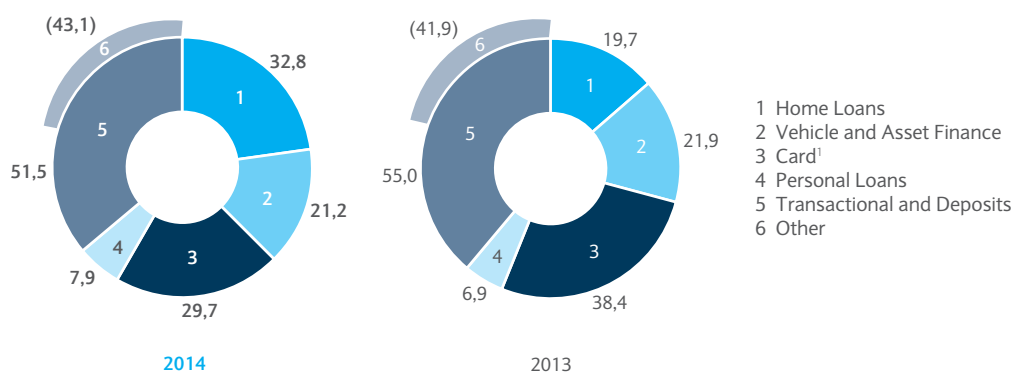
- **Absa Technology Finance Solutions**, previously reported in the Business Banking South Africa segment, was transferred to Retail Banking South Africa and integrated into the VAF division from the beginning of the current reporting period.
- **Absa Private Bank**, previously reported as a part of "Other" within the retail portfolio, became a focused sales and service channel with clients' product balances and associated revenue now being reflected within the individual product houses such as Home Loans and Transactional and Deposits. This will enable optimal use of both Private Banking resources and better leverage of related skills and processes residing within the product houses.

## BBB – Retail Banking South Africa

for the reporting period ended 31 December

	Home Loans			Vehicle and Asset Finance		
	2014	2013 <sup>2</sup>	Change %	2014	2013 <sup>2</sup>	Change %
<b>Statement of comprehensive income (Rm)</b>						
Net interest income	4 225	4 019	5	2 895	2 647	9
Non-interest income	355	327	9	737	672	10
<b>Total income</b>	<b>4 580</b>	<b>4 346</b>	<b>5</b>	<b>3 632</b>	<b>3 319</b>	<b>9</b>
Impairment losses on loans and advances	(858)	(1 746)	(51)	(798)	(629)	27
Operating expenses	(1 190)	(1 163)	2	(1 372)	(1 267)	8
Other	(14)	(19)	(26)	118	77	53
<b>Operating income before income tax</b>	<b>2 518</b>	<b>1 418</b>	<b>78</b>	<b>1 580</b>	<b>1 500</b>	<b>5</b>
Taxation expense	(706)	(402)	76	(405)	(367)	10
<b>Profit for the reporting period</b>	<b>1 812</b>	<b>1 016</b>	<b>78</b>	<b>1 175</b>	<b>1 133</b>	<b>4</b>
Profit attributable to:						
Ordinary equity holders	1 812	1 016	78	1 175	1 133	4
Non-controlling interest – ordinary shares	—	—	—	—	—	—
Non-controlling interest – preference shares	—	—	—	—	—	—
	1 812	1 016	78	1 175	1 133	4
<b>Headline earnings</b>	<b>1 813</b>	<b>1 016</b>	<b>78</b>	<b>1 169</b>	<b>1 130</b>	<b>3</b>
<b>Operating performance (%)</b>						
Credit loss ratio	0,38	0,76		1,02	0,90	
Non-interest income as percentage of revenue	7,8	7,5		20,3	20,2	
Revenue growth	5	(8)		9	4	
Cost growth	2	(8)		8	(3)	
Cost-to-income ratio	26,0	26,8		37,8	38,2	
<b>Statement of financial position (Rm)</b>						
Loans and advances to customers	224 279	227 547	(1)	84 249	75 381	12
Investment securities	9 766	9 356	4	3 473	3 205	8
Other assets	6 393	5 857	9	4 217	5 357	(21)
<b>Total assets</b>	<b>240 438</b>	<b>242 760</b>	<b>(1)</b>	<b>91 939</b>	<b>83 943</b>	<b>10</b>
Deposits due to customers	2 021	2 011	—	163	21	>100
Debt securities in issue	2 191	2 996	(27)	—	—	—
Other liabilities	234 282	236 449	(1)	89 723	81 869	10
<b>Total liabilities</b>	<b>238 494</b>	<b>241 456</b>	<b>(1)</b>	<b>89 886</b>	<b>81 890</b>	<b>10</b>
<b>Financial performance (%)</b>						
RoRWA	2,66	1,48		1,98	2,21	
RoA	0,75	0,41		1,37	1,46	

### Headline earnings (%)



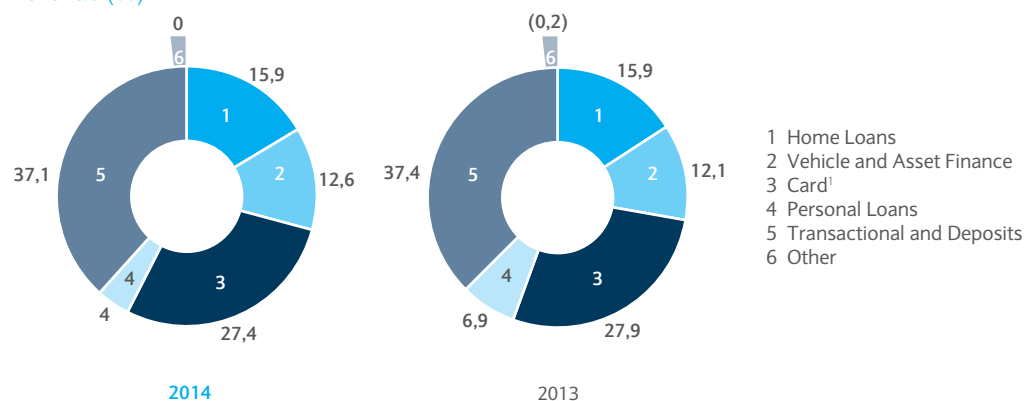
#### Notes

<sup>1</sup>Includes Woolworths Financial Services (Pty) Ltd and the Edcon portfolio.

<sup>2</sup>Restated, refer to inside cover page for reporting changes overview. Additional disclosures for 31 December 2013 have been restated where applicable.

Card <sup>1</sup>			Consumer Bank			Personal Loans		
2014	2013	Change %	2014	2013 <sup>2</sup>	Change %	2014	2013 <sup>2</sup>	Change %
4 852	4 653	4	5 807	5 367	8	1 703	1 555	10
3 041	3 003	1	6 875	6 791	1	324	337	(4)
7 893	7 656	3	12 682	12 158	4	2 027	1 892	7
(2 262)	(1 903)	19	(932)	(860)	8	(817)	(782)	4
(2 903)	(2 622)	11	(7 197)	(6 819)	6	(617)	(605)	2
(104)	(95)	9	(2)	(31)	(94)	10	(6)	>100
2 624	3 036	(14)	4 551	4 448	2	603	499	21
(751)	(860)	(13)	(1 274)	(1 249)	2	(169)	(140)	21
1 873	2 176	(14)	3 277	3 199	2	434	359	21
1 643	1 980	(17)	3 277	3 199	2	434	359	21
208	178	17	—	—	—	—	—	—
22	18	22	—	—	—	—	—	—
1 873	2 176	(14)	3 277	3 199	2	434	359	21
1 644	1 980	(17)	3 277	3 199	2	434	359	21
6,19	5,63		5,55	5,16		6,50	6,23	
38,5	39,2		54,2	55,9		16,0	17,8	
3	44		4	1		7	(6)	
11	42		6	11		2	5	
36,8	34,2		56,7	56,1		30,4	32,0	
38 190	35 559	7	15 973	16 066	(1)	12 384	12 556	(1)
1 619	1 460	11	757	1 838	(59)	544	570	(5)
11 011	10 293	7	147 732	131 780	12	310	274	13
50 820	47 312	7	164 462	149 684	10	13 238	13 400	(1)
1 928	1 912	1	146 227	131 621	11	10	10	—
—	—	—	—	—	—	—	—	—
46 177	42 587	8	14 949	14 868	1	12 794	13 030	(2)
48 105	44 499	8	161 176	146 489	10	12 804	13 040	(2)
2,84	4,01		11,21	11,00		2,72	2,27	
3,46	5,65		2,23	2,34		3,23	2,67	

Revenue (%)



Transactional and Deposits			Other			Total Retail Banking South Africa		
2014	2013 <sup>2</sup>	Change %	2014	2013 <sup>2</sup>	Change %	2014	2013 <sup>2</sup>	Change %
4 104	3 812	8	(518)	(519)	0	17 261	16 167	7
6 551	6 454	2	499	457	9	11 507	11 250	2
10 655	10 266	4	(19)	(62)	(69)	28 768	27 417	5
(115)	(78)	47	—	(96)	>100	(4 850)	(5 234)	(7)
(6 580)	(6 214)	6	(2 933)	(2 449)	20	(15 595)	(14 320)	9
(12)	(25)	(52)	(146)	(234)	(38)	(148)	(302)	(51)
3 948	3 949	0	(3 098)	(2 841)	9	8 175	7 561	8
(1 105)	(1 109)	0	862	806	7	(2 274)	(2 072)	10
2 843	2 840	0	(2 236)	(2 035)	10	5 901	5 489	8
2 843	2 840	0	(2 368)	(2 151)	10	5 539	5 177	7
—	—	—	6	—	100	214	178	20
—	—	—	126	116	9	148	134	10
2 843	2 840	0	(2 236)	(2 035)	10	5 901	5 489	8
2 843	2 840	0	(2 374)	(2 165)	10	5 529	5 160	7
2,73	1,90		n/a	n/a		1,35	1,49	
61,5	62,9		n/a	n/a		40,0	41,0	
4	3		n/a	n/a		5	7	
6	12		n/a	n/a		9	10	
61,8	60,5		n/a	n/a		54,2	52,2	
3 589	3 510	2	2	69	(97)	362 693	354 622	2
213	1 268	(83)	12 848	12 871	0	28 463	28 730	(1)
147 422	131 506	12)	13 256	13 824	(4)	182 609	167 111	9
151 224	136 284	11	26 106	26 764	(2)	573 765	550 463	4
146 217	131 611	11	93	132	(30)	150 432	135 697	11
—	—	—	—	—	—	2 191	2 996	(27)
2 155	1 838	17	28 079	28 200	0	413 210	403 973	2
148 372	133 449	11	28 172	28 332	(1)	565 833	542 666	4
21,39	21,44		n/a	n/a		2,55	2,56	
2,13	2,30		n/a	n/a		1,02	1,00	



## Financial performance

Headline earnings increased by 7% to **R5 529m** (2013: R5 160m), largely due to lower credit impairments resulting from significant improvement in the Home Loans portfolio. Pre-provision profit grew marginally by 1% to **R13 173m** (2013: R13 097m).

Revenue improved by 5% to **R28 768m** (2013: R27 417m) with the favourable impact of higher interest rates and deposit balances driving net interest income growth. Non-interest income continued to grow, albeit at a marginally slower pace, during the second half of the year due to the adverse impact of exchange rate deterioration in Card.

The credit loss ratio improved to **1,35%** (2013: 1,49%) as a result of a 7% decline in impairments to **R4 850m** (2013: R5 234m), mainly due to a 51% decrease in credit impairments for Home Loans partially offset by increases in VAF and Card.

Operating expenses increased by 9%, primarily driven by higher marketing costs and the investment in the multi-channel programme which resulted in a deterioration in the cost-to-income ratio to **54,2%** (2013: 52,2%).

Loans and advances to customers increased by 2% to **R363bn** (2013: R355bn), largely due to a 12% increase in VAF and 7% growth in Card, offset by a marginal decline in Home Loans as the non-performing portfolio continued to decline from R13,5bn to R10,3bn.

Deposits due to customers increased by 11% to **R150bn** (2013: R136bn) due to the launch of new lower margin investment products like Depositor Plus and TruSave.

Home Loans recorded a significant improvement in headline earnings of 78% as the 51% decline in credit impairments accentuated positive revenue growth and a well-managed operating cost base.

Growth in VAF headline earnings of 3% to **R1 169m** (2013: R1 130m) despite subdued trading conditions. Book growth remained positive driving a solid revenue performance tempered by the accelerated write-off policy implemented in the preceding periods and increased costs aimed at improving capacity and customer service.

The 17% decline in Card headline earnings is largely attributable to higher impairment charges to provide for the higher balances booked in the prior and current financial periods as the Absa Card and WFS portfolios grew by 12% and 10% respectively in 2014. The R88m profit generated in the Edcon portfolio, during the second half of 2014, is reflective of positive momentum expected to continue into 2015.

Personal Loans reflected growth of 21% in headline earnings following revenue increases of 7% due to pricing adjustments and a well-managed cost base, offset by higher impairments as a result of a difficult economic environment.

Transactional and Deposits headline earnings remained flat on the back of muted non-interest revenue growth of 2%, reflecting the removal of monthly internet banking fees and the continued migration of customers to bundled product offerings and digital channels, increased costs of 6% associated with marketing and customer retention campaigns and credit impairment increases of 47% resulting from a deterioration in the overdraft portfolio.

## Operating environment

The following factors had a key influence on Retail Banking South Africa:

- Consumers continued to experience financial strain as growth in real household disposable income and consumption expenditure remained at 2%.
- Interest rates increasing by 75 bps adding further pressure on the residential property market and other credit segments.
- Growth in credit balances in the household sector remained low at 3,4% by the end of 2014. Secured lending balances increased by 3%, while unsecured lending grew at 4,7%.
- Sales volumes of total new vehicles declined by 0,7% in 2014.
- Protracted strikes in the platinum mining industries and subsequently the steel and engineering industries undermined levels of economic activity, unemployment and investor confidence.
- As international oil prices remain under downward pressure, domestic fuel prices have dropped sharply in recent months alleviating financial pressure on consumers.
- Consumers remain heavily indebted with the ratio of household debt to income of 78%, which will continue to affect their ability to take up further credit.
- Looking ahead, consumers are likely to experience further financial strain in the wake of low economic growth, increase in unemployment and a decline in real disposable income, with a large number of consumers having impaired credit records. However, consumers are benefiting from declining fuel prices, with inflation set to be significantly lower in 2015 and interest rates that may stay low for longer.

## Business performance

The improvement in the financial performance is underpinned by targeted portfolio optimisation actions, planned investment initiatives and focused execution against strategic imperatives resulted in the delivery of new and innovative propositions like Payment Pebble, Features Store, Homeowners App, My Springboard, Gamification, electronic contracting when purchasing vehicles and Private Banking for Professionals.

The ongoing investment in innovation, intensified focus on developing our people and reinvigoration of the branch and ATM networks strengthened the steady rise of new business volumes to targeted levels across most products in a challenging marketplace. The risk profile of new business is well within business risk appetite and is appropriately priced.

Impairment levels have improved on the back of strong risk management initiatives including the introduction of new scorecards, refinement of pricing and profitability models as well as the continued enhancement of collections and recovery processes.

Overall customer numbers declined; however, this trend is starting to stabilise at 8,60 million<sup>1</sup> from June 2014 levels of 8,62 million<sup>1</sup> (December 2013: 8,84 million)<sup>1</sup> including a decline of 40 000 Sekulula customers, with growth in key segments reflecting that the turnaround strategy is working. Our focus on meeting the financial needs of our clients and customers, coupled with our wide range of offerings, has enabled us to extract additional revenue from the high value segments.

Continued cost management discipline has enabled investment in targeted marketing initiatives as well as a multi-year channel transformation programme spanning all key customer-facing channels. The rise of modern technologies, such as enhanced functionality ATMs and the prevalence of online capable devices, provides the opportunity for the banking sector to simultaneously improve the customer experience and utilise bank resources more efficiently. The channel transformation programme has focused on positioning the organisation to be the future of banking on the continent in pursuit of becoming the 'Go-To' bank. The programme seeks to lead the industry by offering new ways to bank that combine great technologies and physical locations with the best face-to-face service.

### Note

<sup>1</sup>Excluding Woolworths Financial Services (Pty) Ltd and Edcon customers.

## RBB – Retail Banking South Africa

for the reporting period ended 31 December

### Business performance *(continued)*

Since the launch of the multi-channel programme in the second half of 2013, it has delivered on the following:

- Increased the number of Cash Accepting ATMs to over 2 100, thereby extending the convenience of self-service cash depositing to more customers. Deposits through self-service channels account for more than 40% of all customer cash deposits. The ongoing development of capabilities has resulted in a migration of routine transactions out of branches towards self-service devices. New capabilities include online pin retrieval, limit management and internet banking self-registration.
- Comprehensive branch interventions to enhance colleague ability to serve customers more effectively and efficiently. This included a wide-scale initiative to create a more digitally savvy workforce.
- Operating models reviewed and aligned on national, regional and area level to ensure that we are more effective in supporting our branches and frontline staff.
- A measured programme to reshape the existing branch footprint, delivering improved branch design and location while at the same time optimising size requirements, thereby generating efficiency gains over the medium term.
- Select branch processes are being reviewed and optimised, thereby enabling a quicker and more efficient experience for our customers and colleagues.
- The creation of an initiative known as Skybranch, which will transform our traditional call centre operations into a true Omni-Channel capability. Skybranch will enable the Bank to serve customers anywhere, anytime on any device, across voice, webchat, video chat, email and social media. Significant progress has been made to empower Skybranch colleagues with multi-skilling, training and flexible shifts – the next phase of implementation will see enhanced knowledge management and outbound customer support tools deployed.
- The branchless banking initiative has launched the PEPplus simple bank account, an affordable transactional account that can be opened in PEP stores. This is a partnership initiative with PEP stores, a trusted brand in the inclusive banking market with an extensive retail footprint, increasing the ability to service underbanked consumers. The PEPplus account opening process has been optimised to below five minutes. In-store banking services continue to be expanded through the Card merchant base and deployed capabilities like “Payment Pebble” providing additional convenience for customers.

### Home Loans

Home Loans recorded headline earnings of **R1 813m** (2013: R1 016m) on the back of a 5% increase in revenue, a 51% decline in credit impairments and an increase of only 2% in operating costs.

Credit impairments decreased by 51% to **R858m** (2013: R1 746m) largely as a result of the improved collection and recovery processes implemented in 2013 continuing into 2014 which led to a 24% reduction in NPLs from R13,5bn to R10,3bn and a decline in the credit loss ratio to **0,38%** (2013: 0,76%). The NPL coverage ratio declined to **25,3%** (2013: 27,8%) due to the improved construct and mix in NPLs and the underlying workout performance which continues to show signs of improvement.

Operating expenses remained well controlled with a small increase of 2%, reflecting improved processes in collections and recoveries as well as the loan processing environments. The cost-to-income ratio reduced to **26,0%** (2013: 26,8%).

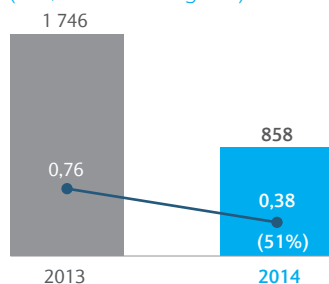
Loans and advances to customers decreased marginally by 1%, as a result of a 24% decline in NPLs. Performing loans as a percentage of the overall book increased from 94% to 95% whilst the overall performing book grew 1%. Customer pricing remained resilient during the current reporting period, as lower margin business rolled off and was substituted with higher margin business. The cost of funds increased during 2014. Revenue increased by 5% due to improved net interest income as a result of positive impact from a reduced NPL book.

New business written increased by only 2,3% with muted market growth as the consumer remains under stress with increasing electricity and other household costs. Home Loans continues to focus on responsible lending and on originating superior quality loans with the 12 months default rate of new loans written since 2010 remaining well below 1%. The market share (according to BA 900) is **26,4%** (2013: 27,2%), with the share of new business (per Lightstone) at **19,3%** (2013: 20,2%) as the average Loan to Value of new business increased from 74,7% in 2013 to 75,3% in 2014.

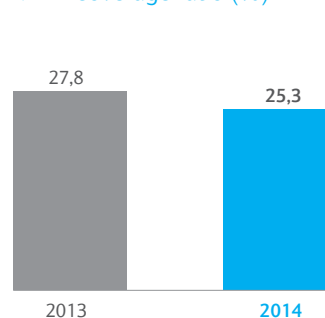
After a two-year period where management has focused on stabilising the business, the next phase will focus on transforming the business into a more customer centric organisation. With this in mind, Home Loans recently implemented a number of strategic changes to its business, which are starting to take hold:

- Consolidation of mortgages across the Group under single management.
- Introduced new products in the form of the Loyalty Bond and Family Springboard Bond, targeted at specific customer segments as well as repositioned the Affordable Housing proposition.
- First to market with the launch of the Absa Homeowners App, which offers those looking for a home and home finance speed, convenience and 24/7 accessibility.
- The new sales process and the launch of Skybranch has shown beneficial improvement in turnaround times and a reduction in customer complaints.

**Credit impairments and credit loss ratio**  
(Rm, % and change %)



**NPL – coverage ratio (%)**



● Credit impairments  
➔ Credit loss ratio

## Business performance *(continued)*

### Vehicle and Asset Finance

Headline earnings increased by 3% to **R1 169m** (2013: R1 130m). Satisfactory book growth amid a muted year in the South African automotive industry, outstanding joint venture and alliance performance, consistent credit practices coupled with improved operational processes underpinned the strong financial performance.

Loans and advances to customers grew by 12% due to above market origination in the commercial market and lower overall book run-off across the portfolio.

Revenue increased 9% on the back of the advances growth, with interest margins remaining under pressure due to competitive market pricing. Interest margin is positively impacted in the current reporting period by a once-off recognition adjustment relating to amortisation of fees and deal cost over the term of a contract. Non-interest income increased by 10% mainly due to strong growth in the Services portfolio of Vehicle Management Services as well as an increase in contribution of transactional fleet card income. Other fee and commission income increased in line with new business growth.

The performance of the retail portfolio continued to improve, driven by a consistent origination strategy ensuring a quality portfolio, effective collection activities and a tighter write-off policy, resulting in the performing book improving from 92,4% to 93,0%. NPLs improved from 2,5% to 2,1% of the retail book, and the legal book improved by 26% from R858m to R634m. A similar trend was evident in repossessed stock which improved 25%.

The credit loss ratio on the retail portfolio increased from 0,99% to 1,24% due to the cleanup of the legal book and an increase in provision coverage on the performing book from 0,53% to 0,73%, following improved segmentation which identified a number of higher-risk segments. The accelerated write-off policy introduced in late 2013 and muted book growth following the decline in the new vehicle passenger market in 2014 further contributed to the higher coverage on the performing book.

The commercial asset book performed in line with expectation, with higher legal recoveries and lower specific impairments.

The overall credit loss ratio increased to 0,50%, compared to 0,34% in 2013, as a result of the book growing to maturity.

VAF's cost-to-income ratio decreased to **37,8%** (2013: 38,2%) mainly due to the increased income. Cost growth at 8% related mainly to creating production capacity in the sales and processing environment to enhance service delivery.

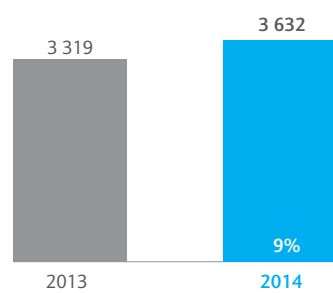
The new passenger car market contracted by 2,5% (per National Association of Automobile Manufacturers of South Africa) for the current reporting period, impacting business production which correspondingly declined by 2,3% for retail instalment sales. New passenger vehicles contributed **37%** (2013: 43%) to the retail units financed in 2014. Book growth was supported by a 4,4% increase in the average ticket value in the retail portfolio and the increase in the average term of a new individual instalment sale contract by one month to 68 months.

The Ford Financial Services joint venture new business increased robustly by 16,8% exceeding market growth and targets, largely as a result of Ford market share growth and improved alignment between Ford and Ford Financial Services.

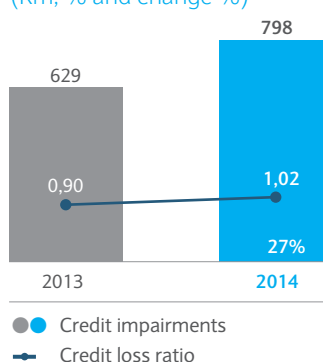
Despite moderate market growth, the new business production in the commercial instalment sales segment grew by 17,3%, mainly due to the addition of an open market strategy in the commercial VAF business. The joint venture with MAN Financial Services and other commercial alliances have shown good performance. The newly established relationship with Kemach JCB will contribute to growth in 2015 supported further by preferred supplier agreements.

VAF's overall market share in instalment sales increased from 18,9% in 2013 to 19,3% in 2014 as reported in the BA 900. This is the first 12-month period since 2008 where a gain in market share is observed for the overall portfolio. The commercial market share increased from 17,6% in 2013 to 18,9% in 2014.

#### Revenue (Rm and change %)



#### Credit impairments and credit loss ratio (Rm, % and change %)



## RBB – Retail Banking South Africa

for the reporting period ended 31 December

### Business performance *(continued)*

#### Card

Although headline earnings decreased by 17% to **R1 644m** (2013: R1 980m), the underlying business fundamentals are healthy with positive growth in key business drivers. Excluding Edcon, headline earnings decreased by 6% to **R1 653m** (2013: R1 751m). The acquisition of Edcon's portfolio in Namibia with a gross value of approximately R300m as at 31 December 2013, was concluded in July 2014.

The reduction in headline earnings is largely due to increases in impairment charges to provide for the higher balances booked in the prior and current reporting period as the Absa Card and WFS portfolios grew by 12% and 10% respectively. The focus on credit quality in Edcon has been key in managing the portfolio and will enable sustainable returns with credit strategies designed to drive reductions in high risk balances beyond risk appetite and support, profitable, balance growth. The resultant 6% contraction in the Edcon book negatively impacted revenue growth, but contributed to significant improvements in credit quality.

The increase in the credit loss rate to **6,19%** (2013: 5,63%) is within expectations and the agreed risk appetite, as the impairment charge increased by 19% to R2 262m, whilst NPL impairment stock coverage remained stable at 71,5% from 71,4% in 2013. The impairment charge increase is inflated by large debt sales concluded in the Absa Card portfolio in 2013 which were not repeated in 2014.

The consolidated growth in advances of 7% was supported by the launch of the British Airways card during the first quarter of 2014, with good customer take up from the legacy base. The impact of the favourable growth rate on net interest revenue was compounded by the 75 bps increase in the interest rates during the current reporting period.

Transactional volumes grew 10%, reflecting growth in excess of inflation as the business secured a larger share of consumer spend from existing and new customers. This was complemented by 18% growth in merchant acquiring turnover, as Absa Card consolidated its position as the largest payment acceptance business in South Africa and the 61st largest globally. The merchant acquiring revenue growth was, however, adversely impacted by margin compression in the corporate client segment.

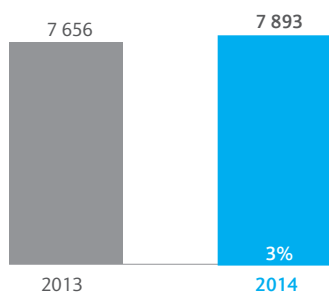
The Card business has leveraged off the integrated issuing and acquiring business model to successfully launch the Payment Pebble and has taken the market lead in mobile point of sale payment acceptance with more than 5 571 devices in use. This represents a high margin growth segment of the market, which will offset margin compression in traditional segments going forward.

Non-interest revenue was diluted by the adverse impact of foreign exchange translation losses incurred in the payments and settlements activities. Deterioration in the exchange rate also adversely impacted association and clearing fees included in non-interest revenue which was exacerbated by the significant increase in transactional turnover volumes.

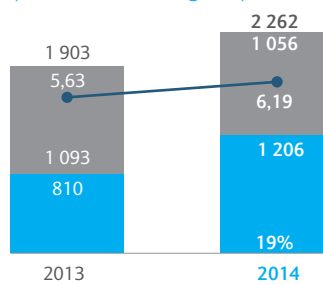
Costs increased by 11% largely driven by false application fraud losses incurred with the launch of new products. Remedial actions have been taken and these losses are not expected to repeat. Marketing cost investments were also made with the launch of the British Airways card and the Payment Pebble mobile acquiring device.

The Card portfolios are well positioned for growth within agreed risk appetite. Growth is supported by strong controls and improvements to risk management strategies and product offerings. Although the Edcon portfolio reported a headline earnings loss of R9m for 2014 compared with a profit of R229m in the previous reporting period, the portfolio's losses were reduced from an interim headline earnings loss of R97m at 30 June 2014. The profits generated in the second half of 2014 present an encouraging trajectory which now complements the strong profit contribution by Absa Card and WFS.

#### Revenue (Rm and change %)



#### Credit impairments and credit loss ratio (Rm, % and change %)



- Credit impairments – Card (excluding Edcon portfolio)
- Credit impairments – Edcon portfolio
- ➔ Credit loss ratio – Total Card

## Business performance *(continued)*

### Personal Loans

Headline earnings increased by 21% to **R434m** (2013: R359m) as a result of an increase in revenue and disciplined cost containment. Market share (according to BA 900) reduced to **9,2%** (2013: 9,5%) with the overall market growth slowing down, amidst concerns of consumer vulnerability in the current economic climate. New business production declined by 6% as a result of lower “through the door” application volumes and the implementation of stricter affordability assessments.

The increase in revenue of 7% to **R2 027m** (2013: R1 892m) is due to new business pricing increases implemented in 2013 and 2014, supported by the annuity effect of loan sales in previous reporting periods.

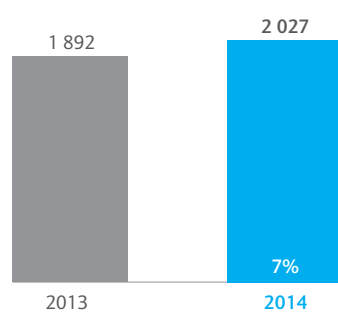
Targeted lending to lower risk customers and the existing customer base, as well as enhanced collections and recoveries processes, have resulted in an improvement in the portfolio construct. Growth in impairments of 4% and a credit loss ratio of **6,50%** (2013: 6,23%) is a result of increased coverage on the portfolio as the customer remains under strain, as evidenced by declining affordability levels. Performing loans as a percentage of the overall book decreased from 89,2% to 86,8% while NPLs increased marginally from 10,8% to 11,2%. New business vintages continue to remain healthy and perform within risk appetite.

Improved processes, including reduced turnaround times and enhancements to digital platforms, have contributed towards an improvement in the overall customer experience. Good progress has been made on customer retention with increased penetration of the Absa Card customer base.

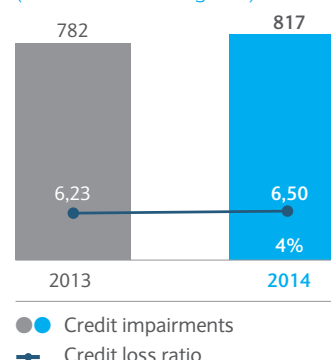
Operating expenses were well contained and increased by 2%, primarily due to increased capacity in the processing environment. The cost-to-income ratio improved to **30,4%** (2013: 32,0%).

Looking ahead, the focus is on expanding our penetration of the Group’s customer base and to continue our enhancement of customer propositions in a responsible manner.

#### Revenue (Rm and change %)



#### Credit impairments and credit loss ratio (Rm, % and change %)



### Transactional and Deposits

Headline earnings remained flat at **R2 843m** (2013: R2 840m) on the back of higher credit impairments and muted revenue growth. Cost increases related specifically to increased marketing along with retention and sales activities.

Credit impairments increased, reflecting a deterioration in the overdraft portfolio resulting in increased write-offs, an increase in the volume of accounts subject to debt consolidation and the implementation of new policies related to legal and deceased accounts.

Net interest income increased by 8% primarily due to increased deposit growth as well as improved margins across the portfolio in line with higher interest rates. Non-interest income increased by 2%. Revenue growth was constrained by the removal of monthly internet banking fees, the continued migration to more affordable bundled product offerings and channels and a significant increase in cash rewards paid to customers. Targeted sales and retention activities and debit card turnover growth have contributed to the reversal of the revenue erosion experienced in the transactional portfolio in previous reporting periods.

The number of transmission account customers continued to decline primarily due to non-utilisation of these accounts, albeit at a much lower rate, particularly in the second half of the reporting period where positive net account growth was achieved in some months. Improvement of the customer segment mix is apparent with an increase in debit card activity as a result of sales initiatives aimed at new to product account holders, mostly in the current account portfolio. The number of customers who have their primary banking relationship with Absa has increased marginally during the current reporting period.

Revenue generating transactions reduced in line with customer losses on transmission accounts; however, annuity income generated from the base improved due to the sustained account migration to bundled offerings. The continued natural migration to lower priced channels, fuelled by bank initiated customer education campaigns driving the use of self-service devices, as well as increased convenience through card-less self-service device transactions, exerted further pressure on non-interest income growth.

## RBB – Retail Banking South Africa

for the reporting period ended 31 December

### Business performance *(continued)*

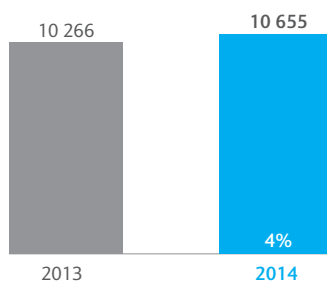
#### Transactional and Deposits *(continued)*

The trend of growth increasingly being generated through new transactional banking relationships as opposed to migration between transactional products, particularly in the current account portfolio, which together with targeted activation campaigns on the transactional accounts, improved retention of accounts and strong growth in the electronic channel volumes reversed the declining non-interest income trend experienced in previous years.

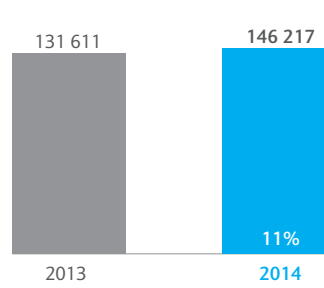
The Absa Rewards programme effectively increased account utilisation across the portfolio with membership growing by 27% during the year, to more than 1,8 million members.

Deposits due to customers increased by 11% to **R146bn** (31 December 2013: R132bn) due to growth in low margin investment products like Depositor Plus and TruSave, which were launched in the latter part of 2013, with benefits materialising in the current reporting period.

#### Revenue (Rm and change %)



#### Deposits due to customers (Rm and change %)



### Other

Headline earnings declined by 10% to a loss of **R2 374m** (2013: R2 165m) on the back of:

- Higher funding costs on cash holdings and fixed assets;
- Non-interest income up 9% on the back of increased SASWITCH fees (them-on-us);
- Operating expenses increased by 20% to **R2 933m** (2013: R2 449m) through:
  - increased investment spend, mainly relating to the multi-channel programme with benefits transferred to other business units. This investment spend results in the delivery of long-term sustainable cost reductions, operational efficiencies and enhanced customer experiences; and
  - additional spend on “above the line” marketing campaigns.

### Looking ahead

Our turnaround journey is on track, client attrition has slowed, real customer growth in key segments is happening, customer service is improving, our marketing share of voice is beginning to be felt, our costs and losses are contained, the leadership morale is greatly improved and our confidence is returning. All of this positions us favourably to become the ‘Go-To’ retail bank in South Africa. A detailed series of plans and initiatives are in place to leverage and expand the platforms laid with the emphasis being on:

- Effective customer engagement;
- Application of customer insights;
- The responsible provision of credit and maintenance of a prudent risk appetite;
- The introduction of innovative products based on specific customer needs;
- Investment in colleague capabilities with an emphasis on developing leadership potential;
- Simplified and transparent pricing;
- Improved access through new and existing channels;
- Processes and operational efficiencies;
- Optimisation of the existing branch footprint; and
- Digitisation of channels for customer self-service and convenience.

## Favourable

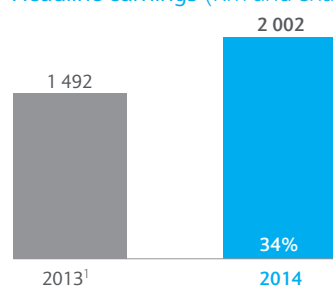
- Headline earnings increased 34% to R2 002m driven by significant improvement in the performance of the underlying business which included a 36% decline in credit impairments, coupled with continued rationalisation of the equity portfolio.
- Pre-provision profits increased by 12%.
- Gross loans and advances to customers, excluding CPF, increased by 6% with strong growth in term loans and overdrafts of 8% and 6% respectively.
- Increase in deposits due to customers of 10% to R97bn, mainly driven by solid growth in both saving and fixed deposits.
- Improvement in the cost-to-income ratio to 60,4% (2013: 62,7%) through strong momentum in total income and continued focus on driving cost efficiencies, despite the increased investment in human capital.

- RoRWA improved from 2,11% to 2,80%.
- Continued reduction in the rate of customer attrition.
- 46% reduction in the Equity portfolio in line with the overall reduce strategy.

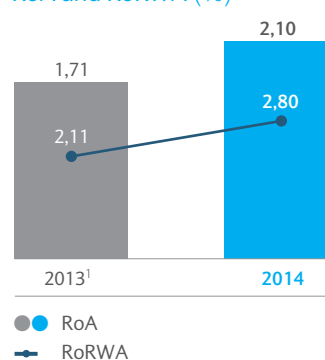
## Unfavourable

- The CPF book declined by 9% resulting from the inability of new business to outweigh both significant repayments and early settlements of the loans. CPF payouts increased 4%.
- Transactional revenue has been negatively impacted by customer migration to cash centres and digital channels.
- Continued decline in cheque payment volumes in line with industry trends.

Headline earnings (Rm and change %)



RoA and RoRWA (%)



## Salient features

	2014	2013 <sup>1</sup>	Change %
Revenue (Rm)	8 723	8 265	6
Attributable earnings (Rm)	2 019	1 515	33
Headline earnings (Rm)	2 002	1 492	34
Credit loss ratio (%)	0,87	1,34	
Cost-to-income ratio (%)	60,4	62,7	
RoRWA (%)	2,80	2,11	
RoA (%)	2,10	1,71	

## Note

<sup>1</sup>Restated, refer to inside cover page for reporting changes overview. Additional disclosures for 31 December 2013 have been restated where applicable.

**RBB – Business Banking South Africa**  
for the reporting period ended 31 December

**Business Banking (excluding Equities)**

	2014	2013 <sup>1</sup>	Change %
<b>Statement of comprehensive income (Rm)</b>			
Net interest income	5 635	5 389	5
Non-interest income	2 920	2 806	4
<b>Total income</b>	<b>8 555</b>	<b>8 195</b>	<b>4</b>
Impairment losses on loans and advances	(527)	(824)	(36)
Operating expenses	(5 048)	(4 966)	2
Other	(40)	(32)	25
<b>Operating income before income tax</b>	<b>2 940</b>	<b>2 373</b>	<b>24</b>
Taxation expense	(823)	(665)	24
<b>Profit for the reporting period</b>	<b>2 117</b>	<b>1 708</b>	<b>24</b>
<b>Profit attributable to:</b>			
Ordinary equity holders	2 070	1 657	25
Non-controlling interest – ordinary shares	—	—	—
Non-controlling interest – preference shares	47	51	(8)
	2 117	1 708	24
<b>Headline earnings</b>	<b>2 070</b>	<b>1 657</b>	<b>25</b>
<b>Operating performance (%)</b>			
Credit loss ratio	0,87	1,34	
Non-interest income as percentage of revenue	34,1	34,2	
Revenue growth	4	(1)	
Cost growth	2	9	
Cost-to-income ratio	59	60,6	
<b>Statement of financial position (Rm)</b>			
Loans and advances to customers	61 000	60 708	—
Investment securities	8 873	9 079	(2)
Other assets	29 885	20 518	46
<b>Total assets</b>	<b>99 758</b>	<b>90 305</b>	<b>10</b>
Deposits due to customers	96 765	87 903	10
Debt securities in issue	—	—	—
Other liabilities	923	745	24
<b>Total liabilities</b>	<b>97 688</b>	<b>88 648</b>	<b>10</b>
<b>Financial performance (%)</b>			
RoRWA	3,16	2,62	
RoA	2,24	1,99	

**Note**

<sup>1</sup>Restated, refer to inside cover page for reporting changes overview. Additional disclosures for 31 December 2013 have been restated where applicable.



Business Banking Equities			Total Business Banking South Africa		
2014	2013	Change %	2014	2013 <sup>1</sup>	Change %
(75)	(210)	(64)	5 560	5 179	7
243	280	(13)	3 163	3 086	2
168	70	>100	8 723	8 265	6
—	1	(100)	(527)	(823)	(36)
(217)	(220)	(1)	(5 265)	(5 186)	2
(2)	(11)	(82)	(42)	(43)	(2)
(51)	(160)	(68)	2 889	2 213	31
5	24	(79)	(818)	(641)	28
(46)	(136)	(66)	2 071	1 572	32
(51)	(142)	(64)	2 019	1 515	33
—	2	(100)	—	2	(100)
5	4	25	52	55	(5)
(46)	(136)	(66)	2 071	1 572	32
(68)	(165)	(59)	2 002	1 492	34
n/a	n/a		0,87	1,34	
n/a	n/a		36,3	37,3	
140	(118)		6	5	
(1)	(70)		2	(2)	
n/a	n/a		60,4	62,7	
—	—	—	61 000	60 708	—
819	948	(14)	9 692	10 027	(3)
1 672	3 517	(52)	31 557	24 035	31
2 491	4 465	(44)	102 249	94 770	8
—	12	(100)	96 765	87 915	10
—	—	—	—	—	—
2 361	4 642	(49)	3 284	5 387	(39)
2 361	4 654	(49)	100 049	93 302	7
n/a	n/a		2,80	2,11	
(2,29)	(4,36)		2,10	1,71	

## RBB – Business Banking South Africa

for the reporting period ended 31 December

### Business profile

Business Bank strives to put world-class banking solutions within the reach of every business in its targeted markets. The 'Go-To' Business Bank means putting the customer at the centre of everything we do. This will be achieved through superior customer service and by providing holistic solutions based on unique customer needs.

The journey to become the 'Go-To' Business Bank entails investment in people, digitisation of customer solutions and improvement in customer service as evidenced by improvement in customer satisfaction scores.

Business Banking South Africa operates a well-defined coverage model based on specific customer value propositions. These value propositions align to customer needs and range from direct interactions via multi-channel interfaces such as electronic banking through to a dedicated relationship-based model.

Customers within the enterprise segment, with an annual turnover of up to R20m, are serviced using a direct coverage model with a predominately branch-based service interface.

Customers in the commercial segment, with an annual turnover of between R20m and R500m, are serviced using a relationship-based model, where dedicated sales and service teams provide customised solutions. The relationship-based model includes a sector overlay focusing on the primary sectors of agriculture, public, wholesale, retail and franchising.

### Key business areas

Business Banking South Africa offers a diverse range of products based on customers' needs:

- **Debt products** – CPF, term loans, agricultural loans, overdrafts and overnight finance. Fees earned from debt products include upfront structuring, restructuring, commitment and transactional fees.
- **Investment products** – term, notice, fixed, cheque, savings and call deposits.
- **Transactional products** – electronic banking (internet and mobile), cheque and saving accounts as well as cash related (cash-related transactions include card-less cash deposits, automated cash-handling devices, overdraft deposits and withdrawals as well as savings cash withdrawals).
- **Equities** – investment portfolio in property, listed and unlisted equities.

An organisational structure change took place during the current reporting period impacting the reporting structure of Business Banking South Africa:

- **Absa Technology Finance Solutions**, previously reported in the Business Banking South Africa segment, was transferred to Retail Banking South Africa and integrated into the VAF division from the beginning of the current reporting period.

## Financial performance

Business Banking South Africa's headline earnings increased by 34% to **R2 002m** (2013: R1 492m), mainly due to a 7% and 2% growth in net interest income and non-interest income respectively and a 36% reduction in impairments coupled with significant strides made in disposing of a substantial portion of the Equity portfolio in line with the reduce strategy.

The solid growth in net interest income resulted from double digit growth in the deposit book (10%), largely driven by a 48% increase in savings products together with a 14% increase in fixed deposits, and a significant reduction in the Equity portfolio thereby reducing associated funding costs.

The 2% increase in non-interest income to **R3 163m** (2013: R3 086m) was primarily driven by a 4% growth in electronic banking fees and a 5% growth in fees from cash related transactions with a contribution from cheque account and other fees which grew by 3%. Business Banking continued to gain momentum as is evident in transactional income from banking activities increasing by 10% in the second half compared to the first half and 9% compared to the second half of the previous reporting period.

Credit impairments improved by 36% to **R527m** (2013: R823m), largely due to lower defaults and improved recoveries. This resulted in an improvement in the credit loss ratio to **0,87%** (2013: 1,34%). Impairments held against the performing book increased substantially by 66% to **R621m** (2013: R374m) resulting in an improved performing book coverage ratio of **1,05%** (2013: 0,64%). The non-performing book improved by 19% to **R3 925m** (2013: R4 865m) whilst the non-performing book coverage ratio reduced marginally to **35,9%** (2013: 39,2%). The reduction in the coverage ratio was largely due to a slowdown in new defaults and an increase in the finalisation and subsequent write-off of older default exposures.

Continued cost management resulted in operating expenses increasing marginally by 2% to **R5 265m** (2013: R5 186m) despite increased investment in human capital. Further cost benefits were derived from the branch network driven by internal cost efficiencies and lower volumes due to migration of transactions out of branch.

Gross loans and advances to customers remained stable. Solid growth in term loans and overdrafts of 8% and 6% respectively was offset by a 9% decline in the CPF book. The focus remains on improving the rate of conversion of the increased pipeline transactions into deals.

## Operating environment

The following factors had a key influence on Business Banking:

- Globally, emerging markets continued to slow down following several shifts and surprises in 2014.
- Domestically, economic growth was marred by protracted industrial action in key sectors and electricity supply shortages, which weighed on business confidence and the knock on effects felt by small businesses.
- Increase in industry-wide compulsory liquidations (2014: increased 89% to 353), while the utilisation of business rescue increased and contributed to a reduction in the number of voluntary liquidations (2014: decreased 22% to 1 588).
- Interest rates were increased by 75 bps, positively contributing to interest income.
- Transactional income hampered by the industry-wide practice to reduce the utilisation of cheques, and the behaviour of customers to migrate to cash centres and digital platforms.

## RBB – Business Banking South Africa

for the reporting period ended 31 December

### Business performance

Business Banking remains committed to providing relevant solutions to customers’ needs and improving operational effectiveness to retain and attract new customers. Enhanced electronic banking solutions and refreshed product offerings remains key.

The following initiatives were implemented during the current reporting period:

- Supported the journey towards an enhanced digital platform, with a selected number of customers piloting on the Barclays.Net platform.
- Launched an electronic sales platform providing a 360 degree view of the customer and thereby enabling electronic applications to be completed with improved turnaround times to customers.
- Increased the number of frontline employees to assist in improving customer engagement and service offerings.
- Launched an internal measure to guide the improvement in Net Promoter Score ® in order to further enhance our service to customers.

Customer related:

- Launched the Liquidity Plus product in October 2014 to remain competitive and to drive the continuous growth in the liability base. This book has grown to R1 338m as at 31 December 2014.
- The transactional product offering was streamlined during the second half of the reporting period into four core products. This created simpler product offerings with essential value adds to support the effective running of customer businesses.

The overall number of customers decreased by 2,3% to **378 388** (2013: 387 129), mainly in the enterprise segment while the commercial segment’s rate of attrition stabilised. Although the number of customers continued to decline, the rate of decline is slower than in 2013 (3,0%).

### Debt products

Total debt products remained broadly in line with the prior reporting period, primarily influenced by growth of 8% and 6% in term loans and overdrafts respectively, offset by a 9% decline in the CPF book. Excluding CPF, debt products increased by 6% which, when compared with 2013’s growth performance (decreased by 2%), is evident of the momentum gaining in Business Banking.

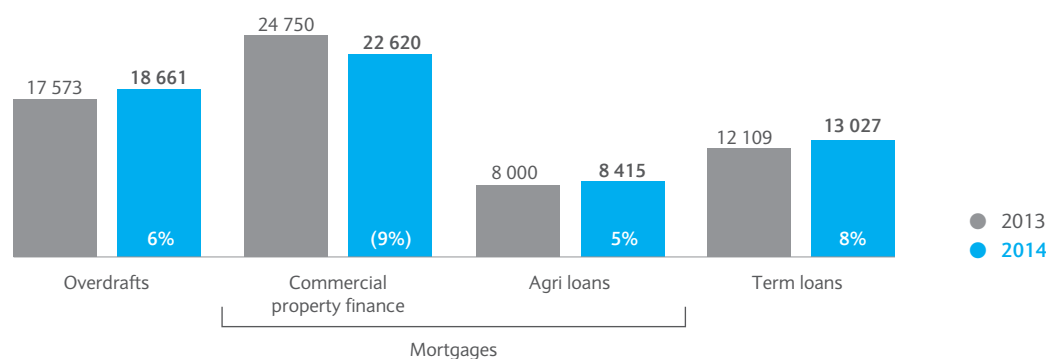
The 6% increase in overdrafts was as a result of a focused sales effort. The emphasis remained on the effective utilisation of overdraft limits.

CPF loans and advances, constituting 36% of the total book, decreased by 9%, largely due to significant repayments and early settlements. Enhancing the quality of the book and improved front book pricing remained key focus areas to offset the lack of growth in the current economic environment.

Agriculture loans increased by 5%. Momentum in the business continued when compared with the 3% growth achieved in 2013.

Term loans increased by 8% driven by strengthening of the operating model and a dedicated sales force to drive acquisition, cross sell and extension of loans to targeted segments.

### Gross loans and advances (Rm and change %)



#### Note

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## Business performance *(continued)*

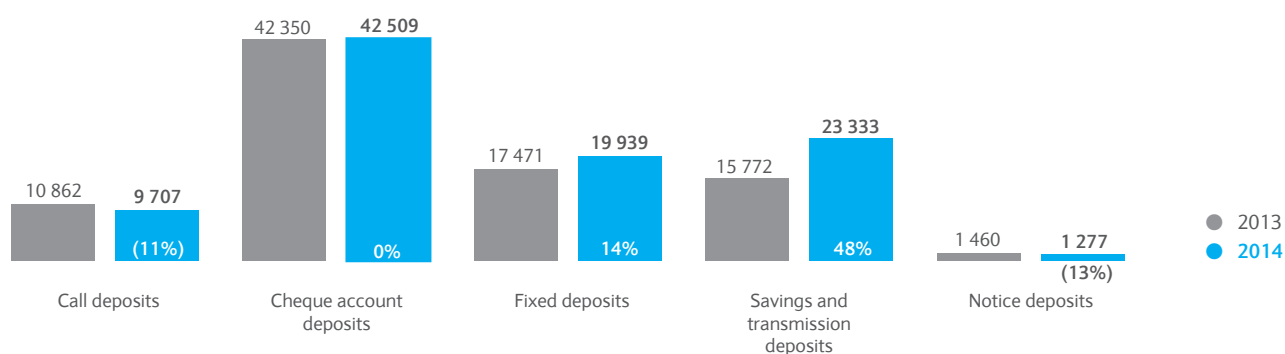
### Investment products

Total investment products continued to reflect strong growth of 10%, largely driven by a 48% growth in savings and transmission, and 14% growth in fixed deposits.

Demand for liquidity remained high in a competitive market that continued to place pressure on margins. Whilst the front book margins have increased at a product level, the change in composition of the book, following a shift by customers to more attractive products, placed pressure on overall margins. Strong focus was also placed on effectively filtering out negative margin business. Continued volatility in global markets has led to customers investing predominantly in short-term products resulting in a 48% growth in savings and transmission deposits.

Depositor Plus, launched in April 2013, continued to show strong momentum ending the current reporting period on **R18 262m** (2013: R12 203m). Further product refinements resulted in the launch of Liquidity Plus in October 2014 which has shown good growth ending the year on R1 338m. Renewed focus in the Islamic banking proposition resulted in 66% growth to **R402m** (2013: R243m).

### Deposits (Rm and change %)



### Transactional products

Net fee and commission income, which represents 94% of non-interest income, increased by 4% to **R2 963m** (2013: R2 851m) mainly as a result of growth in electronic banking, cash related fees, and cheque account fees.

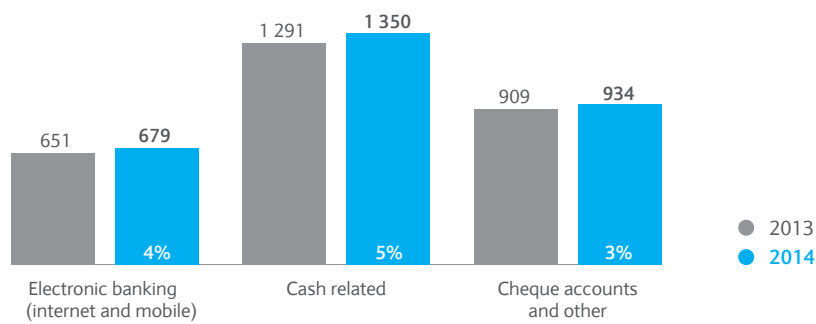
Electronic banking fees increased by 4% due to volume growth and pricing increases, whilst cash related fees increased by 5% mainly driven by growth in card-less deposits using cash accepting machines and automated cash handling devices.

Cheque account fees increased by 3% mainly through the closure of a number of revenue leakage gaps, partly offset by reduced fees on debit orders and a decline in cheque payment volumes in line with industry trends. The business continued to focus on delivering competitive solutions and improved pricing to offset the negative impact of these reductions.

Enhanced digital functionalities such as scan and pay, card-less deposits and e-statements have provided customers with alternative ways to transact, thereby strengthening the electronic customer value proposition. This has, however, negatively impacted revenue streams as a result of customers migrating to digital channels.

Solid momentum is evident in the second half of the reporting period as transactional income from banking activities increased 10% when compared to the first half and 9% when compared to the second half of the previous reporting period.

### Net fee income (Rm and change %)



## RBB – Business Banking South Africa

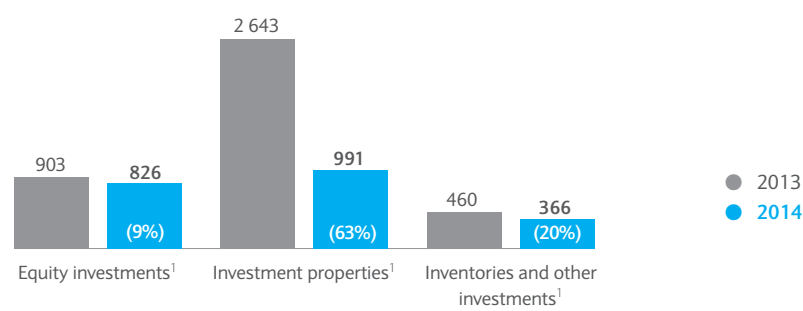
for the reporting period ended 31 December

### Business performance *(continued)*

#### Equities

Financial performance improved significantly mainly impacted by realisations of investments resulting in reduced funding costs. The overall portfolio size reduced by 46% to **R2 183m** (2013: R4 006m). Improved returns were achieved in the core rental portfolio.

#### Equities – including equity investments, investment properties, inventories and other investments (Rm and change %)<sup>1</sup>



#### Equities portfolio composition

Statement of comprehensive income	2014			2013			Total equities change %
	CPF equities Rm	Other equities Rm	Total equities Rm	CPF equities Rm	Other equities Rm	Total equities Rm	
Net interest income	(76)	1	(75)	(209)	(1)	(210)	(64)
Non-interest income <sup>2</sup>	249	(6)	243	319	(39)	280	(13)
<b>Total income</b>	<b>173</b>	<b>(5)</b>	<b>168</b>	110	(40)	70	>100
Impairment losses on loans and advances	—	—	—	1	—	1	(100)
Operating expenses <sup>3</sup>	(217)	—	(217)	(220)	—	(220)	(1)
Other	(2)	—	(2)	(11)	—	(11)	(82)
<b>Operating income/(loss) before income tax</b>	<b>(46)</b>	<b>(5)</b>	<b>(51)</b>	(120)	(40)	(160)	(68)

#### Notes

<sup>1</sup>Certain equity investments of **R54m** (2013: R29m), investment properties of **R306m** (2013: R1 590m), as well as inventories and other investments of **Rnil** (2013: R22m), have been classified as non-current assets held for sale.

<sup>2</sup>Included in "non-interest income" is positive fair value adjustments relating to investment properties of **R10m** (2013: R62m). It also includes negative fair value adjustment relating to equity investments of **R33m** (2013: R124m).

<sup>3</sup>A portion of negative fair value adjustments relating to investment properties and inventories to the amount of **R84m** (2013: R54m) is included in operating expenses for CPF equities.

## Looking ahead

Business Banking South Africa's ambition is to place world-class banking solutions within the reach of every business in its targeted market. The business remains deposit led and transactionally solutioned with the drive to retain the current customer base and attract new customers.

Business continues to build on the momentum already created with specific focus on:

- **People**
  - Continue the investment in human capital which includes additional capacity, leadership development, core capability building programmes and other programmes aimed at creating a customer centric culture underpinned by service excellence and continuous improvement.
- **Service excellence**
  - Increased focus on improving customer experience, measured through Net Promoter Score®.
  - Benefit derived from a centralised call centre capability established to enhance customer service by providing an alternate channel.
- **Customer propositions including digitisation**
  - Migration of customer transactions to the new online banking platform (Barclays.Net).
  - Implement phase two of the electronic sales platform initiative that enables electronic sales within all channels.
  - Pilot an instant account opening initiative which will enable the opening of new business accounts on an online platform.
  - Increased focus on managing the end-to-end cash value chain optimally and to provide improved customer solutions and service.
  - Refocused strategies to accelerate the offering of insurance products to the customer base.

Business Banking has set up a stable foundation in 2014 to enable business to retain and acquire new customers and improve the transactional franchise. Good momentum was achieved in the second half of the current reporting period creating a strong base from which to lead and grow into 2015.

### Note

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## RBB – Rest of Africa

for the reporting period ended 31 December

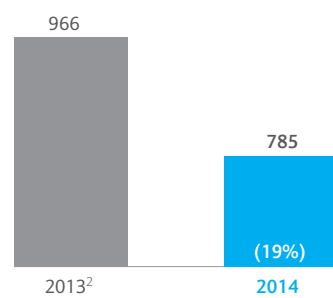
### Favourable

- Key successes in digitising branches and introducing intelligent ATMs with increased functionalities in four markets.
- Successful launch of credit cards in four additional markets, with a “first bank to market” in Zambia.
- Awarded “Best cards business across Africa” by The Asian Banker.
- Awarded “Best Merchant Campaign” and “Card Warrior” by VISA in Kenya.
- Grew Premier customers by 17%.
- Improved credit loss ratio of **1,75%** (2013: 1,86%) driven by an overall improvement in the quality of the loan book and improved collections.
- Growth in operating expenses<sup>1</sup> was well contained at 6%, despite inflationary pressures and strategic investments.

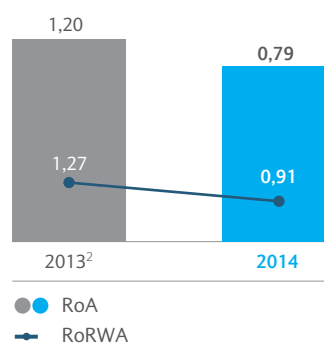
### Unfavourable

- Net interest income<sup>1</sup> flat year-on-year, in tight interest rate environments with a decrease in interest rates in seven markets. Despite this, loans and advances to customers and deposits due to customers showed healthy growth.
- Cost-to-income ratio increasing to **70,5%** (2013: 66,8%) driven by low income growth.
- Regulatory changes in Kenya and Botswana on fees and Zambia and Ghana on statutory reserve requirements.
- Non-recurring prior year gains, coupled with once-off operational and insurance losses in the current reporting period.

#### Headline earnings (Rm and change %)



#### RoA and RoRWA (%)



### Salient features

	2014	2013 <sup>2</sup>	C%	FX%	Change %
Revenue (Rm)	8 325	8 002	1	3	4
Attributable earnings (Rm)	781	971	(18)	(2)	(20)
Headline earnings (Rm)	785	966	(18)	(1)	(19)
Credit loss ratio (%)	1,75	1,86			
Cost-to-income ratio (%)	70,5	66,8			
RoRWA (%)	0,91	1,27			
RoA (%)	0,79	1,20			

#### Notes

<sup>1</sup>Excluding foreign translations.

<sup>2</sup>Restated, refer to inside cover page for reporting changes overview. Additional disclosures for 31 December 2013 have been restated where applicable.



## RBB – Rest of Africa

for the reporting period ended 31 December

	2014	Total RBB Rest of Africa			
		2013 <sup>1</sup>	C%	FX%	Change %
<b>Statement of comprehensive income (Rm)</b>					
Net interest income	6 112	6 056	0	1	1
Non-interest income	2 213	1 946	5	9	14
<b>Total income</b>	<b>8 325</b>	<b>8 002</b>	<b>1</b>	<b>3</b>	<b>4</b>
Impairment losses on loans and advances	(638)	(621)	(2)	(5)	3
Operating expenses	(5 868)	(5 342)	6	4	10
Other	(50)	(44)	14	—	14
<b>Operating income before income tax</b>	<b>1 769</b>	<b>1 995</b>	<b>(11)</b>	<b>—</b>	<b>(11)</b>
Taxation expense	(687)	(740)	(7)	—	(7)
<b>Profit for the reporting period</b>	<b>1 082</b>	<b>1 255</b>	<b>(13)</b>	<b>(1)</b>	<b>(14)</b>
<b>Profit attributable to:</b>					
Ordinary equity holders	781	971	(18)	(2)	(20)
Non-controlling interest – ordinary shares	301	284	6	—	6
Non-controlling interest – preference shares	—	—	—	—	—
	<b>1 082</b>	<b>1 255</b>	<b>(13)</b>	<b>(1)</b>	<b>(14)</b>
<b>Headline earnings</b>	<b>785</b>	<b>966</b>	<b>(18)</b>	<b>(1)</b>	<b>(19)</b>
<b>Operating performance (%)</b>					
Net interest margin on average interest-bearing assets	9,45	10,39			
Credit loss ratio	1,75	1,86			
Non-interest income as percentage of revenue	26,6	24,3			
Revenue growth	4	24			
Cost growth	10	20			
Cost-to-income ratio	70,5	66,8			
<b>Statement of financial position (Rm)</b>					
Loans and advances to customers	39 489	36 351	9	0	9
Investment securities	7 382	6 857	4	4	8
Other assets	51 474	66 116	(24)	2	(22)
<b>Total assets</b>	<b>98 345</b>	<b>109 324</b>	<b>(11)</b>	<b>1</b>	<b>(10)</b>
Deposits due to customers	58 683	56 054	5	0	5
Debt securities in issue	880	481	80	3	83
Other liabilities	27 469	40 658	(35)	3	(32)
<b>Total liabilities</b>	<b>87 032</b>	<b>97 193</b>	<b>(12)</b>	<b>2</b>	<b>(10)</b>

### Note

<sup>1</sup>Restated, refer to inside cover page for reporting changes overview. Additional disclosures for 31 December 2013 have been restated where applicable.

## RBB – Rest of Africa

for the reporting period ended 31 December

### Business profile

RBB Rest of Africa offers a comprehensive suite of retail and business banking products and services to individual and commercial customers on the African continent outside of South Africa. A range of solutions are provided to meet our customers' transactional, borrowing, savings, protection and payments needs, through branch and self-service terminal networks, electronic and mobile telephone channels, as well as a dedicated relationship-based model, within a well-defined coverage model based on specific customer value propositions. These operations operate under the Barclays brand, except for National Bank of Commerce (Tanzania) and the representative office in Namibia.

### Key product areas

- **Premier banking:** Represents the affluent retail customer sector bespoke to each market, being offered exclusive banking through dedicated relationship managers and Premier suites, with tailor-made solutions.
- **Prestige banking:** Represents the emerging affluent retail customer sector bespoke to each market, being offered dedicated banking teams, affordable products and express service.
- **Personal banking:** Represents the middle-market sector bespoke to each market, being offered convenient banking solutions.
- **Enterprise banking:** Business clients with an annual turnover of up to R50m, being serviced using a direct coverage model with a predominately branch-based service interface.
- **Commercial banking:** Business clients with an annual turnover of between R50m and R250m, being serviced using a relationship-based model, where dedicated sales and service teams provide customised solutions.

Commercial and enterprise banking include a sector overlay focusing on the primary sectors of agriculture, construction, manufacturing, transport and logistics, retail, franchising and any significant sector specific to each market. In addition new sectors have been targeted as well as the value chains within these targeted sectors.

### Key business areas

An array of products consisting of secured loans, unsecured loans and customer deposits are offered to Premier banking, Prestige banking, Personal banking and business banking customers through the following businesses in the Rest of Africa:

- Barclays Bank of Kenya
- Barclays Bank of Botswana
- Barclays Bank of Ghana
- Barclays Bank Zambia
- National Bank of Commerce (Tanzania)
- Barclays Bank Mozambique
- Barclays Bank Uganda
- Barclays Bank Mauritius
- Barclays Bank of Tanzania
- Barclays Bank Seychelles
- Namibia – Representative office

### Financial performance

The business delivered a disappointing financial performance, with operating income before income tax decreasing by 11% to **R1 769m** (2013: R1 995m) driven by muted revenue growth. A further drag from an increase in the effective tax rate and a higher contribution of profits to non-controlling interests resulted in headline earnings decreasing by 19% to **R785m** (2013: R966m). Foreign exchange translations had a minor impact on both operating income before income tax and headline earnings.

Growth in net interest income of 1% is mainly as a result of decreases in average interest rates in the majority of the markets, as well as a change in the mix of the book, coupled with a material reduction in non-customer interest driven by regulatory changes and a reduction in excess funds.

Despite this, healthy growth was recorded in loans and advances to customers, with personal loans growing by 14% particularly in Premier and Prestige, through a conscious strategic decision to focus on salaried accounts, which remain the growth engines for the segment. The implementation of various lending campaigns, continued revamping of prestige banking and an increase in consumer confidence and affordability after the removal of credit life insurance in certain markets were the drivers for this growth. Commercial loans exhibited resilience in competitive market conditions with successes in key markets achieved through the acquisition of key business banking clients, particularly in commercial banking.

Deposits grew by 5%, particularly in current and savings account portfolios, with healthy growth reflected in most markets.

## RBB – Rest of Africa

for the reporting period ended 31 December

Non-interest income improved by 14% to **R2 213m** (2013: R1 946m), largely driven by a 9% foreign exchange translation impact, higher transaction volumes, with the card acquiring business showing robust growth in acquiring turnover, coupled with robust growth in standalone insurance sales volumes. The credit card business was also successfully launched in Zambia (first to market), Seychelles (second to market), Ghana and Uganda. Regulatory changes, including the removal of early settlement fees and a restriction on certain fee increases coupled with the strategic decision to remove the cost of credit life insurance in certain markets somewhat dampened this growth. The non-recurring prior year gain on Visa Inc. share revaluation also negatively impacted non-interest income. These shareholdings were disposed of during the current reporting period.

Credit impairments increased by 3% to **R638m** (2013: R621m), resulting in a credit loss ratio of **1,75%** (2013: 1,86%). The increase in credit impairments were negatively impacted by foreign exchange translations. Excluding this impact, credit impairments improved year-on-year driven by an overall improvement in the quality of the loan book and improved collections. The 11 bps reduction in the credit loss ratio was dampened by releases in the latter part of the prior reporting period not being repeated in the current reporting period.

Operating expenses increased by 10% to **R5 868m** (2013: R5 342m) and were negatively impacted by foreign exchange translations. Excluding this impact, the growth in operating expenses was well contained at 6%, below the inflation rates of the underlying markets, despite some key investments being made.

## Operating environment

The operating environment for 2014 remained promising, confirming its healthy resilience to internal and external shocks. Demand for borrowings remained positive across the region. Most of the economies we operate in showed steady growth for the current reporting period, despite a slowdown in some of the larger economies towards the latter part of the year.

After two consecutive quarters of positive GDP growth of 4% each, Kenya reflected 3% negative GDP growth in the third quarter of 2014. Similarly Mozambique reflected two quarters of GDP growth followed by negative GDP growth in the third quarter. Up to the third quarter of 2014 Botswana reflected very low GDP growth. Tanzania reflected quarterly GDP growth of between 7% and 8% over the past two reporting periods. It is expected that this solid growth will continue into 2015.

Other aspects of the operating environment which posed challenges:

- Regulatory changes, including the 600 bps increase of the statutory reserve ratio in Zambia and the 200 bps increase of the primary reserve ratio in Ghana;
- Liquidity concerns in various markets;
- Inflationary pressures, particularly Ghana where inflation reached 17%.
- A slowdown in transactional activity in some markets;
- Increased competition from local and international banks in a number of markets; and
- Tight interest rate environments with seven of the markets reflecting a lower average interest rate in the current reporting period compared to the previous reporting period:
  - Botswana lower by 117 bps;
  - Mozambique lower by 77 bps;
  - Uganda lower by 50 bps;
  - Namibia lower by 40 bps;
  - Kenya lower by 33 bps;
  - Seychelles lower by 19 bps; and
  - Mauritius lower by 10 bps.

## Business performance

Underlying business performance showed good growth with robust increases in loan sales and current account sales.

Strategic improvements were made in 2014, under a multi-year programme, to enhance the customer service model, optimise our cost to serve and improve customer experience. Some key highlights from these improvements include:

- The delivery of 'Paperless Banking' in branches in Zambia, Tanzania, Kenya and Botswana which has significantly reduced the need for manual and paper intensive operations in branch;
- The introduction of intelligent ATMs in four markets, with increased functionalities, which includes cash acceptance, bill payments and cash send capabilities;
- Internet banking now available in all markets;
- Delivering 'Service Guarantees' to our customers to ensure we uphold a certain level of performance on selected services; and
- Continuing to remodel our branch network to ensure we create a fit for purpose model that is positioned and prepared to serve our customers' needs; this has included streamlining and redesigning many key processes to reduce turnaround times and drive efficiencies.

## RBB – Rest of Africa

for the reporting period ended 31 December

We have continued to build our propositions by delivering and enhancing tailor-made solutions for our customers, which includes:

- The launch of credit and debit cards with unique Worldmiles benefits, an airline independent miles programme which allows customers to earn miles on their purchases and redeem against any airline of their choice;
- Delivery of many first to market products including Group Savings Account (Zidisha) in Kenya, Unfixed Deposits in Zambia and Botswana, Salary Retrenchment Cover and Portfolio Insurance for Personal Loans;
- Enabling remote account opening that allows for the opening of an account via electronic medium, which has materially reduced handling time from 24 hours to 20 minutes;
- The launch of “Digital Eagles” in branches to encourage the use of alternative banking channels;
- Further enhancing of our Premier Proposition through a pan-African enabled VIP Concierge Service, pre-approved overdrafts and unique alliance programmes;
- The launching of CashSend to enable customers to transfer funds to those without a bank using their mobile phone and enabled location based discount offers through our mobile banking application in Kenya; and
- The launching of credit cards in Zambia, Seychelles, Uganda and Ghana.

Key successes include:

- R17,5bn in gross retail loan sales recorded, the highest ever annual sales recorded, representing a 17% growth from the previous reporting period.
- Monthly gross retail loan sales surpassing R1bn per month on a consistent basis.
- Personal loan balance sheet growth of 14%.
- Retail current and savings account sales showing 19% growth.
- Premier customer numbers showing 17% growth.
- Card acquiring turnover showing 20% increase.
- New to bank credit card sales of roughly 35 000 showing 6% growth.

Business banking strengthened leadership in most markets which enhanced business momentum and positions us to achieve our goal of becoming the ‘Go-To’ bank for clients across Africa. Agricultural strategies have been put into place for Kenya and Zambia.

## Looking ahead

RBB Rest of Africa’s focus remains in making customers’ lives much easier and continuing to refresh our customer value propositions for targeted segments and revamping customer solutions. The strategy continues to focus on:

- Embedding Customer Lifecycle Management by improving the quality of customer acquisition and deepening the relationship with existing customers;
- Investing in colleague capabilities with an emphasis on developing leadership potential through pan-African mobility;
- Continue to build a fit-for-purpose branch network to ensure we are positioned, aligned and prepared in the best way to serve our customers and reduce service costs;
- Delivering a multi-channel franchise through the launch of digital products, ATM enhancements and self-service kiosks;
- Accelerating customer adoption of new banking models through the ‘Digital Eagles’ programme;
- Continuing to enhance and deliver world class customer solutions with a particular focus on the transactional and borrowing needs of our customers;
- Targeting value chain opportunities;
- Continuing to embed and enhance the sector focus approach in commercial and enterprise banking;
- Future migration of customer transactions to the Barclays.Net online banking platform by leveraging off the successes achieved in South Africa; and
- Continuing to focus on broadening business banking propositions given its current low level penetration and the large potential that exists.

This strategy will enable RBB Rest of Africa to create a pan-African franchise that drives a superior customer experience and ultimately make us the ‘Go-To’ bank for RBB customers across Africa.

### Favourable

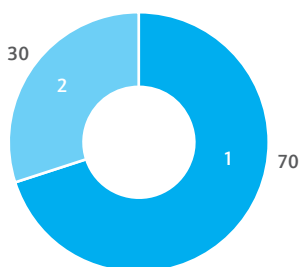
- Strong headline earnings growth of 22% excluding Private Equity.
- Diversification improved with Rest of Africa contributing 30% to revenue.
- Double digit net revenue growth in all core businesses.
- Cost-to-income ratio improved to 53% while continuing to invest in technology and platforms.
- Good progress on systems across Rest of Africa.
- Ranked Top Overall Bank in the 2014 Risk South Africa Rankings survey for the fifth consecutive year.

### Unfavourable

- Negative revaluations and limited realisations impacted the Private Equity portfolio.
- Lower Foreign Exchange revenues due to increased margin pressure.

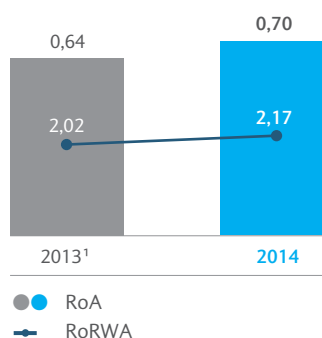
Salient features	2014	2013 <sup>1</sup>	Change %
Net revenue (Rm)	12 362	11 191	10
Headline earnings (Rm)	3 887	3 348	16
Cost-to-income ratio (%)	53,0	54,4	
Credit loss ratio	0,16	0,19	
Return on regulatory capital (%)	19,55	18,29	
RoRWA (%)	2,17	2,02	
RoA (%)	0,70	0,64	

### Headline earnings contribution (%)



1 South Africa  
2 Rest of Africa

### RoA and RoRWA (%)



### Note

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## CIB

for the reporting period ended 31 December

	2014	Corporate 2013 <sup>1</sup>	Change %
<b>Statement of comprehensive income (Rm)</b>			
Net interest income	4 320	3 341	29
Non-interest income	1 746	2 137	(18)
<b>Total income</b>	<b>6 066</b>	<b>5 478</b>	<b>11</b>
Impairment losses on loans and advances	(131)	(196)	(33)
Operating expenses	(3 413)	(3 152)	8
Other	(60)	(29)	>100
<b>Operating income before income tax</b>	<b>2 462</b>	<b>2 101</b>	<b>17</b>
Taxation expense	(620)	(536)	16
<b>Profit for the reporting period</b>	<b>1 842</b>	<b>1 565</b>	<b>18</b>
<b>Profit attributable to:</b>			
Ordinary equity holders	1 723	1 465	18
Non-controlling interest – ordinary shares	88	71	24
Non-controlling interest – preference shares	31	29	7
	<b>1 842</b>	<b>1 565</b>	<b>18</b>
<b>Headline earnings</b>	<b>1 639</b>	<b>1 326</b>	<b>24</b>
<b>Operating performance (%)</b>			
Net interest margin on average interest-bearing assets	2,24	2,05	
Credit loss ratio	0,19	0,37	
Non-interest income as percentage of revenue	28,8	39,0	
Revenue growth	11	20	
Cost growth	8	14	
Cost-to-income ratio	56,3	57,5	
<b>Statement of financial position (Rm)</b>			
Loans and advances to customers	82 217	67 386	22
Investment securities	2 338	1 983	18
Other assets	132 391	134 375	(1)
<b>Total assets</b>	<b>216 946</b>	<b>203 744</b>	<b>6</b>
Deposits due to customers	200 296	186 125	8
Debt securities in issue	261	998	(74)
Other liabilities	10 399	12 969	(20)
<b>Total liabilities</b>	<b>210 956</b>	<b>200 092</b>	<b>5</b>
<b>Financial performance (%)</b>			
RoRWA	2,03	2,05	
RoA	0,83	0,74	

### Note

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Investment Bank			Total CIB		
2014	2013 <sup>1</sup>	Change %	2014	2013 <sup>1</sup>	Change %
2 067	1 250	65	6 387	4 591	39
4 477	4 702	(5)	6 223	6 839	(9)
6 544	5 952	10	12 610	11 430	10
(117)	(43)	>100	(248)	(239)	4
(3 264)	(3 067)	6	(6 677)	(6 219)	7
(50)	(45)	11	(110)	(74)	49
3 113	2 797	11	5 575	4 898	14
(754)	(670)	13	(1 374)	(1 206)	14
2 359	2 127	11	4 201	3 692	14
2 246	2 016	11	3 969	3 481	14
44	41	7	132	112	18
69	70	(1)	100	99	1
2 359	2 127	11	4 201	3 692	14
2 248	2 022	11	3 887	3 348	16
0,92	0,56		1,53	1,18	
0,14	0,06		0,16	0,19	
68,4	79,0		49,3	59,8	
10	5		10	12	
6	7		7	11	
49,9	51,5		53,0	54,4	
79 882	76 151	5	162 099	143 537	13
16 202	15 073	7	18 540	17 056	9
234 434	240 852	(3)	366 825	375 227	(2)
330 518	332 076	0	547 464	535 820	2
116 240	123 304	(6)	316 536	309 429	2
81 262	74 676	9	81 523	75 674	8
127 823	129 690	(1)	138 222	142 659	(3)
325 325	327 670	(1)	536 281	527 762	2
2,29	2,01		2,17	2,02	
0,63	0,58		0,70	0,64	

**CIB**  
for the reporting period ended 31 December

## Business profile

CIB structures innovative solutions to meet clients’ needs by delivering specialist investment banking, corporate banking, financing, risk management and advisory solutions. CIB deals with a variety of clients across industry sectors such as corporates, financial institutions and public sector bodies. Combining the global product knowledge of Barclays with regional expertise and an extensive, well-established local presence, CIB’s goal is to build not only a sustainable, trustworthy business, but also a business that helps clients achieve their ambitions in the right way. The business is at the start of its journey to develop a CIB solution across the African continent.

## Key business areas

- **Investment Bank comprising:**
  - **Markets** – engages in trading, sales and research activities across all major asset classes and products, delivering pricing, hedging and risk management capabilities to both corporate and institutional clients.
  - **Investment Banking** – structures innovative solutions to meet clients’ strategic advisory, financing and risk management requirements across industry sectors.
  - **Private Equity and Infrastructure Investments** – Private Equity traditionally acted as a principal by investing in unlisted equity exposures. This portfolio is being reduced in-line with the Group’s strategy to exit non-core businesses. Infrastructure Investments act as a principal by investing in equity and mezzanine loan finance to entities focused on infrastructure development in sub-Saharan Africa.
- **Corporate** – provides corporate banking solutions spanning financing and transactional banking requirements, including trade and working capital solutions, as well as a full suite of cash management, payments and liquidity products. These services are provided across our combined Pan-African institutional and corporate client base.

An organisational structure change took place during the first half of the reporting period impacting on the reporting structure of CIB:

- The **Wealth** and **Absa Alternative Asset Management** businesses, previously reported in the Corporate, Investment Bank and Wealth segment, were transferred to the newly created WIMI segment. This is in line with the Group’s strategy to create a holistic wealth and investment offering to clients.

## Financial performance

CIB achieved strong headline earnings growth of 16% underpinned by good performance across the business, particularly in the Rest of Africa which delivered headline earnings growth of 38%. Excluding Private Equity, CIB headline earnings was up 22%.

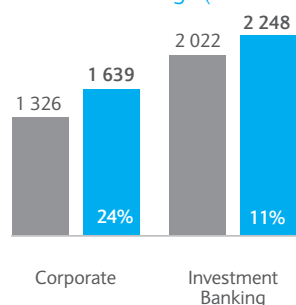
CIB net revenue increased by 10% to **R12 362m** (2013: R11 191m), with all core business units reporting double digit growth. Markets increased by 17% to **R4 766m** (2013: R4 089m) driven by the performance in Fixed Income and Rest of Africa. Investment Banking increased by 11% due to increased margin income. Corporate increased by 12% to **R5 935m** (2013: R5 282m) due to growth in loans and advances, with Corporate South Africa increasing by 7% and Corporate Rest of Africa increasing by 21%.

In keeping with the Group strategy, the cost-to-income reduced from 54,4% to 53,0%. Operating expenses increased by 7% driven by investment in specialist skills and infrastructure development across the business. Continued focus on cost containment resulted in below inflation business as usual cost growth in South Africa.

The credit loss ratio decreased by 3 bps to 0,16% owing to a decrease in Corporate Rest of Africa impairments and improved quality in loans and advances.

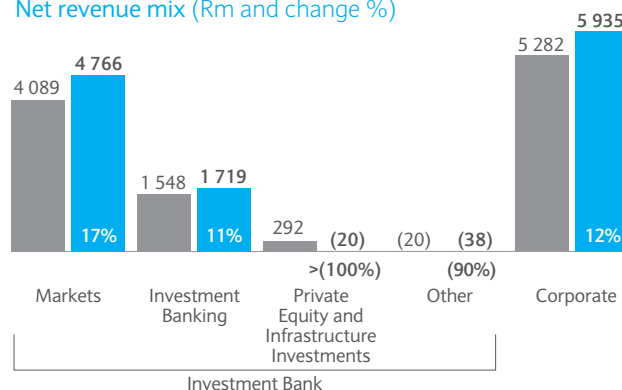
The strong headline earnings performance and a focus on efficient deployment of capital enabled return on regulatory capital to increase to 19,55% from 18,29% in the previous reporting period.

Headline earnings (Rm and change %)



● 2013  
● 2014

Net revenue mix (Rm and change %)



● 2013  
● 2014



## Financial performance *(continued)*

### Operating environment

Despite setbacks, global economic recovery continued, albeit unevenly, with the slowing of South Africa's two most important export markets, China and Europe. South African domestic economic activity was also subdued. The following factors had a key influence on CIB:

- Significant depreciation of emerging market currencies due to geopolitical tensions in Russia and Ukraine, sharp changes in terms of trade due to fluctuations in commodity prices and shifts in general risk appetite affected the strength of the rand and other African currencies. Idiosyncratic shocks – like the electricity shortages in South Africa – exacerbated exchange rate volatility and weakness in the current reporting period.
- Trading activity was influenced by the fall of commodity export prices throughout the current reporting period, and particularly crude oil from the end of September.
- Strike activity in platinum mining, and in the steel and engineering manufacturing sectors weighed on growth, exports and investor confidence.
- Electricity supply constraints in South Africa intensified towards the end of the current reporting period, which negatively affected many clients.
- Consumer demand was hit by high inflation, weak job creation, tightened lending standards and increases in interest rates. However, the consumer will get a big boost from lower oil prices in 2015.
- In the Rest of Africa, economic growth was 3,5%, with lower commodity prices weighing on commodity exporting countries. This was, however, offset by a pickup in growth among oil importing countries in the second half of the current reporting period. The Ebola outbreak and security concerns also had a negative impact, particularly in the West African region.

### Business performance

CIB has made steady progress towards its ambition of becoming the 'Go-To' Corporate and Investment Bank across Africa. In a challenging reporting period with major changes regarding systems implementation, a revamped operating model and external market volatility, CIB has fared well against ambitious targets.

The CIB business is growing rapidly, with Rest of Africa markets becoming increasingly important to the overall Barclays Africa franchise in terms of growth and opportunity. The local footprint in various African markets has proven to be a key enabler in increasing business performance. The successful implementation of Front Arena, an online dealing platform in Africa, across all countries has further strengthened the Africa proposition.

Over the course of the current reporting period, client-centricity has emerged as an increasingly prominent theme for the business. As a result CIB has revamped its organisational structure in an effort to centralise all efforts around the client. Additionally, CIB is developing a blueprint for digital wholesale banking (E-Bank) that will serve clients' needs by utilising technology to help them manage and grow their businesses.

Several accolades have been awarded to the Bank across all three core product houses. Complementing this, CIB launched its first ever Pan-African marketing strategy under the 'Prosper' group brand strategy. The campaign targeted 11 countries and illustrated how our partnership with clients across the continent helps them realise their ambitions and positively impact the community at large.

**CIB**  
for the reporting period ended 31 December

**Business performance** (continued)

**Investment Bank**

**Markets**

Markets benefited from increased client activity with net revenue increasing 17% to **R4 766m** (2013: R4 089m).

Fixed Income and Credit growth of 36% was attributable to favourable positioning of the portfolio and client driven activity. Commodities growth was lower following a strong 2013 base due to our market leading Exchange Traded Funds product set. Foreign Exchange was adversely impacted by increased margin pressure, despite growing volumes.

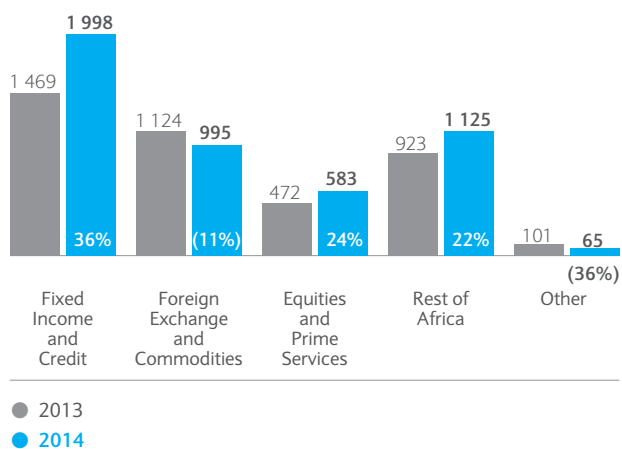
Our successful international partnership with Barclays led to improved equities research rankings, improved traction with our top tier clients and thus increased revenue in the Equities and Prime businesses. Notably, CIB became the first South African entity to move to electronic trading and confirmation of securities lending activity through the use of market leading global technology.

Servicing clients in collaboration with the Corporate bank contributed to the Rest of Africa revenue growth of 22%. In addition we continued to innovate in Africa through the development of secondary trading of the bond market and listing of African currency futures.

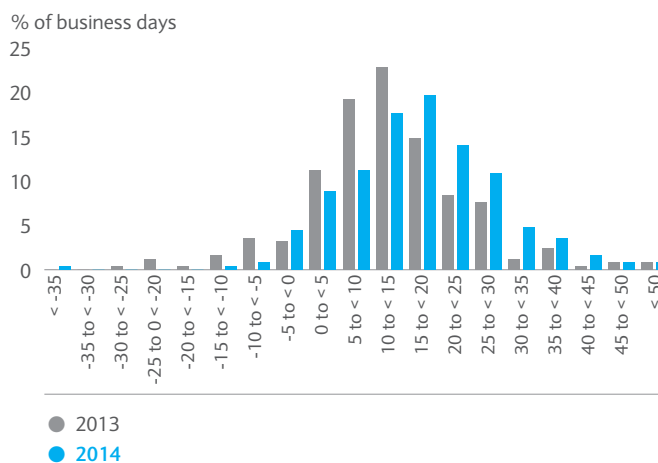
Our ability to partner with clients and develop innovative solutions underpins our strong Markets franchise which was publicly recognised through the following awards:

- Best Overall Bank in the *Risk South Africa Rankings* (for the fifth consecutive year)
- Best Fixed Income and Currencies House in the *JSE Spire Awards* (for the fifth time)
- No. 1 Ranking in Fixed Income Securities and Derivatives Dealing in the 2014 *Financial Mail Ranking the Analysts Awards* 2014.

**Markets net revenue split (Rm and change %)**



**Daily markets revenue distribution South Africa (Rm)**



## Business performance *(continued)*

### Investment Bank *(continued)*

#### Investment Banking

The Investment Banking division increased net revenue by 11% to **R1 719m** (2013: R1 548m).

The margin business increased revenue by 12% to **R1 351m** (2013: R1 206m) owing to the benefit of significant balance sheet growth in the fourth quarter of 2013, off-set by specific impairments taken in the third quarter of 2014.

The fee business increased revenue by 8% to **R368m** (2013: R342m), driven by new mandates in Resource and Project Finance, together with increased activity across the Equity Capital Markets franchise. The intensification of client coverage efforts, in conjunction with several key hires and in partnership with the global firm, has improved the quality of our engaged Advisory and Financing pipeline in South Africa and Rest of Africa regions. However, the challenging environment within the South African economy impacted the Debt Capital Market's business performance.

The wider investment banking franchise strength is growing, as we continually seek to innovate for our clients. We have been recognised by the investor and institutional community as demonstrated through the following awards in 2014:

- Best Investment Bank in Africa, *Euromoney*;
- Best M&A House in Africa, *Euromoney*;
- Best Securitisation and Structured Finance Deal in Africa, *The Banker*.
- Best Bond House in Africa, *EMEA Finance*.

Salient features	2014	2013	Change %
Margin business (Rm)	1 351	1 206	12
Fee business (Rm)	368	342	8
Net revenue (Rm)	1 719	1 548	11
Average loans and advances (Rbn)	69,0	58,9	17

#### Private Equity and Infrastructure Investments

Private Equity and Infrastructure Investments reported net losses of **R20m** (2013: R292m positive). The lower revenue is mainly attributable to limited realisations compared to prior period and negative revaluations on specific legacy assets. The book size remained relatively flat as realisations were offset by committed drawdowns and foreign exchange movements.

The portfolio continues to be actively managed as the Group explores options for sale or exit over time.

Salient features	2014	2013	Change %
Revaluations (Rm)	(124)	101	>(100)
Debt instruments	—	94	(100)
Equity instruments	(124)	7	>(100)
Realisations, dividends, interest and fees (Rm)	142	277	(49)
Funding (Rm)	(38)	(86)	(56)
Net loss (Rm)	(20)	292	>(100)
Total portfolio size (Rbn)	3,1	3,3	(6)

**CIB**

for the reporting period ended 31 December

**Business performance** *(continued)***Corporate**

Corporate experienced strong net revenue growth of 12% to **R5 935m** (2013: R5 282m).

Net revenue generated in South Africa increased by 15% (excluding the impact of Custody and Trustee) due to continued strong growth in advances and higher margin deposits. Transactional income continued to grow but at a subdued rate due to margin pressure and moderate growth in client volumes.

A strong performance in Rest of Africa was attributable to growth in loans and advances, reflecting the successful execution of various build-out strategies. Net revenue also benefited from the decrease in impairments in Rest of Africa due to the non-recurrence of some single name provisions raised in the previous reporting period.

The Corporate franchise is progressing well, evidenced by strong revenue growth and acknowledged through various accolades across the continent, particularly through being awarded the Best Domestic Cash Management House in Botswana, Ghana, Kenya, South Africa and Zambia by *Euromoney*.

Salient features	2014			2013			Change %
	South Africa	Rest of Africa	Total	South Africa	Rest of Africa	Total	
Gross revenue (Rm)	3 449	2 617	6 066	3 223	2 255	5 478	11
Credit impairments (Rm)	(45)	(86)	(131)	(41)	(155)	(196)	(33)
Net revenue (Rm)	3 404	2 531	5 935	3 182	2 100	5 282	12
Average loans and advances to customers (Rbn)	44,8	25,9	70,7	36,1	18,0	54,1	31
Average deposits due to customers (Rbn)	142,9	44,7	187,6	134,3	34,5	168,8	11

**Looking ahead**

The focus for CIB going forward is the continued build out of the Pan-African business, and to become the “Go-To” Corporate and Investment Bank in Africa. In doing so, CIB will build on the foundations already laid in 2014, whilst keeping clients at the core of the business.

- Client-centricity remains a key focus area, leveraging the revamped structure to drive client commitment and enable easier and quicker transactions.
- CIB aims to realise the benefits of the implementation of BARX (multi-asset e-trading platform) and Front Arena as well as the migration of clients onto Barclays.Net (online cash management platform).
- Expanding the Pan-African proposition further with the build out of the CIB business in Nigeria is a key priority, and will add value for clients in this large and important market.
- There is continued focus on technological innovation and developing an ‘E-Bank’ that enables clients to manage and grow their business through efficiency, cost effectiveness and transparency.
- CIB is committed to embedding citizenship into its business and being relevant to the communities within which it operates.

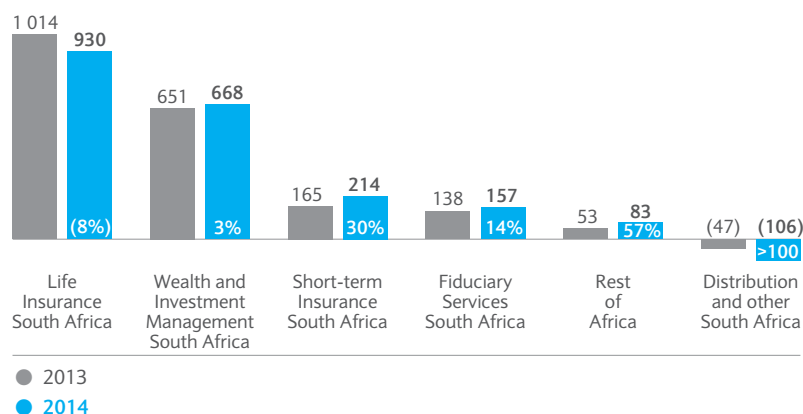
## Favourable

- Maintaining attractive returns with RoE at 23,1%.
- Continued improvement in South Africa short-term insurance margins.
- Embedded value of new business up 11%.
- Delivers 36% growth in headline earnings outside South Africa.
- Fiduciary Services turnaround achieved.
- Wealth and Investment Management integration completed including joint venture with CIB to integrate passive asset management capabilities.

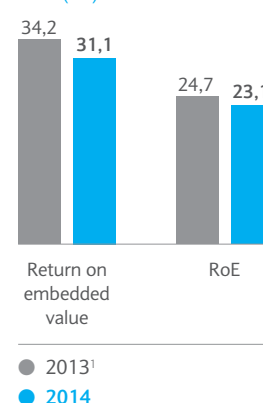
## Unfavourable

- Muted net premium growth in South Africa Life insurance.
- Decline in assets under management due to high level of outflows.
- Distribution headline earnings losses due to investment in sales capacity and lower than expected sales.
- Cost of transforming credit life practices.
- Investment profits on policyholder liabilities not repeated in 2014 and reduced Life headline earnings.

### Operating income before tax (Rm and change %)



### Return on embedded value and RoE (%)



## Salient features

	2014	2013 <sup>2</sup>	Change %
Headline earnings (Rm)	1 383	1 420	(3)
Cost-efficiency ratio (%)	26,8	26,6	
Combined ratio (%) <sup>3</sup>	96,3	97,6	
Assets under management and administration (Rbn)	259	264	(2)
Embedded value of new business (Rm)	472	427	11
RoE (%)	23,1	24,7	

## Notes

<sup>1</sup>RoE has been restated to align to monthly calculation of average equity.

<sup>2</sup>Restated, refer to inside cover page for reporting changes overview. Additional disclosures for 31 December 2013 have been restated where applicable.

<sup>3</sup>Combined ratio restated to include other income, other impairments and indirect taxation.

## WIMI

for the reporting period ended 31 December

	Life Insurance		
	2014 Rm	2013 Rm	Change %
<b>Statement of comprehensive income</b>			
Net insurance premium income	2 554	2 466	4
Net insurance claims and benefits paid	(803)	(720)	12
Investment income			
Policyholder investment contracts	813	2 278	(64)
Policyholder insurance contracts	248	287	(14)
Changes in investment and insurance contract liabilities			
Policyholder investment contracts	(706)	(2 177)	(68)
Policyholder insurance contracts	(170)	(183)	(7)
Other income <sup>1</sup>	(51)	(53)	(4)
<b>Gross operating income</b>	<b>1 885</b>	<b>1 898</b>	<b>(1)</b>
Net commission paid by insurance companies <sup>2</sup>	(468)	(487)	(4)
Operating expenses	(432)	(379)	14
Other	(99)	(98)	1
<b>Net operating income</b>	<b>886</b>	<b>934</b>	<b>(5)</b>
Investment income on shareholder funds	84	111	(24)
Shareholder expenses	—	—	—
Taxation expense	(278)	(285)	(2)
<b>Profit for the reporting period</b>	<b>692</b>	<b>760</b>	<b>(9)</b>
<b>Headline earnings</b>	<b>694</b>	<b>760</b>	<b>(9)</b>

### Note

#### 1. Investment income

Policyholder investment contracts	813	2 278	(64)
Net interest income	368	445	(17)
Dividend income	179	172	4
Fair value gains	266	1 661	(84)
Policyholder insurance contracts	248	287	(14)
Net interest income	79	69	14
Dividend income	15	13	15
Fair value gains	154	205	(25)
Shareholder funds	84	111	(24)
Net interest income	37	35	6
Dividend income	9	9	—
Fair value gains/(losses)	38	67	(43)
Total	1 145	2 676	(57)
Net interest income	484	549	(12)
Dividend income	203	194	5
Fair value gains/(losses)	458	1 933	(76)

	2014 Rm	2013 Rm	Change %
<b>Net fee and commission income</b>			
Employee benefit-related fees	374	342	9
Investment management and related fees	1 134	1 157	(2)
Net commission from distribution business	422	484	(13)
Net commission paid by insurance companies <sup>2</sup>	(960)	(951)	1
Trust and estate income	299	274	9
Other	(22)	(22)	—
<b>Total</b>	<b>1 247</b>	<b>1 284</b>	<b>(3)</b>

### Notes

<sup>1</sup>Includes impairment losses on loans and advances.

<sup>2</sup>Includes internal commission, eliminated on consolidation.

Wealth and Investment Management			Short-term Insurance			Fiduciary Services		
2014 Rm	2013 Rm	Change %	2014 Rm	2013 Rm	Change %	2014 Rm	2013 Rm	Change %
—	—	—	3 201	2 983	7	9	8	13
—	—	—	(2 212)	(2 094)	6	(1)	(2)	(50)
—	—	—	—	—	—	—	—	—
—	—	—	51	51	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
1 506	1 450	4	54	33	64	674	618	9
1 506	1 450	4	1 094	973	12	682	624	9
—	—	—	(491)	(463)	6	(1)	(1)	—
(850)	(808)	5	(398)	(383)	4	(534)	(482)	11
(9)	(14)	(36)	(10)	(3)	>100	(2)	(9)	(78)
647	628	3	195	124	57	145	132	10
21	23	(9)	84	95	(12)	15	9	67
—	—	—	—	—	—	—	—	—
(187)	(183)	2	(79)	(64)	23	(43)	(41)	5
481	468	3	200	155	29	117	100	17
475	462	3	204	155	32	117	101	16
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	51	51	—	—	—	—
—	—	—	51	51	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
21	23	(9)	84	95	(12)	15	9	67
26	23	13	80	91	(12)	3	—	>100
—	—	—	8	7	14	—	—	—
(5)	—	>(100)	(4)	(3)	33	12	9	33
21	23	(9)	135	146	(8)	15	9	67
26	23	13	131	142	(8)	3	—	100
—	—	—	8	7	14	—	—	—
(5)	—	>(100)	(4)	(3)	33	12	9	33

Segment report per geographical segment	South Africa			Rest of Africa		
	2014 Rm	2013 Rm	Change %	2014 Rm	2013 Rm	Change %
Net insurance premium income	5 147	4 962	4	617	495	25
Net insurance claims and benefits paid	(2 765)	(2 638)	5	(251)	(178)	41
Gross operating income	5 239	5 166	1	384	302	27
Operating expenses	(2 550)	(2 450)	4	(174)	(132)	32
Net operating income	1 715	1 759	(3)	81	42	93
Profit for the reporting period	1 325	1 388	(5)	49	37	32
Headline earnings	1 334	1 384	(4)	49	36	36

Distribution			Other			Total WIMI		
2014 Rm	2013 Rm	Change %	2014 Rm	2013 Rm	Change %	2014 Rm	2013 Rm	Change %
—	—	—	—	—	—	5 764	5 457	6
—	—	—	—	—	—	(3 016)	(2 816)	7
—	—	—	(118)	97	>(100)	695	2 375	(71)
—	—	—	—	—	—	299	338	(12)
—	—	—	118	(97)	>100	(588)	(2 274)	(74)
—	—	—	—	—	—	(170)	(183)	(7)
452	520	(13)	4	3	33	2 639	2 571	3
452	520	(13)	4	3	33	5 623	5 468	3
—	—	—	—	—	—	(960)	(951)	1
(501)	(512)	(2)	(9)	(18)	(50)	(2 724)	(2 582)	5
(11)	(9)	22	(12)	(1)	>100	(143)	(134)	7
(60)	(1)	>100	(17)	(16)	6	1 796	1 801	—
5	5	—	110	36	>100	319	279	14
—	—	—	(169)	(106)	59	(169)	(106)	59
(1)	—	>(100)	16	24	(33)	(572)	(549)	4
(56)	4	>(100)	(60)	(62)	(3)	1 374	1 425	(4)
(56)	4	>(100)	(51)	(62)	(18)	1 383	1 420	(3)
—	—	—	(118)	97	>(100)	695	2 375	(71)
—	—	—	5	(30)	>100	373	415	(10)
—	—	—	77	22	>100	256	194	32
—	—	—	(200)	105	>(100)	66	1 766	(96)
—	—	—	—	—	—	299	338	(12)
—	—	—	—	—	—	130	120	8
—	—	—	—	—	—	15	13	15
—	—	—	—	—	—	154	205	(25)
5	5	—	110	36	>100	319	279	14
—	—	—	13	7	86	159	156	2
—	—	—	—	—	—	17	16	6
5	5	—	97	29	>100	143	107	34
5	5	—	(8)	133	>(100)	1 313	2 992	(56)
—	—	—	18	(23)	>100	662	691	(4)
—	—	—	77	22	>100	288	223	29
5	5	—	(103)	134	>(100)	363	2 078	(83)

Total		
2014 Rm	2013 Rm	Change %
5 764	5 457	6
(3 016)	(2 816)	7
5 623	5 468	3
(2 724)	(2 582)	5
1 796	1 801	—
1 374	1 425	(4)
1 383	1 420	(3)



	2014 Rm	2013 <sup>1</sup> Rm	Change %
<b>Statement of financial position</b>			
<b>Assets</b>			
Cash balances and loans and advances to banks <sup>2</sup>	1 366	1 891	(28)
Non-current assets held for sale <sup>3</sup>	416	2 872	(86)
Investment securities <sup>2</sup>	603	731	(18)
Financial assets backing investment and insurance liabilities			
Policyholder investment contracts	23 406	19 796	18
Cash balances and loans and advances to banks	796	493	61
Investment securities	22 476	19 146	17
Reinsurance assets	134	157	(15)
Policyholder insurance contracts	3 735	2 782	34
Cash balances and loans and advances to banks	919	1 310	(30)
Investment securities	2 220	757	>100
Reinsurance assets	596	715	(17)
Shareholder funds	3 765	2 631	43
Cash balances and loans and advances to banks	1 607	1 406	14
Investment securities	2 158	1 225	76
Other assets	13 442	14 060	(4)
Property and equipment	114	127	(10)
<b>Total assets</b>	<b>46 847</b>	<b>44 890</b>	<b>4</b>
<b>Liabilities</b>			
Non-current liabilities held for sale	372	1 476	(75)
Liabilities under investment contracts	23 313	19 773	18
Policyholder liabilities under insurance contracts <sup>4</sup>	3 842	3 930	(2)
Other liabilities	14 172	14 678	(3)
Other liabilities <sup>5</sup>	14 051	14 654	(4)
Other liabilities relating to investment contracts	121	24	>100
Deferred tax liabilities	22	31	(29)
<b>Total liabilities</b>	<b>41 721</b>	<b>39 888</b>	<b>5</b>
<b>Equity</b>			
Capital and reserves	5 128	5 002	3
Non-controlling interest	(2)	—	>(100)
<b>Total equity</b>	<b>5 126</b>	<b>5 002</b>	<b>2</b>
<b>Total liabilities and equity</b>	<b>46 847</b>	<b>44 890</b>	<b>4</b>

**Notes**

<sup>1</sup>Restated, refer to inside cover page for reporting changes overview. Additional disclosures for 31 December 2013 have been restated where applicable.

<sup>2</sup>Non-insurance-related balances.

<sup>3</sup>Included in non-current assets held for sale in the comparative period are net assets of R959m backing policyholder liabilities under insurance contracts.

<sup>4</sup>In managing the policyholder liability, certain assets have been allocated specifically for the purpose of backing this liability.

<sup>5</sup>Other assets and liabilities include settlement account balances in Absa Stockbrokers (Pty) Ltd as well as loans and advances to customers and deposits due to customers relating to the Wealth Banking portfolio.

## WIMI

for the reporting period ended 31 December

Reconciliation with Group	2014			
	WIMI Rm	Inter- segment eliminations Rm	Other <sup>1</sup> Rm	Group Rm
<b>Statement of financial position<sup>2</sup></b>				
Investment securities				
Investments linked to investment contracts	22 476	(3 159)	—	19 317
Policyholder liabilities under insurance contracts	3 842	(25)	53	3 870
<b>Statement of comprehensive income<sup>2</sup></b>				
Net insurance premium income	5 764	—	251	6 015
Net claims and benefits paid on insurance contracts	(3 016)	5	(32)	(3 043)
Gains and losses from investment activities – net gains on investments from insurance activities – policyholder investment contracts	695	(187)	—	508

Reconciliation with Group	2013			
	WIMI Rm	Inter- segment eliminations Rm	Other <sup>1</sup> Rm	Group Rm
<b>Statement of financial position<sup>2</sup></b>				
Investment securities				
Investments linked to investment contracts	19 146	(3 012)	—	16 134
Policyholder liabilities under insurance contracts	(3 930)	12	(40)	(3 958)
<b>Statement of comprehensive income<sup>2</sup></b>				
Net insurance premium income	5 457	—	229	5 686
Net insurance claims and benefits paid	(2 816)	(34)	31	(2 819)
Gains and losses from investment activities – net gains on investments from insurance activities – policyholder investment contracts	2 375	(194)	—	2 181

Cost efficiency ratio – WIMI	2014 Rm	2013 Rm	Change %	Where included in Group's statement of comprehensive income
Operating expenses	(2 893)	(2 688)	8	Operating expenses
Revenue	10 798	10 103	7	
Gross premium income	8 199	7 512	9	Net insurance premium income
Net commission from distribution business	417	484	(14)	Net fee and commission income
Non-insurance-related income <sup>3</sup>	1 608	1 369	17	Net fee and commission income
Other income	574	738	(22)	Net fee and commission income; other operating income; net interest income and impairment losses on loans and advances to customers

<b>Cost efficiency ratio (%)</b>	<b>26,8</b>	26,6
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Reconciliation of WIMI non-interest income to Group	2014 Rm	2013 Rm	Change %	Where included in Group's statement of comprehensive income
Aforementioned revenue	10 798	10 103	7	
Net commission paid by insurance companies	(961)	(951)	1	Net fee and commission income
Reinsurance premiums	(2 435)	(2 055)	18	Net insurance premium income
Net insurance claims and benefits paid	(3 016)	(2 816)	7	Net claims and benefits paid on insurance contracts
Changes in investment and insurance contract liabilities	(758)	(2 457)	(69)	Changes in investment and insurance contract liabilities
Gains and losses from investment activities	1 313	2 992	(56)	Gains and losses from investment activities
Other operating income/(expenses)	40	(11)	>100	Other operating income
Banking-related income/(expenses)	(350)	(274)	28	Net interest income and impairment losses on loans and advances to customers
<b>Non-interest income</b>	<b>4 631</b>	4 531	2	

### Notes

<sup>1</sup>Consists of Absa Manx Insurance Company and Woolworths Financial Services.

<sup>2</sup>Debit amounts are disclosed as positive, credit amounts are disclosed as negative.

<sup>3</sup>Fee income relating to employee benefits, trust, estate and portfolio management fees.

<sup>4</sup>Includes insurance and non-insurance-related fees and commission paid.

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## WIMI

for the reporting period ended 31 December

### Business profile

WIMI provides insurance, fiduciary services and investment products and services to retail, high net worth, commercial and corporate clients. The segment also provides innovative wealth and investment solutions for high and ultra-high net worth clients. These products and services are offered through a well-established and unique operating model, combining the strengths of a traditional banking services model with those of a pure distribution channel model.

### Key business areas

- **Life Insurance** – offers life insurance, covering death, disability and retrenchment, as well as funeral and investment products.
- **Wealth and Investment Management** – consists of several business units, which operate on a collaborative basis to offer individual and institutional clients access to high-quality wealth and investment products and solutions. These products and services include asset management, private client asset management, investment management, risk management, structured lending, multi-management, unit trusts, stock broking and linked investments.
- **Short-term Insurance** – provides short-term insurance solutions to the retail and commercial market segments. A direct-to-client short-term solution, Absa idirect, is also available to the retail market
- **Fiduciary Services** – consists of estate administration and employee benefits businesses. The businesses offer individual retirement fund administration, consulting and actuarial services, health care services and Absa Trust, which administers deceased estates and provides trustee services for personal, family, charitable and employee benefit trusts.
- **Distribution** – one of the largest financial, wealth, investment and risk advisory companies in South Africa. It provides the full spectrum of financial advisory services and acts as an intermediary between the Group's customers, clients and various other product providers.
- **Other** – includes WIMI's head office, holding companies and allocated enterprise function costs in terms of shared infrastructure and support functions.

An organisational structure change took place during the reporting period impacting the segmental structure of the previously reported Financial Services segment:

- **The Wealth and Asset Management** businesses, previously reported in the CIBW segment, were transferred to the newly created WIMI segment along with Financial Services. The rationale for this organisational structure is to harness the capabilities of our local and global teams and to create a centre of investment excellence which will fulfil our clients' needs.

### Financial performance

WIMI experienced tough operating conditions in 2014 with headline earnings declining by 3% from the previous reporting period to **R1 383m** (2013: R1 420m). WIMI implemented a number of structural business changes during the financial year to ensure that the business is positioned for growth and proactively aligns with shifting consumer and regulatory trends. These structural changes included amongst others:

- Proactive transformation of our credit life insurance practices;
- Integration of the Wealth and Investment business and exchange-traded fund capabilities across the Group;
- Changes and investment in Distribution to position the business for sustainable growth in line with the shifting regulatory landscape;
- Fiduciary turnaround has been completed with an improvement in margins to levels now in line with our targets for the Employee benefits business; and
- Wealth has transitioned into an investment led advisory business with an earnings growth of 208% from the Wealth coverage line of business.

Headline earnings increased in Short-term insurance (32%), Fiduciary Services (16%) and Wealth and Investment Management (3%). The increase achieved in these business units were, however, offset by life insurance earnings which declined by 9% from the previous reporting period and a loss in the Distribution business. Life insurance earnings were negatively impacted by muted growth in risk premiums in South Africa, non-recurring items in 2013 and lower investment returns. The loss in Distribution were as a result of lower sales volumes, revised remuneration structures and continued investments, in an increased footprint for the advisor academy and changes in operating model.

Africa expansion progressed with an earnings growth of 36% to R49m. Pan-African EVNB increased by 11% to **R472m** (2013: R427m) mainly driven by growth in new business outside South Africa.

#### *Assets under management*

Total assets under management declined by R5bn, mainly due to high levels of outflows experienced during the 2014 financial year.

#### *Net premium income*

Total gross and net insurance premium income increased by 9% and 6% respectively from the previous reporting period. Net insurance premiums for the South African operations for Life and Short-term Insurance increased by 1% and 6% respectively. Operations in the Rest of Africa achieved a 25% growth in net insurance premiums, which includes an 8% adverse impact of foreign exchange translation.

#### *Underwriting margins*

Short-term insurance achieved improved underwriting results for the second quarter of 2014 despite claims associated with an earthquake in the third quarter. Personal lines claims recovered from the heavy rains experienced during the first half of 2014. Commercial lines were negatively impacted by increased frequencies of fire claims and margins for this line of business remains too low. Overall margins for the reporting period improved to **3,7%** (2013: 2,4%).

## Financial performance *(continued)*

Income from shareholder funds grew by 14% to **R319m** (2013: R279m) due to increased assets, improved equity market performance and a volatile but rewarding bond performance.

Operating expenses increased by 5% to **R2 724m** (2013: R2 582m). Operating expenses for the South African operations increased by 4%, mainly due to investments made to improve the Distribution channel's sales capacity. Operations in the Rest of Africa recorded an increase of 32% in operating expenses, due to investments undertaken to implement our African expansion strategy and foreign exchange differences. Excluding the impact of foreign exchange translations (8%) operating expenses increased by 24%. As part of our annual impairment assessment for intangible assets, an impairment of R20m was recognised during the reporting period. The impairment was required in respect of software development costs associated with separately identified components of systems where the components were considered obsolete.

## Operating environment

The weak economic environment in South Africa reported during the first half of 2014 persisted in the second half of 2014 while growth in the Rest of Africa remained resilient. Increasing inflation led by high energy costs, high levels of consumer indebtedness, rising interest rates, deterioration of the rand and high levels of unemployment combined with a volatile labour environment undermined investor confidence and continued to weigh down growth in the South African insurance markets. The affluent segment of the market was a significant contributor to overall premium growth, however, the mass market experienced weaker growth as it was hurt by strikes, unemployment and weak growth in disposable income. The impact of uncertainty was further reflected in the South Africa's corporate bond market which was shaken by defaults by African Bank Limited (a subsidiary of African Bank Investments Limited) on its subordinated debt issues in August and placed strain on money market funds across the industry. The rise in interest rates constrained household spending which could ultimately lead to higher lapse rates in insurance policies and reduced appetite for savings and risk protection products.

The regulatory environment remains dynamic with a number of developments in progress, including the SAM framework and the publication of the FSB's Retail Distribution Review initiative in Treating Customers Fairly. While the Retail Distribution Review initiative will fundamentally change the way in which insurance companies operate, WIMI continues to remain committed in providing customers with an affordable, fair and sustainable advice and intermediary services model in line with consumer protection.

WIMI will continue to evolve with the use of data and technology as we believe that regulation, distribution models and technology innovation will fundamentally change the risk landscape within the next three to five years.

## Business performance

In line with our strategic intent we have implemented a number of structural business changes:

- Enhanced our Wealth and Investment Management integration with a focus on strengthening linkages between wealth and private clients businesses and building skills in our team through investments in key hires.
- Grown our business across the African continent ahead of expectations and obtained a license for Barclays Life Assurance in Kenya. Due diligences for two additional acquisitions are progressing well.
- Developed new talent in our face-to-face channel through our academy, resulting in an increased footprint. We are also building out our digital capabilities for end-to-end client interaction.
- Improved our penetration of the bank customer base through closer collaboration, target-setting, aligned customer value propositions and the measurement of cross-sell performance. Cross-sell ratios have improved across most segments during 2014.
- Centralised administrative functions in both our short-term and distribution environments. In the short term, these actions negatively impacted on costs but will in future result in sales efficiencies by reducing the administration burden of our sales force, improving controls and delivering better client solutions. Opportunities for further automation and efficiencies are being investigated across all business units.
- We have commenced and are progressing well with the implementation of strategic responses to the challenges we face in our short-term insurance business relating to low margin business lines. The first phase of the implementation is to exit Agriculture crop business effective for the 2014/2015 season.

## Life Insurance

Life Insurance was faced with challenging operating conditions which impacted on the growth of key indicators. Headline earnings and gross operating income declined in comparison to the previous comparable reporting period at **R694m** (2013: R760m) and **R1 885m** (2013: R1 898m) respectively.

Lower levels of consumer disposable income proved challenging and resulted in low premium collection rates and recurring premium business. Net premium income increased by a muted 4% to **R2 554m** (2013: R2 466m). Operations in the Rest of Africa performed strongly with an increase in net premium income of 24% to **R318m** (2013: R257m) and net operating income growth of 30% to **R39m** (2013: R30m).

The current reporting period was adversely impacted by non-recurring items in 2013. Overall investment market returns were weaker than the comparable period in 2013.

Operating expenses increased by 14% to R432m due to the expansion into the Rest of Africa and increased IT and amortisation spend in South Africa from continued operating system replacement.

Continued growth in new business volumes from the Rest of Africa as well as a reduction in the cost of capital resulted in the embedded value of new business increasing 11% for the Life Insurance operations.

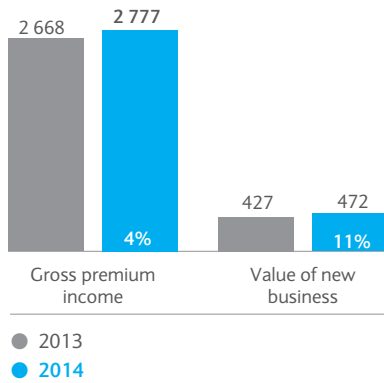
## WIMI

for the reporting period ended 31 December

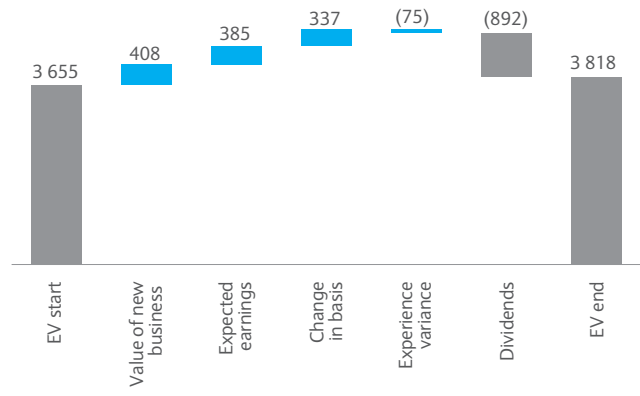
### Business performance *(continued)*

#### Life Insurance *(continued)*

##### Gross premium income and value of new business (Rm and change %)



##### Embedded value ("EV") (Absa Life South Africa) (Rm)



#### Salient features

	2014	2013	Change %
Shareholders' net assets (Rm)	1 318	1 467	(10)
Cost of solvency capital (Rm)	(268)	(308)	(13)
Value of business in force (Rm)	3 017	2 591	16
<b>Embedded value (Rm)</b>	<b>4 067</b>	<b>3 750</b>	<b>8</b>
Embedded value earnings (Rm)	1 166	1 157	1
Return on embedded value (%)	31,1	34,2	
Embedded value of new business (Rm)	472	427	11
Value of new business as a percentage of the present value of future premiums (%) (gross)	7,2	7,6	

### Wealth and Investment Management

Wealth and Investment Management achieved a 3% growth in headline earnings to **R475m** (2013: R462m). Revenue reflected 4% growth while assets under management and administration at **R259bn** declined by R5bn when compared to the previous reporting period (2013: R264bn).

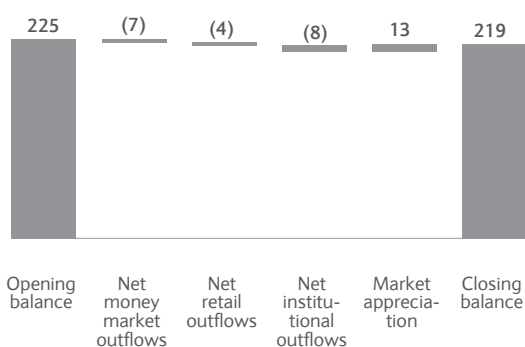
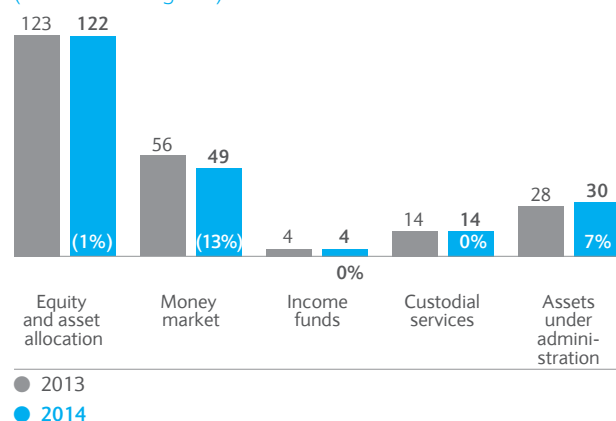
Net outflows amounting to R19bn were largely driven by outflows in the money market fund and segregated institutional mandates declining. Offsetting the net outflows was R13bn market appreciation. The second half of 2014 was characterised with negative investor sentiment on fixed interest portfolios due to the failure and subsequent curatorship of African Bank Limited in August. This resulted in outflows in the money market fund during quarter three which were contained through a waiver of client fees and ongoing client engagement.

Segregated institutional mandates recorded a decline from the previous comparable reporting period, with improved inflows experienced during the second half of the current reporting period being offset by institutional outflows in the first half. Offsetting the outflows were fund inflows, including market appreciation, of R13bn. Despite the net outflows within assets under management and administration, Wealth and Investment Management maintained gross revenue in line with the prior reporting period, largely driven by improved performance within the Wealth and Advisory segment on the back of our drive to transition our wealth coverage business to an advice led business.

The business benefited from a 9% increase in net interest income, primarily due to increased demand for shorter-term facilities and improved margins on interest earning assets. Credit impairments declined by 63%, underpinned by an improvement in specific impairments as well as higher unidentified credit impairments raised during the previous comparable reporting period. The prior reporting period also includes the effects on impairment provisioning from Absa Mortgage Fund Managers which was discontinued during 2013.

## Business performance (continued)

## Wealth and Investment Management (continued)

Movement in assets under management and administration (Rbn)<sup>1</sup>Composition of assets under management and administration (Rbn and change %)<sup>1</sup>

## Salient features

	2014	2013	Change %
Headline earnings (Rm)	475	462	3
Gross operating revenue (Rm)	1 557	1 554	0
Net interest income	378	347	9
Non-interest income	1 179	1 207	(2)
Credit impairments (Rm)	(30)	(80)	(63)
Net revenue (Rm)	1 527	1 474	4
Gross margin (bps)	48,5	51,2	
Net flows (Rbn)	(19,0)	23,2	>(100)
Money market	(6,9)	(2,3)	>100
Non-money market – retail	(4,4)	8,2	>(100)
Non-money market – institutional	(7,7)	17,3	>(100)
Average loans and advances to customers (Rbn)	10,5	10,9	(4)
Client assets (Rbn)	5,3	4,9	8
Net assets under management and administration (Rbn) <sup>1</sup>	259	264	(2)

In line with our strategy to manage our investment capabilities on an integrated basis, we have entered into a joint venture with CIB.

This joint venture provides us with a platform to manage exchange traded funds on a combined basis. The assets under management and administration disclosed in the following table reflects the combined view for the integrated business going forward.

	2014 Rbn	2013 <sup>2</sup> Rbn	Change %
Assets under management and administration	259	264	(2)
Exchange traded funds	36	30	20
Money market	50	57	(12)
Non-money market	181	181	—
Intra-segment eliminations	(8)	(4)	100
Alternative asset management and exchange-traded funds	80	73	10
Deceased estates	3	3	—
Other	14	15	(7)
Portfolio management	42	46	(9)
Trusts	2	4	(50)
Unit trusts	118	123	(4)
	259	264	(2)

## Notes

<sup>1</sup>Excludes exchange traded funds, assets under management and administration.

<sup>2</sup>Restated, refer to inside cover page for reporting changes overview. Additional disclosures for 31 December 2013 have been restated where applicable.

## WIMI

for the reporting period ended 31 December

### Business performance *(continued)*

#### Short-term Insurance

Short-term Insurance achieved headlines earnings of **R204m** (2013: R155m), an increase of 32% on the previous comparable reporting period.

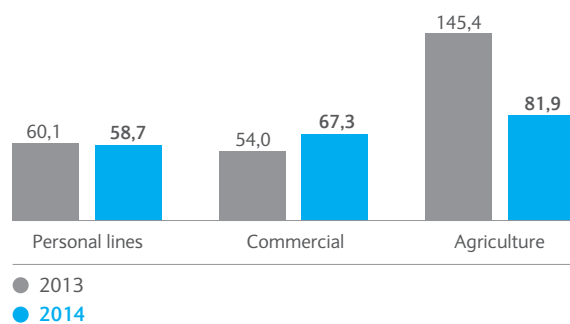
Net insurance premium income increased by 7% to **R3 201m** (2013: R2 983m), mainly due to personal lines cover. The underwriting profit for the South African business improved to **2,8%** (2013: 1,2%) despite the earthquake in the second half of 2014. The capping of the crop exposure and improved rainfall conditions during the reporting period had a positive impact on the underwriting margin. Personal lines book experienced good growth of 7%, largely due to increased focus on bancassurance growth and non-intermediated products.

The overall claims ratio improved to **68,5%** (2013: 69,5%). Crop insurance recorded a significantly lower claims ratio of **81,9%** (2013: 145,4%), resulting in underwriting surplus of **R44m** (2013: underwriting loss of R50m). The personal lines underwriting surplus increased to **R600m** (2013: R511m) due to strong growth in Absa indirect and a significant reduction of severe weather related claims in the fourth quarter compared to the fourth quarter of 2013.

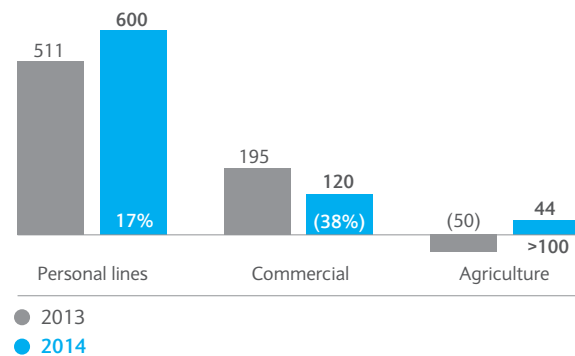
The commercial claims ratio increased to **67,3%** (2013: 54,0%) due to increased frequencies of fire claims. A number of strategic responses are under consideration to address the low margin on this line of business.

Operations in the Rest of Africa performed strongly, with an increase in net premium income of 26% to **R290m** (2013: R230m), while net operating income increased by 47% to **R63m** (2013: R43m).

#### Loss ratio (%)



#### Underwriting surplus (pre-expenses Rm)



The loss ratio represents net insurance claims and benefits paid as a percentage of net premium income.

Salient features	2014	2013	Change %
Gross premiums (Rm)	5 412	4 831	12
Underwriting surplus (Rm)	527	456	16
Headline earnings (Rm)	204	155	32
Underwriting margin (%) <sup>2</sup>	3,7	2,4	
Loss ratio (%) <sup>1</sup>	68,5	69,5	
Solvency margin (%)	57,0	58,8	
NAV (Rm)	1 796	1 798	

#### Notes

<sup>1</sup>The loss ratio represents net insurance claims and benefits paid as a percentage of net premium income.

<sup>2</sup>The underwriting margin percentage has been restated to include other income, other impairments and indirect taxation.



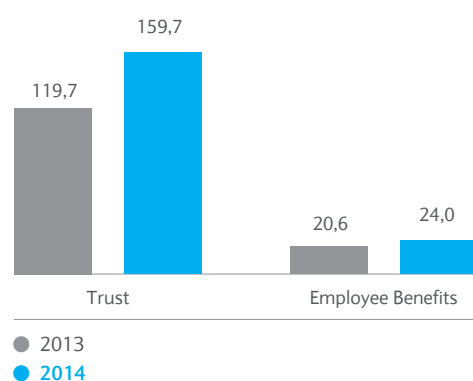
## Business performance *(continued)*

### Fiduciary Services

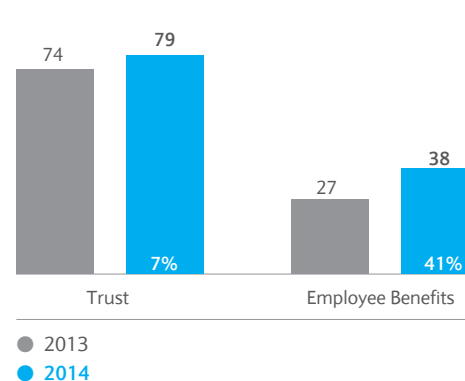
Headline earnings increased by 16% to **R117m** (2013: R101m). Absa Trust continues to be a significant cash generating business and reported a 7% increase in headline earnings to **R79m** (2013: R74m). RoE of 159,7% was delivered. The business continued to show a strong growth in new wills written in the high net worth segment and achieved R10bn on Trust assets under management.

Employee Benefits recorded an increase of 8% in revenue to **R371m** (2013: R343m) for the reporting period. Pricing reviews, as well as restructuring changes undertaken, produced positive results. Employee Benefits' headline earnings increased by 41% to **R38m** (2013: R27m).

#### RoE (%)



#### Headline earnings (Rm and change %)



#### Salient features

	2014	2013	Change %
Headline earnings (Rm)	117	101	16
Average value of estates distributed (R'000)	1 146	1 031	11
Net assets under management (Rbn)	12,6	11,6	9
Third party Investments	4,8	4,6	4
	7,8	7,0	11

**WIMI**  
for the reporting period ended 31 December

**Business performance** *(continued)*

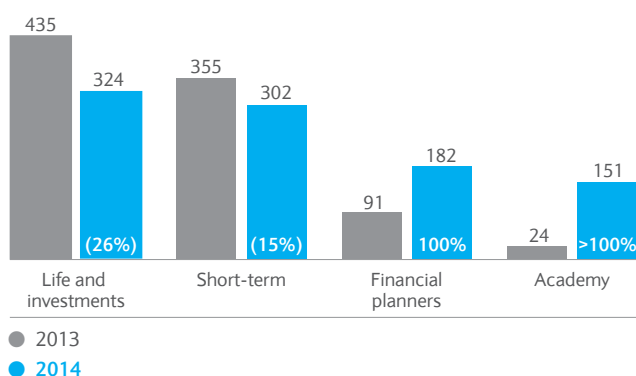
**Distribution**

During the year we implemented a number of changes in Distribution to align to the shift in Regulation and customer demands. Gross commission income declined by 2% to **R1 184m** (2013: R1 208m), a satisfactory result considering the disruptive changes. In addition, higher remuneration was paid to advisors in line with revised remuneration structures. The commission paid as a percentage of commission income, increased by 5% to **62%** (2013: 57%). Operating expenses decreased by 2% to **R501m** (2013: R512m). During the current reporting period, we continued to focus on expanding our advisor footprint and sales capabilities. The investments made during the reporting period included the following key initiatives which have resulted in an improved client value proposition:

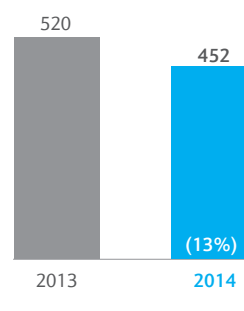
- Developed new talent through our advisor academy, with an increased footprint;
- Established centralised distribution administration centers to reduce administration;
- Improved control; and
- Continued investments in the expansion of our multi-channel distribution capability.

Lower sales volumes combined with higher payments to advisors and investments made, resulted in a loss in headline earnings of **R56m** (2013: R4m profit) for the reporting period.

**Distribution force (number)**



**Revenue (Rm and change %)**



**Looking ahead**

We aim to be the ‘Go-To’ non-banking financial services provider to our clients on the continent, including wealth, investment management, insurance, trust and employee benefits solutions. The strategy continues to focus on:

- Building out our bancassurance competencies across the Group and the African continent to enhance our penetration of the bank customer base (“more than a bank”);
- Developing a multi-channel distribution capability including the transformation of our advisor force;
- Rapid expansion in Africa across our lines of business;
- Growing and scaling our wealth and investment management business;
- Transforming our short-term insurance business to improve returns; and
- Embedding the right operating model in the business to ensure customer-centricity, efficiencies and an appropriate control environment.

# Risk management

## Contents

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2. Capital management | Page 127



View of Bamako and the Niger River in Mali.

**Risk management overview**  
for the reporting period ended 31 December

Effective risk management and control are essential for sustainable and profitable growth.

The role of risk management is to evaluate, respond to and monitor risks that arise in the execution of the strategy to become the 'Go-To' bank in Africa. It is essential that business growth plans are supported by an effective Enterprise Risk Management Framework ("ERMF"). Risk culture is closely aligned to that of the business, whilst retaining independence in analysis and decision-making.

The approach to managing risk is outlined in the ERMF, which creates the context for setting standards and establishing the right practices throughout the Group. It defines the risk management process and sets out the activities, tools, techniques and organisational arrangements to ensure that material risks can be better identified and managed. It also ensures that appropriate responses are in place to protect the Group and prevent detriment to its stakeholders, thereby enabling the Group to meet its goals.

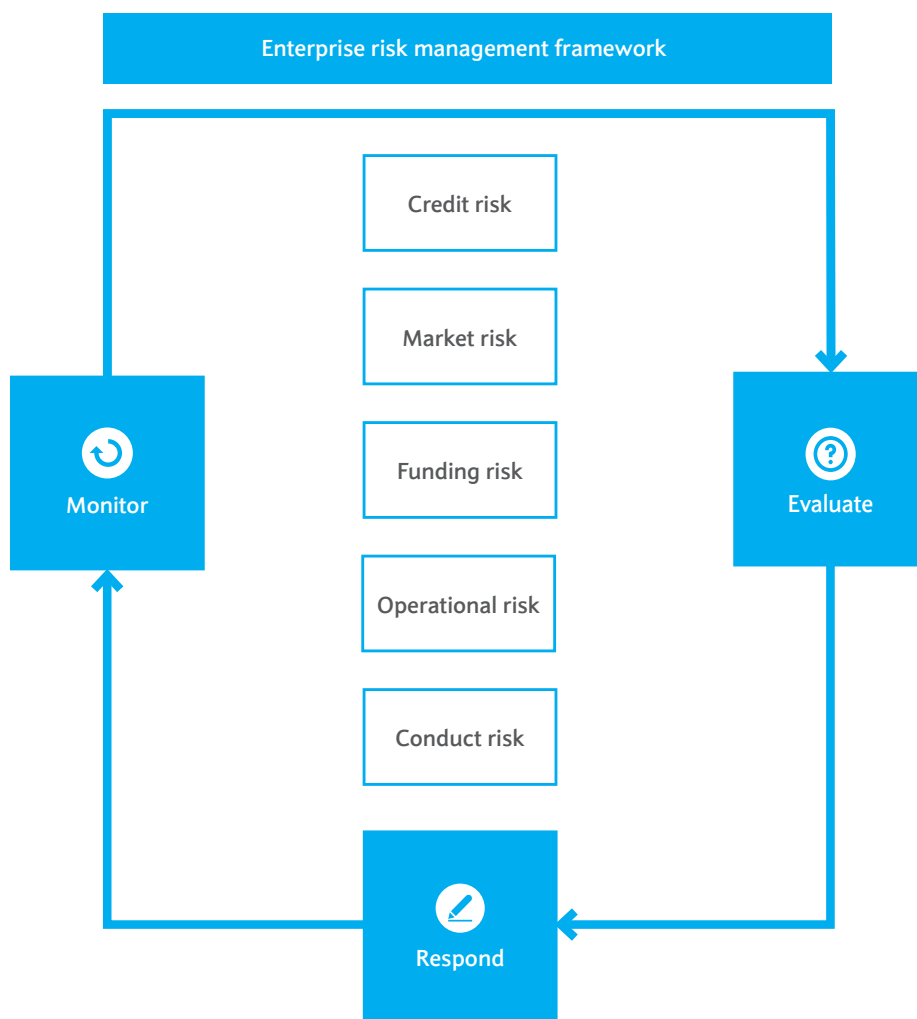
The ERMF includes those risks taken by the Group that are foreseeable, continuous, and material enough to merit establishing specific Group-wide control frameworks. These are known as key risks and are grouped into five principal risks. In the current reporting period, reputation risk has been added as a key risk under conduct risk.

The three lines of defence operating model, which has been defined in the ERMF, enables the appropriate assignment of risk management activities between those parties that:

- Own and take risk, and implement controls (first line);
- Oversee and challenge the first line, provide independent second line risk management activity and support controls (second line); and
- Provide assurance that the risk processes are fit for purpose, and that they are being carried out as intended (third line).

The ERMF enables businesses and functions to be organised along the three lines, by formalising independence and challenge, while still promoting collaboration and the flow of information between all areas.

**Principal risks**



## Risk management overview

for the reporting period ended 31 December

### Review of 2014

Overall performance continued to improve, with all risk and capital measures remaining within the board-approved risk appetite. Key performance outcomes included:

- As loans and advances increased, driven by growth in Wholesale and certain Retail portfolios, credit performance continued to improve across major portfolios. Both impairment charges and the impairment loss ratio reduced year-on-year.
- Against the backdrop of continuing challenges in the macroeconomic environment, overall coverage increased on both performing and non-performing loans.
- Market risk exposures were within risk appetite.
- Operational risk losses increased year-on-year, with fraud and reconciliation losses in the Card business being the primary drivers of losses.
- The Group remained well capitalised above the minimum regulatory requirements and board-approved target capital ranges.
- The liquidity position remained healthy and well managed within key limits and metrics.
- The Group developed an approach to the management of conduct risk.
- The Group introduced a new risk appetite framework for insurance risk.

### Future priorities

While continuing to focus on delivering effective and efficient risk management and meeting regulatory requirements, specific risk management priorities for 2015 include:

- Ensure business remains within risk appetite, and refine the risk appetite approach for insurance and country risk.
- Embed the ERMF and the three lines of defence operating model.
- Continue to improve risk measurement models, and enhance risk-adjusted returns while reducing volatility in performance.
- Continue to strengthen controls and infrastructure, specifically in the areas of technology, financial crime, fraud and transactional operations (including the automation of high volume manual processes).
- Embed conduct risk frameworks and enhance conduct risk management controls, tools and reporting.
- Achieve a uniform approach to managing risk across Africa.
- Continue to build upon the Recovery Plan and develop an approach to Resolution.
- Increasing focus upon data initiatives including those arising from regulation.

### Credit risk

The risk of financial loss should the Group's customers, clients or market counterparties fail to fulfil their contractual obligations.

#### Factors that influence this risk

Specific scenarios which could impact credit risk in both the retail and wholesale portfolios include:

- The slowdown in China's economy could further undermine commodity prices, especially copper, platinum and crude oil. This poses downside risks, especially in sub-Saharan Africa. Country and sovereign risk will be closely monitored in those countries with high exposure to commodity prices.
- Persistent electricity supply constraints in South Africa reducing growth prospects. Lower oil prices will, however, help to constrain increases in the import bill, reduce inflation and increase consumer disposable income.

Continuing macroeconomic uncertainty, especially arising from US monetary policy changes, and the instability of the Euro Monetary Area could negatively impact investment flows into Africa.

## Risk management overview

for the reporting period ended 31 December

### Credit risk *(continued)*

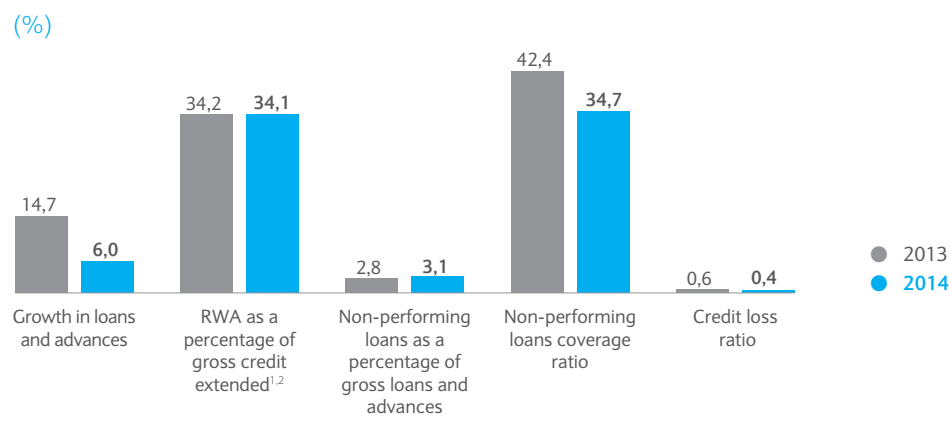
#### How the Group manages this risk

- Understand the target market.
- Define clear risk appetite thresholds and triggers using applicable stress test measures.
- Establish risk acceptance criteria.
- Undertake sound credit origination, monitoring and account management.
- Ensure appropriate risk infrastructure and controls.

#### Wholesale credit risk

##### Review of 2014

	Trend	2014 %	2013 %
Growth in loans and advances	▼	6,0	14,7
RWA as a percentage of gross credit extended <sup>1,2</sup>	▼	34,1	34,2
Non-performing loans as a percentage of gross loans and advances	▬	3,1	2,8
Non-performing loans coverage ratio	▼	34,7	42,4
Credit loss ratio	▲	0,4	0,6



- **Growth:** Total loans and advances growth was fairly muted at 6,0% when compared to 14,7% in 2013. Growth continued to be dominated by Corporate and Investment Banking with the Rest of Africa growing strongly at 12,7%.
  - While regional diversification continues to grow in the CIB portfolio as new opportunities across Africa are explored, new business within South Africa has been buoyed by increased corporate activity across the mining, transportation and retail sectors.
  - The Business Banking South Africa portfolio remained stable. The growth in lending was offset by a decline in the CPF book of 9%, as a result of significant repayment and the early settlement of existing loans.
- **Portfolio performance:** The non-performing coverage ratio further decreased to **34,7%** (2013: 42,4%) due to a number of write-offs in the defaulted exposure and a slowing down of new defaults in Business Banking.

#### Notes

<sup>1</sup>Gross credit extended includes off balance sheet exposures as well as exposures to banks and sovereigns.

<sup>2</sup>The percentages include only portfolios subject to the internal ratings-based approaches.

## Risk management overview

for the reporting period ended 31 December

### Credit risk *(continued)*

- **Impairments:** The wholesale portfolio credit impairment charge decreased by 18% to **R815m** (2013: R990m). This improvement was largely driven by the overall positive Rest of Africa and Business Banking SA portfolios' performance, down 52% and 36% respectively.

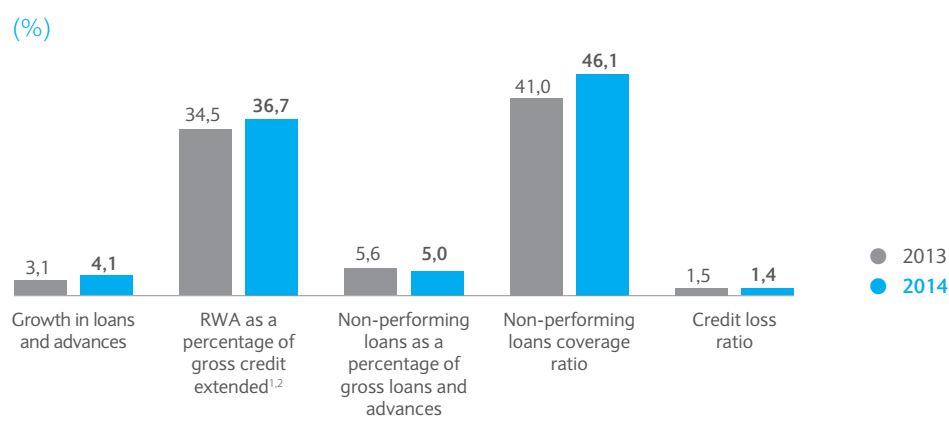
### Future priorities

- Continue to respond to regulatory changes while making efficient use of capital.
- Ensure that delivery capability is based on a progressive and cost-effective infrastructure that will enable the Group to deliver forward thinking, relevant and scalable approaches to manage and report credit risk.
- Deliver a relevant and scalable risk appetite operating model.
- Refine stress testing and concentration risk methodologies to ensure that all potential stresses are understood and quantified.
- Refine the approach to sovereign and country risk management.

### Retail credit risk

#### Review of 2014

	Trend	2014 %	2013 %
Growth in loans and advances	▲	4,1	3,1
RWA as a percentage of gross credit extended <sup>1,2</sup>	▲	36,7	34,5
Non-performing loans as a percentage of gross loans and advances	▬	5,0	5,6
Non-performing loans coverage ratio	▲	46,1	41,0
Credit loss ratio	▼	1,4	1,5



- **Growth:** The 0,1% growth in Home Loans' new applications was offset by the reducing legal book, resulting in a net decrease of 1,4%. Both these drivers are positive developments. VAF grew **9,1%** (2013: 8,9%) and the Credit Card portfolio 10,4%, driven by new product launches and campaigns. Portfolios in the Rest of Africa grew 34,8%.
- **RWA:** Overall RWA as a percentage of gross credit extended increased to 36,7% from 34,5%, driven by additional capital requirements specific to forbearance/restructured exposures.

#### Notes

<sup>1</sup>Gross credit extended includes off-balance sheet exposures as well as exposures to banks and sovereigns.

<sup>2</sup>The percentages include only portfolios subject to the internal ratings-based approaches.

## Risk management overview

for the reporting period ended 31 December

### Retail credit risk *(continued)*

- **Non-performing loans:** NPLs continued to decrease. NPL coverage increased to **46,1%** (2013: 41,0%) as coverage was increased on unsecured lending, including Cards.
- **Impairments:** The credit loss ratio improved to 1,4% from 1,5%, reflecting our enhanced collections capability and improving quality of new business. The loss ratio decreased in Home Loans, increased in VAF and Credit Cards and remained stable in Personal Loans. The credit loss ratio in the Rest of Africa reduced to 1,7% from 2,2%.

### Future priorities

- Continue to invest in models/analytics to improve the Group's risk profile, measurement and risk-adjusted returns, with a focus on unsecured lending.
- Respond effectively to the deteriorating macroeconomic environment.
- Improve debt counselling and other collection rehabilitation programmes to ensure appropriate management of customers in financial difficulty.
- Continue to improve risk infrastructure, processes and controls.

### Market risk

The risk that the Group's earnings, capital or business objectives will be adversely impacted by changes in the level or volatility of market rates or prices such as interest rates, foreign exchange rates, equity prices, commodity prices and credit spreads.

- **Traded market risk:** The risk of the Group being impacted by changes in the level or volatility of positions in trading books, primarily in the Investment bank.
- **Non-traded market risk:** The risk of being unable to hedge the interest rate risk in the banking book, primarily in the retail, business banking, and corporate portfolios.
- **Insurance risk:** The risk that future experiences relating to claims, expenses, policyholder behaviour and investment returns are different from the assumptions made when setting premiums or valuing policyholder liabilities.
- **Pension risk:** The risk that arises when an adverse movement between pension assets and liabilities results in a pension deficit.

### Factors that influence this risk

Specific scenarios which could result in significantly lower revenues include:

- Reduced client activity and decreased market liquidity, as the Corporate and Investment Banking business model is focused on client intermediation. Lower levels of liquidity could result in longer holding periods.
- Significant unexpected capital outflows that could arise due to a decline in demand for African and other emerging market local currency government bonds.
- Further pressure on the oil price could have a notable impact on the trading environment in a number of African countries.
- Changes in the composition of structural risk, which if not adequately identified and managed, could lead to increased levels of exposure to interest rate and exchange rate volatility of earnings.
- Inadequate product pricing, insufficient assets held for policyholder liabilities and inappropriate reinsurance strategies in the management of insurance claims.



## Risk management overview

for the reporting period ended 31 December

### Market risk *(continued)*

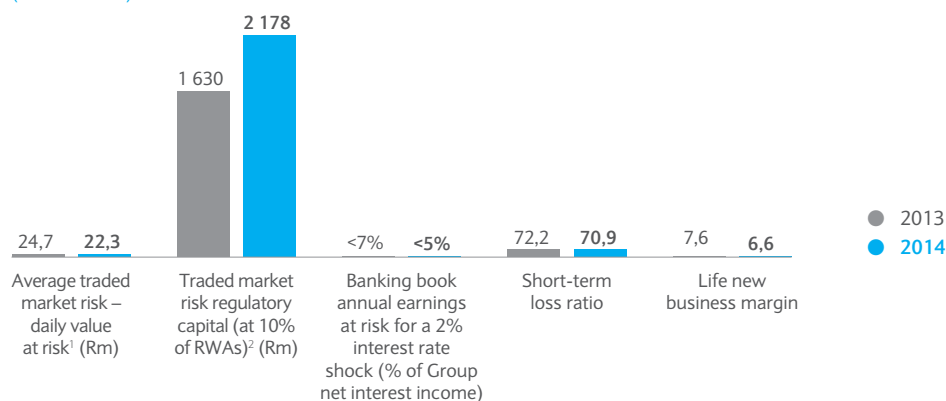
#### How the Group manages this risk

- Monitor the risk limit and appetite framework.
- Ensure a high degree of net interest margin stability in banking books.
- Understand risk sensitivity and volatility, and leverage stress testing and empirical analytics.
- Use appropriate models to measure risk.
- Ensure that risks underwritten are well diversified and focus on reducing earnings volatility.
- Increase exposure to more attractive business lines to improve the risk-return outlook. Monitor and continuously reassess the inherent quality and risk profile of the insurance business book.
- Ensure pension risk is managed within defined principles, objectives and governance, as well as country-specific regulations.
- Ensure appropriate capital levels exist to meet policyholder obligations during severe economic conditions.

#### Review of 2014

	Trend	2014	2013
Average traded market risk – daily value at risk <sup>1</sup> (Rm)	▼	22,3	24,7
Traded market risk regulatory capital (at 10% of RWAs) <sup>2</sup> (Rm)	▲	2 178	1 630
Banking book annual earnings at risk for a 2% interest rate shock (percentage of Group net interest income)	▼	<5%	<7%
Short-term loss ratio (%) – South Africa	▼	70,9	72,2
Life new business margin (%) – South Africa	▼	6,6	7,6

(Rm and %)



- **Traded market risk:** The Group managed trading exposures within risk appetite. The trading business remained resilient as the market experienced the start of the interest rate hiking cycle and weakness in the rand. Revenues are underpinned by a strong client franchise, with a focus on sustainable client flow and facilitation and the careful management of risk across the Group. This was supported by continued strengthening of the control environment and the implementation of the Group's trading platform in seven additional entities during 2014. In line with Securities Exchange Commission requirements, the Group also implemented reporting as stipulated by the Volcker rule during the current reporting period.

#### Notes

<sup>1</sup>Daily value at risk for outside South Africa is based on a historical simulation model that uses sensitivity-based inputs rather than full revaluation as is done for South Africa.

<sup>2</sup>At 9,5% of RWAs for 2013 and 10% of RWAs for 2014 .

## Risk management overview

for the reporting period ended 31 December

### Market risk *(continued)*

- **Non-traded market risk:** The Group remained positively exposed to further increases in interest rates in South Africa after the impact of hedging. The Group continues to be exposed to prime JIBAR basis risk in South Africa, arising from the funding of predominantly prime-linked assets with liabilities that are primarily JIBAR-linked after hedging. Basis risks also exist across the Rest of Africa business. There has been continued enhancement of interest rate risk measurement across the Rest of Africa. The interest rate environment remained divergent across the region, with countries such as Ghana and Zambia tightening monetary policy rates in response to weakening currencies and inflationary pressures, while in Mozambique and Uganda, relatively low inflation prompted monetary authorities to relax policy rates further.
- **Insurance risk:** The Group continued to pursue diversified growth between life insurance and short-term insurance exposures. The economic capital ("EC") assessments for the constituent risks and overall insurance risk remained within approved levels. The insurance entities remained solvent as there was sufficient capital retention maintained above the regulatory minimum capital requirements. To further reduce short-term insurance volatility, a decision was made to fully reinsure crop insurance exposure and to exit the crop insurance business in 2015.
- **Pension risk:** Pension plans and benefits are provided in all countries where the Group has a footprint with the South African pension arrangement, the Absa Pension Fund, remaining the largest fund.

### Future priorities

- Ensure appropriate risk management responses to higher traded market volatility and continued pressure on market liquidity.
- Respond to regulatory and capital change, specifically preparing for the adoption of the Fundamental Review of the Trading Book.
- Continue to service the client franchise, and to increase client flow.
- Continue to build trading capacity and controls across Africa, with the launch of integrated risk technology to ensure all entities across the Group are using the same risk management infrastructure and systems.
- Reduce margin volatility through the ongoing structural hedge programme in South Africa.
- Further refine risk measurement of structural products and optimisation of balance sheet structuring as a risk mitigant.
- Monitor the insurance risk profiles against the approved risk appetites for 2015.
- Enhance and further develop the rigour of models for life and non-life insurance entities.
- Embed the ORSA principles into the operations and governance of insurance entities to improve the Group's risk management policies, controls and processes.
- Finalise the insurance entities' preparations for the Solvency Assessment Management regime coming into effect in 2016.

### Funding risk

The risk that the Group is unable to achieve its business plans as a result of capital, liquidity and structural risk:

- **Capital risk:** The risk that the Group is unable to maintain adequate levels of capital. This could lead to an inability to support business activity; a failure to meet regulatory requirements; and/or changes to credit ratings, which could also result in increased costs or reduced capacity to raise funding.
- **Liquidity risk:** The risk that the Group is unable to meet obligations as they fall due.
- **Structural risk:** The risk arising from the impact of interest rate and foreign exchange movements on the balance sheet and income statement.

### Factors that influence this risk

- Ability of the business to generate positive equity driven by profit, and changes in capital requirements.
- Regulatory change and structural reform of the financial sector is an ongoing process internationally.
- Changes in the composition of the statement of financial position which, if not adequately identified and managed, could lead to increased levels of exposure to interest rate and exchange rate volatility of earnings.

### How the Group manages this risk

The Group manages funding risk by adhering to its board's approved funding risk appetite and by maximising shareholder value through RWA precision, optimising capital supply mix, liquidity and structural components.

## Funding risk *(continued)*

### Capital risk

Effective capital planning and management ensures that sufficient and appropriate capital resources are available to support the Group's risk appetite, business activities, credit rating and regulatory requirements. The capital management process includes:

- Meeting capital ratios required by regulators and the target ranges approved by the board.
- Maintaining an adequate level of capital resources prudently in excess of EC requirements.
- Optimising returns and net generation of equity through capital and balance sheet management.

### Review of 2014

	Trend	2014		2013
		Board target range %	2014 %	%
Common Equity Tier 1 capital adequacy ratio	▼	9,5 – 11,0	11,9	12,1
RoRWA <sup>1</sup>	▲		2,22	2,16
Return on average economic capital	▼		20,4	20,6
RoE	▲		16,7	15,5

(%)



- The CoE increased to 13,5% from 13,0% with effect from January 2014 due to a higher market view of the risk free rate.
- RWAs increased 10,5% to **R619,7bn** (2013: R560,9bn) mainly due to increased regulatory requirements, and the prevailing economic environment negatively impacting certain credit portfolios. This was partly offset by RWA precision initiatives.
- The Group is capitalised above the minimum regulatory and board-approved capital target ranges due to continued economic uncertainty, as well as anticipated future changes in regulations.
- The Group issued inaugural Basel III compliant instruments in November 2014, qualifying as Tier 2 capital.

#### Note

<sup>1</sup>For the calculation of RoRWA, the RWA have been restated. Refer to the inside cover page for the reporting changes overview. Additional disclosures for 31 December 2013 have been restated where applicable.

## Risk management overview

for the reporting period ended 31 December

### Funding risk *(continued)*

#### Future priorities

- Ensure all entities remain adequately capitalised above the minimum regulatory requirements, within board-approved target capital ranges and in line with the board-approved risk appetite.
- Further improve the approach to capital management and consider:
  - continued focus on RWA precision;
  - enhancing the economic capital framework;
  - improving performance metrics such as positive capital generation and return on equity;
  - optimising the mix of capital supply; and
  - appropriate capital allocation.
- Issuance of Basel III compliant Tier 2 instruments to replace instruments being called.
- Keep abreast of regulatory and capital changes.

#### Liquidity risk

The liquidity risk management process includes:

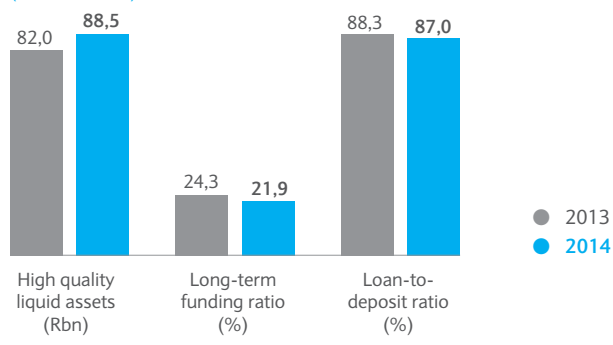
- Management of the overall funding position, including construction of the funding plan.
- Liquidity risk monitoring.
- Intra-day liquidity risk management.
- Contingency liquidity planning.
- Regulatory compliance.

The Group expects to maintain a healthy liquidity position throughout 2015 which supports its growth targets.

#### Review of 2014

	Trend	2014	2013
Sources of liquidity (Rm)	▲	175 836	153 871
High quality liquid assets (Rm)	▲	88 537	81 974
Statutory liquid assets and cash reserves (South Africa)	▲	53 562	49 915
Surplus liquid assets (South Africa)	▲	34 975	32 059
Other liquid assets (outside South Africa)	▲	31 841	31 697
Other sources of liquidity	▲	55 458	40 200
Long-term funding ratio (%)	▼	21,9	24,3
Loan-to-deposits and debt securities ratio (%)	▼	87,1	88,3

(Rbn and %)



- The Group's liquidity risk position remained healthy and is managed within key limits and metrics.
- From 1 January 2015, the Group is required to maintain a liquidity coverage ratio in excess of 60%. To ensure continuous compliance, the Group holds a volatility buffer above the requirement.
- The Group has a well-diversified deposit base and concentration risk is managed within appropriate guidelines. Sources of liquidity are reviewed regularly to maintain a wide diversity of provider, product and term. The long-term funding ratio reduced 2,4% to 21,9%, due to an increase in short-term funding raised in RBB and CIB.
- The loan-to-deposit ratio improved 1,2% to 87,1%.
- The net stable funding ratio is currently being incorporated into local regulations and will become effective on 1 January 2018.

## Risk management overview

for the reporting period ended 31 December

### Funding risk *(continued)*

#### Future priorities

- Manage the funding and high quality liquid asset position in line with Board-approved liquidity risk appetite framework and liquidity coverage ratio requirements.
- Continue to grow and diversify the funding base to support asset growth and other strategic initiatives.
- Balance the aforementioned priorities against the long-term impact on the cost of funding.

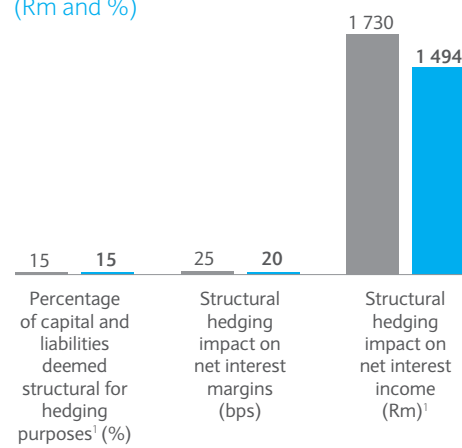
#### Structural risk

Structural risk exposures continue to be identified and managed within well-defined risk limits. The qualification criteria for structural exposures are well defined and tested, and structural risk management approaches continue to follow strict internal governance processes.

#### Review of 2014

	Trend	2014	2013
Percentage of capital and liabilities deemed structural for hedging purposes <sup>1</sup> (%)	—	15	15
Structural hedging impact on net interest margins (bps)	▼	20	25
Structural hedging impact on net interest income <sup>1</sup> (Rm)	▼	1 494	1 730

(Rm and %)



- The size of the structural hedging programme has remained stable at 15% of capital and liabilities. The process whereby structural balances are identified for structural hedging has remained materially unchanged in 2014. Structural exposures continue to be actively reviewed to ensure the programme remains representative of changes in the composition of the balance sheet.
- Exchange rate and interest rate volatility re-emphasised the importance of structural risk management, with the structural hedging programme in South Africa continuing to play an important role in reducing margin volatility during the interest rate cycle. The impact of the structural hedging programme on net interest margins and net interest income remained material, but was at levels lower than those experienced in 2013. This was mainly due to the increase in short-term interest rates experienced during 2014.
- The acquisition of countries outside South Africa introduced additional risk through interest rate and exchange rate exposures to the Rest of Africa. The Group has enhanced risk identification and measurement approaches in the region.

#### Future priorities

- Ensure that structural risks continue to be managed in line with the Group's risk appetite.
- Continue to manage structural interest rate risks in South Africa in accordance with the structural interest rate hedging programme.
- Continue to enhance the approach outside South Africa to optimise further balance sheet structures in line with risk appetite and return objectives.

#### Note

<sup>1</sup> Structural interest rate risk hedging is only conducted in respect of the South Africa business.

## Risk management overview

for the reporting period ended 31 December

### Operational risk

Operational risk arises when there is potential for direct and indirect loss resulting from human factors, inadequate or failed internal processes, systems or external events. The Group actively seeks to minimise the impact of losses suffered, both in the normal course of business (expected losses) and in extreme events (unexpected losses), to improve effective management of the Group, and strengthen its brand and external reputation.

#### Factors that influence this risk

- The scale and type of fraud, both internal and external.
- Increasing and changing regulatory requirements affecting the internal control environment.
- The extent, nature and management of change in the organisation, including the type and scale of growth.
- The rate of technological evolution and progress, and the complexities of IT recovery.
- External factors, including the disruption of key services such as energy load shedding and the postal strike.

#### How the Group manages this risk

The Group has developed and embedded an Operational Risk Management Framework designed to deliver on the key operational risk management strategies and objectives. The consistent implementation and application of the Operational Risk Management Framework ultimately enables the Group to:

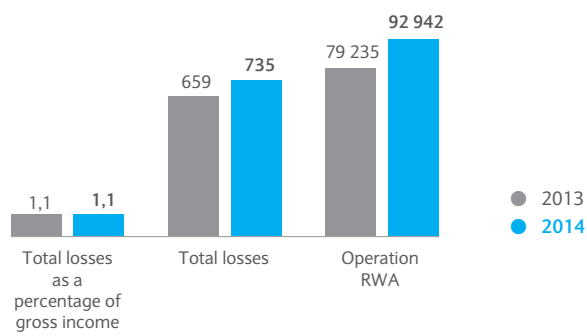
- Embed a culture of risk awareness across the businesses.
- Improve risk governance and oversight at an executive level to ensure accountability.
- Strengthen risk practices.
- Enhance the control environment by standardising processes and using automated solutions where appropriate.
- Invest in infrastructure and systems to support the measurement of operational risk.
- Implement remedial actions should the risk profile not be at an acceptable level.

When the Group has a significant event, a Lessons Learnt review is performed. Learnings from such reviews are shared with other parts of the Group, and actions taken to address issues are independently tracked to completion by the risk management function.

#### Review of 2014

	Trend	2014	2013
Total losses as a percentage of gross income	▬	1,1	1,1
Total losses (Rm)	▲	735	659
Operational RWA (Rm)	▲	92 942	79 235

(Rm and %)



Total operational risk losses for 2014 were within the Group's appetite, but exceeded that of 2013. Incidents relating to fraud and transaction processing remained the largest contributors, accounting for 57% and 30% of total losses respectively. The most significant loss events in the reporting period related to an external identity theft fraud (R104m) and a payment and settlement reconciliation issue (R153m), both in the card business.

## Risk management overview

for the reporting period ended 31 December

### Operational risk *(continued)*

- **Technology risk:** Technology stability remained a challenge in 2014, specifically within the payments environment although the Group made good progress in addressing issues relating to unsupported infrastructure and systems.
- **Fraud risk:** Plastic fraud losses remain the key driver behind overall fraud losses, but these have improved and stabilised across all card portfolios.
- **Financial reporting, transaction operations and payments:** The Group is actively remediating an issue within the Card business relating to reconciling payment and settlement transactions. This is an industry-wide issue affecting multiple parties to the payments system. The issue is managed via a Group-level control remediation project.

### Future priorities

- **Technology risk:** Continue to invest in systems to improve and maintain technology resilience. There is a need to consolidate and simplify platforms across the continent, and, where relevant, replace legacy systems. In addition, the migration of services to a new data centre will improve the Group's disaster recovery capability. Cyber risk management is also receiving additional attention as this risk escalates globally.
- **Regulatory and financial crime risk:** Continued focus on the management of regulatory risk in step with recent and planned regulatory changes. Financial crime compliance will be strengthened through investment in technology and refining the customer on-boarding and monitoring processes.
- **Fraud risk:** Improve the Group's fraud capability with a focus on the digital banking, the insurance businesses and operations outside South Africa.
- **Product risk:** Monitoring and managing risks associated with the expansion of the businesses across Africa, specifically within the corporate, life insurance and digital businesses.
- The Energy challenge in South Africa is being closely monitored, with business continuity plans being updated for various scenarios ranging from energy curtailment, load shedding and blackouts.

### Conduct risk

Conduct risk is the risk that detriment is caused to customers, clients, counterparties or Barclays Africa and its employees because of inappropriate judgement in the execution of business activities.

#### Factors that influence this risk

- Strategy and business model of the organisation.
- Culture and behaviour of the employees of the organisation.
- Technological evolution impacting approaches to the marketing and selling of services and products to customers.
- Increasing and changing regulatory requirements.
- Association with controversial clients, business decisions, sectors, governments or countries.

#### How the Group manages this risk

- Implementing a framework and risk practices which include frequent material risk assessments, use of risk and performance indicators, management of risk events, and reporting of key conduct risks to executive committees and boards.
- Continuous engagement with regulators and industry bodies to identify forthcoming regulatory changes, and assessing and addressing their impact on customers and the financial industry.
- Ongoing monitoring and combined assurance of the effectiveness of the framework and risk management practices.
- Evaluating the potential reputation risk to the Group's brand prior to making a commercial decision and ensuring ongoing monitoring of the risk once a commitment has been made.
- Identifying and escalating material reputation risks for appropriate review.
- Regular review through scenario planning, and business continuity and crisis management to mitigate the operational impact of commercial decisions on clients and customers.

## Risk management overview

for the reporting period ended 31 December

### Conduct risk *(continued)*

#### Review of 2014

The key forward-looking themes identified in conduct material risk assessments were:

- Impact of unavailability of technology and support to users that can impede straight-through processing, thereby adversely impacting service delivery.
- Continued levels of regulatory change, resulting in increased expectations and enhanced requirements that impact customer experience.
- Strategic drive to develop and implement a multi-channel proposition and solution to cater for diverse segments and customer preference that may lead to a lack of service, and ineffective products.

In addition, the Group managed a number of reputation risks:

- The Group decided to exit a number of high-profile Citizenship programmes, given their non-alignment to the approved strategy and/or governance and compliance standards. Customers and other affected parties were appropriately engaged with. The Group remains committed to delivering its Citizenship agenda and plans.
- A number of accounts deemed to be non-compliant with KYC regulations were blocked, with a consequent negative impact on the customer experience. The Bank remained in contact with customers and the general public through various channels of communication during this period, providing timely and consistent responses to customer complaints.
- A number of legacy legal cases were heard in the second half of 2014, several of which were high profile and involved former senior staff members. The Bank filed the appropriate appeals and issued accompanying media statements.
- Following engagement with political parties and governments, the Group ceased financial support to political parties.
- The Bank took the decision to close several branches, in some areas stakeholders' responses were monitored and used to inform the engagement strategy.
- The Group managed reputation risk associated with both internal and external fraud by ensuring a transparent and appropriate level of communication with customers.
- Following a thorough review of the Satinsky business model and associated reputation risks, we took a decision in April 2014 to terminate Absa's Master Service Agreement with Satinsky. The stakeholder engagement plan resulting from this decision took the following stakeholders into consideration: Satinsky customers, the broader client base, investors, the media and the South African Reserve Bank.

#### Future priorities

- Increase focus on improving overall regulatory controls, particularly those related to know your client, anti-money laundering, and the National Credit Act. Along with various financial institutions in South Africa, we received a financial fine issued by the SARB during the current reporting period, originating from an administrative sanction (FICA – Section 45C).
- Focus on and measure how the Group delivers on its stakeholder commitments relating to values and culture.
- Ensure that clients and customers are at the centre of all decisions.
- Embed material risk assessments and forward-looking conduct risk reporting across the organisation.
- Enhance controls and key performance indicators to continually track and manage conduct risk.
- Provide regular training and material to ensure business units and functions are aware of the Conduct Risk Framework requirements, risk definitions and escalation procedures.
- Maintain a robust awareness and understanding of drivers of political, regulatory and policy changes across the continent.

#### Note

<sup>®</sup>Net Promoter, Net Promoter Score and NPS are trademarks of Satmetrix Systems Inc., Bain and Co Inc. and Fred Reichheld.



## Capital management

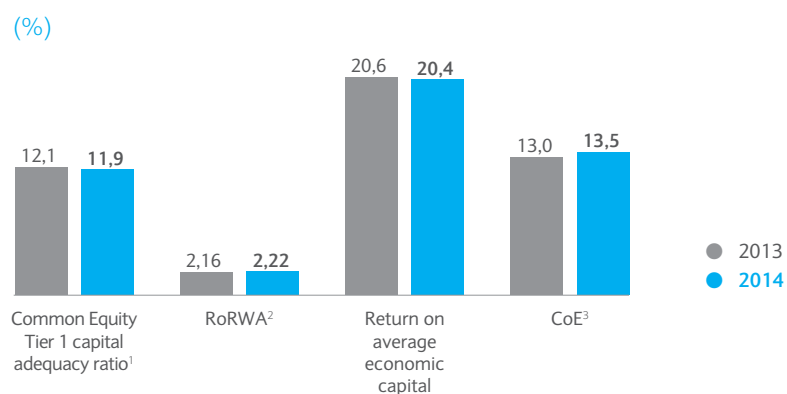
for the reporting period ended 31 December

### Review of 2014

- The Group maintained a strong capital adequacy position above the board-approved target ranges.
- R1,7bn call of the AB07 bond qualifying as Tier 2 on 7 March 2014.
- R3,0bn call of the ABCPI2 bond qualifying as Tier 2 on 20 September 2014.
- Issuance of R0,5bn bonds qualifying as Tier 2 on 18 November 2014 at holding company level.
- Tier 2 issuances in certain Africa subsidiaries.
- Strong focus on positive capital generation.
- Capital management framework rolled out across Africa.
- Recovery plan in place detailing potential options available to restore capital, liquidity and balance sheet positions during times of stress.

### Salient features

Group	2014 %	2013 %
Common Equity Tier 1 capital adequacy ratio <sup>1</sup>	11,9	12,1
RoRWA <sup>2</sup>	2,22	2,16
Return on average economic capital	20,4	20,6
CoE <sup>3</sup>	13,5	13,0



#### Notes

<sup>1</sup>Reported ratios include unappropriated profits.

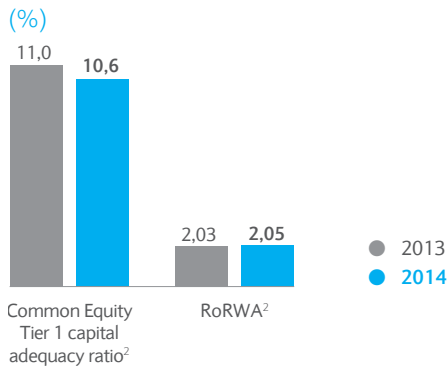
<sup>2</sup>For the calculation of RoRWA, the RWA have been restated. Refer to the inside cover page for the reporting changes overview. Additional disclosures for 31 December 2013 have been restated where applicable.

<sup>3</sup>The average CoE is based on the capital asset pricing model.

## Capital management

for the reporting period ended 31 December

Absa Bank Limited	2014 %	2013 %
Common Equity Tier 1 capital adequacy ratio <sup>1</sup>	10,6	11,0
RoRWA	2,05	2,03



## Strategy

The Group's capital management objectives are to:

- Maximise shareholder value by optimising the level and mix of capital resources and the utilisation of those resources.
- Meet capital ratios required by regulators and the target ranges approved by the board.
- Maintain an adequate level of capital resources for both regulatory capital and EC requirements.
- To increase business and legal entity accountability for the use of capital and, where relevant, the use of capital per client or portfolio.
- Assess, manage and efficiently implement regulatory changes to optimise capital usage.
- Maintain a strong credit rating.

## Internal capital adequacy assessment process

The efficient use of capital resources is fundamental to ensure the enhancement of shareholder value as capital inefficiency results in lower returns. Capital risk is considered a key risk, forming part of the funding principal risk, and thus receives the requisite focus required for a risk of this nature. Capital management is an integral part of decision-making within the Group and is considered to be proportional to the nature, scale and complexity of the activities of the Group. The capital management process in the Group encompasses the capital management function of all regulated entities within the Group. The Internal capital adequacy assessment process ("ICAAP") reflects the level of capital required to be held against identified material risks the Group is or may become exposed to and the management actions required in the event of severe stress.

The board-approved ICAAP is used to inform senior management of the ongoing assessment of the Group's risks, how the risks are mitigated and how much current and future capital is considered necessary taking into account mitigating factors. The ICAAP is used to ensure that the board's risk appetite and minimum capital ratios can be maintained over the period of the medium-term plan, having been subjected to suitably severe stress and scenario analyses. Expected capital supply on both a regulatory and economic basis is compared to current and future capital needs. The ICAAP and its underlying components form an integral part of decision-making and business processes. The Group has embedded risk and capital management tools, processes and activities across clusters to actively align management behaviour to strategy and address stressed outcomes.

### Notes

<sup>1</sup>Reported ratios include unappropriated profits.

<sup>2</sup>For the calculation of RoRWA, the RWA have been restated. Refer to the inside cover page for the reporting changes overview. Additional disclosures for 31 December 2013 have been restated where applicable.

## Capital management

for the reporting period ended 31 December

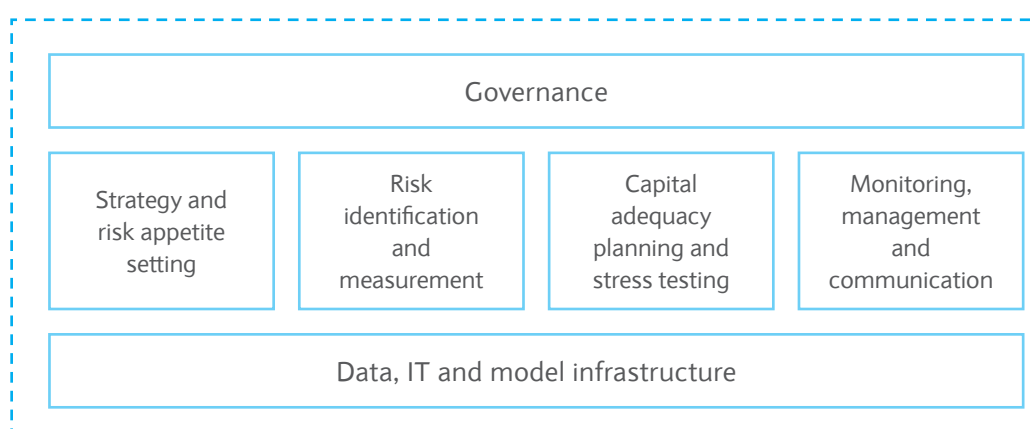
### Internal capital adequacy assessment process *(continued)*

Stress testing is conducted on a regular basis<sup>1</sup> to identify market condition changes that could adversely impact the Group. Management actions are identified to mitigate risks on a timely basis.

Furthermore, the ICAAP framework ensures that internal systems, controls and management information are in place to enable the board and senior management to track changes in the economic environment, which may require adjustments to the business strategy to remain within the risk appetite on an ongoing basis. Decisions on the allocation of capital resources, which is an integral part of the ICAAP and capital management process, are based on a number of factors including return on regulatory capital.

While the ICAAP is intended to align with regulatory requirements under Pillar 1 and Pillar 2 of the regulatory framework, the main guiding principle in designing the ICAAP has been suitability for capital management and other internal applications. The Group considers ICAAP to be in line with international practice and is of the opinion that it addresses the core banking principles of Pillar 2.

The building blocks of the Group's ICAAP are as follows:



The building blocks of the ICAAP are conducted within the board governance framework. Business plans are prepared based on strategy, within the risk appetite approved by the board. Risk in the plans is identified and measured and where relevant, mitigating actions identified. The expected levels of capital supply and demand are tested through stress testing with the output being used to reconfirm the risk appetite. In addition management actions are identified and tested to address the stresses identified.

From an ICAAP perspective, stress testing represents the link between risk management and capital management. As a result of better risk management practices and global events, stress testing has become fundamental in assessing appropriate levels of capital to ensure that the Group can absorb stress events to protect its depositors and other stakeholders in line with board-approved risk appetite. The board considers dividend payments after careful review of business plans, growth objectives, and environmental factors. This can result in a dividend being paid to shareholders at 2.5 times cover and up to 1 in 25-year risk event. In more severe circumstances dividends may not be paid.

The results from the most recently conducted stress and scenario testing and budgeting process confirm that the Group's capital levels and capital buffers, both current and forecast (both regulatory capital and the Group's internal capital assessment, EC), remain appropriate. The Group believes that it is strongly capitalised relative to its strategy, risk appetite, risk profile, business activities and the macroeconomic environments in which it operates.

The Group's solid Basel III ratio remains well in excess of the SARB's minimum requirements and is monitored on an ongoing basis. Basel III is a non-risk sensitive ratio used to restrict the build-up of leverage in the banking sector to avoid destabilising deleveraging processes that can damage the broader financial system and the economy. Capital, leverage and balance sheet management is a key focus area of the Group.

### Recovery plan

The Group has a board-approved recovery plan in place which was developed in line with SARB guidance. The Group Recovery Plan includes a formalised process for the implementation of the plan and the approvals and notifications required if invoked during times of stress.

#### Note

<sup>1</sup>In addition to the annual stress testing performed as part of the budgeting process, ad hoc stress testing is conducted during the year. Stress testing may also be required should macroeconomic variables change.

## Capital management

for the reporting period ended 31 December

### Capital transferability

The Group's capital policy stipulates that capital held in the Group's entities in excess of board-approved target ranges should be repatriated in the form of dividends and/or capital repatriation, subject to local regulatory requirements, exchange controls and strategic management decisions.

Apart from the aforesaid, the Group is not aware of any material impediments to the prompt transfer of capital resources or repayment of intra-group liabilities when due.

### Future priorities

The Group's strategic focus is to maintain an optimal mix of high quality capital while continuing to generate sufficient capital to support profitable asset growth and the active management of the business portfolio. As in the current reporting period, RWA management and capital allocation remain key focus areas for the Group.

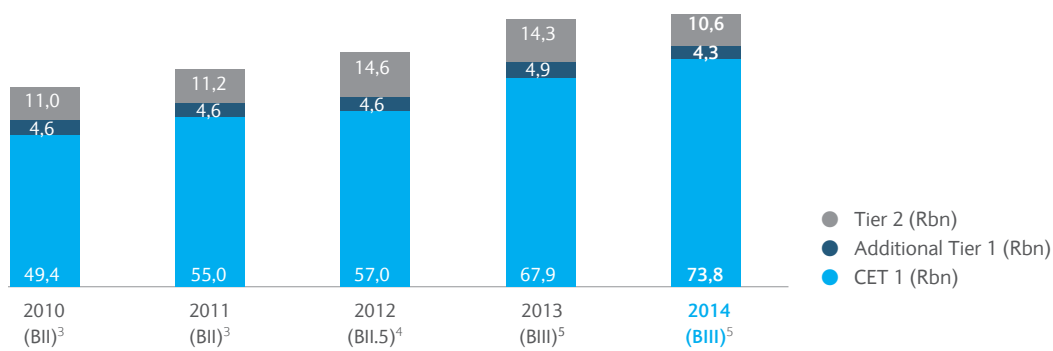
### Statutory capital adequacy

The board sets Group and Bank target capital ranges. The Group and its regulated entities (including insurance entities) remain adequately capitalised above minimum capital requirements as at the reporting date. The Group's target capital ranges for the current reporting period were set by considering the following:

- Risk appetite;
- The preference of rating agencies for permanent capital;
- Stressed scenarios;
- Basel III amendments including capital conservation buffer; and
- Peer analysis.

Group	2014	2013	2014	
			Board target ranges %	Minimum regulatory capital requirements %
<b>Capital adequacy ratios (%)<sup>1</sup></b>				
CET 1	11,9	12,1	9,5 – 11,0	5,5
Tier 1	12,7	13,0	10,5 – 12,0	7,0
Total	14,4	15,5	12,5 – 14,0	10,0
<b>Capital supply and demand for the reporting period (Rm)</b>				
Net generated equity <sup>2</sup>	(964)	(1 901)		
Qualifying capital	89 004	87 070		
Total RWA	619 705	560 933		

### Group capital adequacy (Rbn)



11,7	13,0	13,0	12,1	<b>11,9</b>	CET 1 Ratio (%)
15,5	16,7	17,4	15,5	<b>14,4</b>	Total Capital Adequacy Ratio (%)

#### Notes

<sup>1</sup>Reported ratios include unappropriated profits.

<sup>2</sup>Net generated equity for the December 2013 comparatives is adjusted for ordinary dividends paid, the special dividend, growth in RWA as well as for the increase in equity under the Barclays Africa acquisition.

<sup>3</sup>BII: Basel II.

<sup>4</sup>BII.5: Basel II.5.

<sup>5</sup>BIII: Basel III.

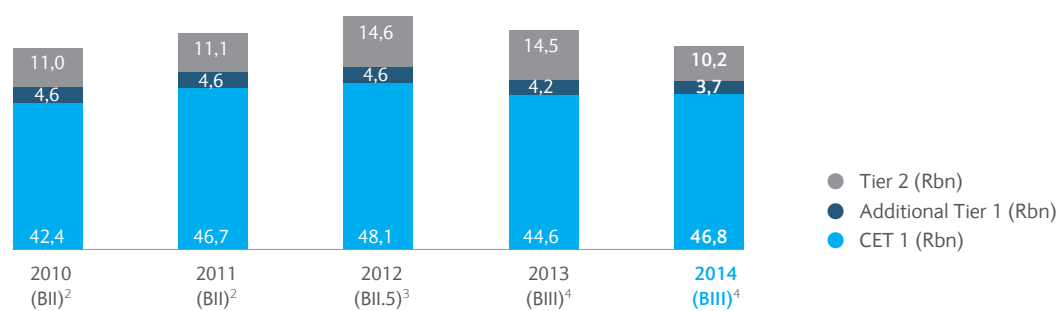
## Capital management

for the reporting period ended 31 December

### Statutory capital adequacy (continued)

Absa Bank Limited	2014	2013	2014	
			Board target ranges %	Minimum regulatory capital requirements %
<b>Capital adequacy ratio (%)<sup>1</sup></b>				
CET 1	10,6	11,0	9,0 – 10,5	5,5
Tier 1	11,4	12,0	10,0 – 11,5	7,0
Total	13,7	15,6	12,0 – 13,5	10,0
<b>Capital supply and demand for the reporting period (Rm)</b>				
Net generated equity	(1 499)	(3 830)		
Qualifying capital	60 763	63 292		
Total RWA	443 955	406 010		

### Absa Bank Limited capital adequacy (Rbn)



10,7	12,1	12,5	11,0	<b>10,6</b>	CET 1 ratio (%)
14,8	16,2	17,5	15,6	<b>13,7</b>	Total capital adequacy ratio (%)

- The Group maintained capital ratios in excess of risk appetite post the financial crisis.
- The Group continued operating within its risk appetite post the implementation of Basel III.

#### Notes

<sup>1</sup>Reported ratios include unappropriated profits.

<sup>2</sup>BII: Basel II.

<sup>3</sup>BII.5: Basel II.5.

<sup>4</sup>BIII: Basel III.

## Capital management

for the reporting period ended 31 December

### Statutory capital adequacy *(continued)*

Group	2014		2013	
	RWAs Rm	Minimum required capital <sup>1,2</sup> Rm	RWAs Rm	Minimum required capital <sup>1,2</sup> Rm
<b>Basel measurement approach</b>				
Credit risk	468 705	46 870	423 771	40 258
Portfolios subject to the AIRB approach	325 213	32 521	305 850	29 056
Portfolios subject to the standardised approach	130 491	13 049	103 606	9 843
Securitisation	918	92	1 005	95
Counterparty credit risk <sup>3</sup>	12 083	1 208	13 310	1 264
Equity investment risk				
Market-based approach (simple risk-weighted approach)	13 737	1 374	14 624	1 389
Market risk	21 781	2 178	17 079	1 623
Standardised approach	9 399	940	4 616	439
IMA	12 382	1 238	12 463	1 184
Operational risk	92 942	9 294	79 235	7 527
BIA	4 180	418	4 236	402
TSA	21 341	2 134	17 152	1 629
AMA	67 421	6 742	57 847	5 496
Non-customer assets	22 540	2 254	26 224	2 491
	<b>619 705</b>	<b>61 970</b>	560 933	53 288
Pillar 1 requirement (8%)		49 576		44 874
Pillar 2a requirement <sup>4</sup>		12 394		8 414

#### Notes

<sup>1</sup>The regulatory minimum required capital is 10% as at 31 December 2014 (9,5%: 31 December 2013).

<sup>2</sup>The regulatory minimum CET 1 requirement is 5,5% as at 31 December 2014 (4,5%: 31 December 2013).

<sup>3</sup>Counterparty credit risk amount reflects the net amount after applying the SARB's transitional exclusion of credit valuation adjustments emanating from rand over-the-counter derivatives.

<sup>4</sup>The Pillar 2a requirement is 2% as at 31 December 2014 (1,5%: 31 December 2013).

## Capital management

for the reporting period ended 31 December

### Statutory capital adequacy *(continued)*

Absa Bank Limited	2014		2013	
	RWAs Rm	Minimum required capital <sup>1,2</sup> Rm	RWAs Rm	Minimum required capital <sup>1,2</sup> Rm
<b>Basel measurement approach</b>				
Credit risk	338 910	33 891	310 426	29 490
Portfolios subject to the AIRB approach	308 191	30 819	286 496	27 217
Portfolios subject to the standardised approach	17 847	1 785	9 754	927
Securitisation	918	92	1 005	95
Counterparty credit risk <sup>3</sup>	11 954	1 195	13 171	1 251
Equity investment risk				
Market-based approach (simple risk-weighted approach)	7 650	765	9 648	917
Market risk	18 260	1 826	16 163	1 535
Standardised approach	5 878	588	3 700	351
IMA	12 382	1 238	12 463	1 184
Operational risk	65 339	6 534	57 431	5 456
BIA	3 755	376	3 052	290
AMA	61 584	6 158	54 379	5 166
Non-customer assets	13 796	1 380	12 342	1 173
	443 955	44 396	406 010	38 571
Pillar 1 requirement (8%)		35 517		32 481
Pillar 2a requirement <sup>4</sup>		8 879		6 090

#### Notes

<sup>1</sup>The regulatory minimum required capital is 10% as at 31 December 2014 (9,5%: 31 December 2013).

<sup>2</sup>The regulatory minimum CET 1 requirements is 5,5% as at 31 December 2014 (4,5%: 31 December 2013).

<sup>3</sup>Counterparty credit risk amount reflects the net amount after applying the SARB's transitional exclusion of credit valuation adjustment emanating from rand over-the-counter derivatives.

<sup>4</sup>The Pillar 2a requirement is 2% as at 31 December 2014 (1,5%: 31 December 2013).

## Capital management

for the reporting period ended 31 December

### Capital adequacy

The Group's total qualifying capital supply for the reporting period increased by **R1,9bn** compared to the previous reporting period (2012 to 2013: R11,3bn).

#### Breakdown of qualifying capital

Group	2014		2013	
	Rm	% <sup>1</sup>	Rm	% <sup>1</sup>
<b>CET 1</b>	<b>65 714</b>	<b>10,6</b>	56 829	10,1
Ordinary share capital	1 694	0,3	1 694	0,3
Ordinary share premium	4 548	0,7	4 474	0,8
Reserves <sup>2</sup>	63 554	10,2	55 403	9,9
Non-controlling interest	2 250	0,4	2 100	0,3
Deductions	(6 332)	(1,0)	(6 842)	(1,2)
Goodwill	(762)	(0,1)	(760)	(0,1)
Financial and insurance entities not consolidated	(705)	(0,1)	(664)	(0,1)
Amount by which expected loss exceeds eligible provisions	(1 326)	(0,2)	(2 120)	(0,4)
Other deductions	(3 539)	(0,6)	(3 298)	(0,6)
<b>Additional Tier 1 capital</b>	<b>4 572</b>	<b>0,8</b>	4 855	0,9
<b>Tier 1 capital</b>	<b>70 286</b>	<b>11,4</b>	61 684	11,0
<b>Tier 2 capital</b>	<b>10 603</b>	<b>1,7</b>	14 330	2,5
Instruments recognised as Tier 2 capital	10 186	1,6	13 917	2,4
General allowance for impairment losses on loans and advances – standardised approach	417	0,1	413	0,1
<b>Total qualifying capital (excluding unappropriated profits)</b>	<b>80 889</b>	<b>13,1</b>	76 014	13,5
<b>Qualifying capital (including unappropriated profits)</b>				
<b>Tier 1 capital</b>	<b>78 401</b>	<b>12,7</b>	72 740	13,0
CET 1 (excluding unappropriated profits)	65 714	10,6	56 829	10,1
Unappropriated profits	8 115	1,3	11 056	2,0
Additional Tier 1	4 572	0,8	4 855	0,9
<b>Tier 2 capital</b>	<b>10 603</b>	<b>1,7</b>	14 330	2,5
<b>Total qualifying capital (including unappropriated profits)</b>	<b>89 004</b>	<b>14,4</b>	87 070	15,5

#### Notes

<sup>1</sup>Percentage of capital to RWAs.

<sup>2</sup>Reserves exclude unappropriated profits.



## Capital management

for the reporting period ended 31 December

### Capital adequacy *(continued)*

#### Breakdown of qualifying capital *(continued)*

Absa Bank Limited	2014		2013	
	Rm	% <sup>1</sup>	Rm	% <sup>1</sup>
<b>CET 1</b>	<b>42 556</b>	<b>9,6</b>	39 234	9,7
Ordinary share capital	303	0,1	303	0,1
Ordinary share premium	16 465	3,7	13 465	3,3
Reserves <sup>2</sup>	29 731	6,7	30 050	7,4
Deductions	(3 943)	(0,9)	(4 584)	(1,1)
Amount by which expected loss exceeds eligible provisions	(1 816)	(0,4)	(2 326)	(0,6)
Other deductions	(2 127)	(0,5)	(2 258)	(0,5)
<b>Additional Tier 1 capital</b>	<b>3 715</b>	<b>0,8</b>	4 180	1,0
<b>Tier 1 capital</b>	<b>46 271</b>	<b>10,4</b>	43 414	10,7
<b>Tier 2 capital</b>	<b>10 228</b>	<b>2,3</b>	14 476	3,6
Instruments recognised as Tier 2 capital	10 000	2,2	14 225	3,5
General allowance for impairment losses on loans and advances – standardised approach	228	0,1	251	0,1
<b>Total qualifying capital (excluding unappropriated profits)</b>	<b>56 499</b>	<b>12,7</b>	57 890	14,3
<b>Qualifying capital (including unappropriated profits)</b>				
<b>Tier 1 capital</b>	<b>50 535</b>	<b>11,4</b>	48 816	12,0
CET 1 (excluding unappropriated profits)	42 556	9,6	39 234	9,7
Unappropriated profits	4 264	1,0	5 402	1,3
Additional Tier 1	3 715	0,8	4 180	1,0
<b>Tier 2 capital</b>	<b>10 228</b>	<b>2,3</b>	14 476	3,6
<b>Total qualifying capital (including unappropriated profits)</b>	<b>60 763</b>	<b>13,7</b>	63 292	15,6

#### Notes

<sup>1</sup>Percentage of capital to RWAs.

<sup>2</sup>Reserves exclude unappropriated profits.

## Capital management

for the reporting period ended 31 December

### Economic capital adequacy

The EC framework covers not only Basel III Pillar 1 risks but also additional economic risks not covered at all, or inadequately covered in Pillar 1, such as interest rate risk in the banking book. EC represents capital demand and supply according to internal estimates.

The total average EC required is determined by the risk assessment models and considering the Group's estimated portfolio effects if compared with the available financial resources ("EC supply") to evaluate EC utilisation. The Group targets an EC supply versus EC demand of a minimum cover of 1,11 times.

Aside from its application in capital management, EC is a key component of Group level and business unit level applications such as capital management, stakeholder communication, risk-adjusted performance measurement, pricing and structuring.

### Economic capital supply and equity

Group	2014			2013		
	Share-holders' equity Rm	Economic capital Rm	Tier 1 regulatory capital Rm	Share-holders' equity Rm	Economic capital Rm	Tier 1 regulatory capital Rm
<b>Total qualifying capital</b>						
Ordinary share capital and share premium	6 242	6 242	6 242	6 168	6 168	6 168
Preference share capital and share premium	—	4 644	4 572	—	4 644	4 855
Retained earnings	70 237	70 237	66 931	64 701	64 701	61 182
Other reserves	6 211	5 859	4 738	6 448	5 844	5 277
Non-controlling interest	—	3 611	2 250	—	3 240	2 100
Expected loss adjustment	—	—	(1 326)	—	—	(2 120)
Other deductions	—	(3 219)	(5 006)	—	(3 141)	(4 722)
	<b>82 690</b>	<b>87 374</b>	<b>78 401</b>	<b>77 317</b>	<b>81 456</b>	<b>72 740</b>
Average capital for the reporting period	<b>78 009</b>	<b>82 414</b>	<b>74 690</b>	<b>77 206</b>	<b>73 549</b>	<b>67 256</b>

Group	2014		2013	
	Risk-weighted assets Rm	Economic capital <sup>1</sup> Rm	Risk-weighted assets Rm	Economic capital <sup>1</sup> Rm
<b>Capital demand – closing balance</b>				
Credit risk	468 705	44 698	423 771	40 311
RBB	316 285	30 273	289 385	29 395
CIB	132 425	13 699	117 267	10 168
WIMI	8 301	523	8 213	669
Other	11 694	203	8 906	79
Equity investment risk	13 737	2 187	14 624	2 952
Market risk	21 781	4 338	17 079	3 286
Operational risk	92 942	5 646	79 235	4 865
Non-customer assets	22 540	6 544	26 224	5 893
	<b>619 705</b>	<b>63 413</b>	<b>560 933</b>	<b>57 307</b>

#### Note

<sup>1</sup>Represents the average required EC (demand).

## Capital management

for the reporting period ended 31 December

### Economic capital resources

The resources available to meet EC requirements are calculated as the average available shareholders' equity after adjustments including preference shares. The Group's EC calculations form the basis of its internal risk view used in the ICAAP. Funds available for EC are impacted by a number of factors that have arisen from the application of IFRS.

EC supply includes:

- ordinary shareholders' equity;
- retained earnings, whether appropriated or not;
- non-redeemable, non-cumulative preference shares;
- Non-controlling interests; and
- Other reserves.

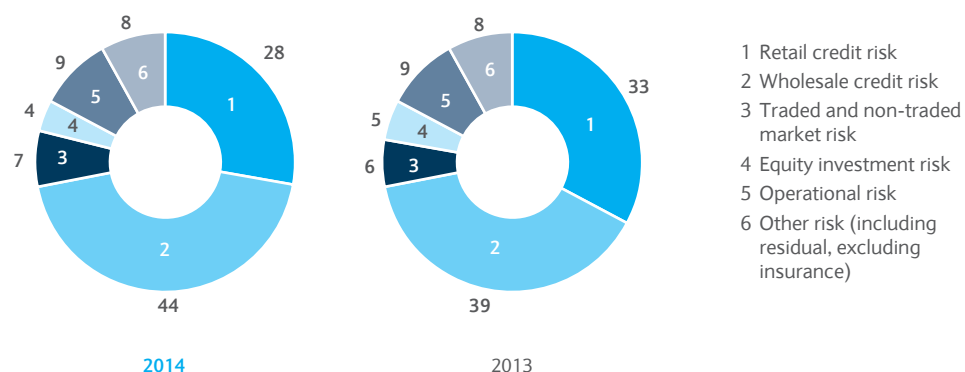
The following are excluded from EC available financial resources:

- Cash flow hedging reserve: to the extent the Group undertakes the hedging of future cash flows, shareholders' equity will include gains and losses that will be offset against the gain or loss on the hedged item when it is recognised in the statement of comprehensive income at the conclusion of the hedged transaction. Given the future offset of such gains and losses, they are excluded from shareholders' equity when calculating EC.
- Other perpetual debt, preference shares and subordinated debt.

The following are deducted from EC supply:

- Goodwill; and
- Intangible assets.

### EC demand<sup>1</sup> (%)



#### Note

<sup>1</sup>Excludes insurance due to the difference in the confidence level resulting from insurance regulation.

## Capital management

for the reporting period ended 31 December

### Capital risk

#### Foreign exchange translation risk

Foreign exchange translation risk arises from capital resources (including investments in subsidiaries and branches, intangible assets, non-controlling interests, deductions from capital and debt capital instruments) and RWAs being denominated in foreign currencies. Changes in foreign exchange rates result in changes in the rand equivalent value of foreign currency denominated capital resources and RWAs.

The Group's investments in foreign currency subsidiaries and branches create capital resources denominated in foreign currencies. Changes in the rand value of investments resulting from foreign currency movements are captured in the currency translation reserve, which was excluded from qualifying capital resources under the SARB's Basel II.5 rules and now form part of CET 1 under Basel III.

To minimise volatility of capital ratios caused by foreign exchange rate movements, the Group aims to maintain an appropriate foreign currency capital structure by maintaining the ratio of foreign currency CET 1, Tier 1 and total capital resources to foreign currency RWAs in line with the Group's capital risk appetite. This is primarily achieved by subsidiaries issuing capital or holding retained earnings in local currencies or through the Group issuing debt capital in foreign currency. As a result foreign exchange translation risk relates to dividends.

Foreign exchange translation risk can be mitigated through derivatives or borrowings in the same currency as the functional currency involved, designated as net investment hedges, or through economic hedges. Hedging considerations include exchange control regulations, the market liquidity, cost of hedging, certainty of cash flow and the impact on capital ratios. Based on these considerations, only dividend from markets with cost effective hedges were applied in the reporting period.

Credit ratings	November 2014	July 2014	
	Moody's Absa Bank	Fitch Ratings Absa Bank	Absa Group
<b>National</b>			
Short term	Prime – 1.za	F1+ (zaf)	F1+ (zaf)
Long term	A1.za	AAA (zaf)	AAA (zaf)
Outlook	—	Stable	Stable
<b>Local currency</b>			
Short term	Prime – 2	—	—
Long term	Baa2	A–	A–
Outlook	Stable	Stable	Stable
<b>Foreign currency</b>			
Short term	Prime – 2	F2	F2
Long term	Baa2	A–	A–
Outlook	Stable	Negative	Negative
<b>Bank's financial strength</b>			
Baseline credit assessment	C–	—	—
Viability rating	Baa2	—	—
Outlook	—	bbb	bbb
Support	Stable	—	—
	—	1	1

# Appendices

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Bright scene from Maputo's ships and buildings.

## Transition to Barclays Africa Group Limited

for the reporting period ended 31 December

The comparative results of the legacy Absa Group Limited have been restated to include the results of the African companies acquired. The following analysis is provided as supplementary information for understanding the performance of the two legacy groups in isolation as well as on a combined basis.

	Barclays Africa Group Limited pre-acquisition			Barclays Africa acquisition and consolidation <sup>3</sup>		
	2014 Rm	2013 <sup>4</sup> Rm	Change %	2014 Rm	2013 <sup>4</sup> Rm	Change %
<b>Statement of comprehensive income</b>						
Net interest income	28 528	25 689	11	7 073	6 662	6
Non-interest income	24 283	24 064	1	3 241	2 991	8
<b>Total income</b>	<b>52 811</b>	<b>49 753</b>	<b>6</b>	<b>10 314</b>	<b>9 653</b>	<b>7</b>
Impairment losses on loans and advances	(5 675)	(6 375)	(11)	(615)	(612)	0
Operating expenses	(29 862)	(27 947)	7	(5 986)	(5 473)	9
Other	(1 231)	(869)	42	(39)	(34)	15
<b>Operating income before income tax</b>	<b>16 043</b>	<b>14 562</b>	<b>10</b>	<b>3 674</b>	<b>3 534</b>	<b>4</b>
Taxation expense	(4 340)	(4 032)	8	(1 233)	(1 190)	4
<b>Profit for the reporting period</b>	<b>11 703</b>	<b>10 530</b>	<b>11</b>	<b>2 441</b>	<b>2 344</b>	<b>4</b>
<b>Profit attributable to:</b>						
Ordinary equity holders	11 161	10 048	11	2 055	1 933	6
Non-controlling interest – ordinary shares	237	188	26	386	411	(6)
Non-controlling interest – preference shares	305	294	4	—	—	—
	<b>11 703</b>	<b>10 530</b>	<b>11</b>	<b>2 441</b>	<b>2 344</b>	<b>4</b>
<b>Headline earnings</b>	<b>10 974</b>	<b>9 920</b>	<b>11</b>	<b>2 058</b>	<b>1 923</b>	<b>7</b>
<b>Operating performance (%)</b>						
Net interest margin on average interest-bearing assets	3,73	3,91		8,13	8,97	
Credit loss ratio	0,92	1,19		1,11	1,36	
Non-interest income as percentage of revenue	46,0	48,4		31,4	31,0	
Revenue growth	6	6		7	18	
Cost growth	7	9		9	19	
Cost-to-income ratio	56,5	56,2		58	57	
<b>Statement of financial position</b>						
Loans and advances to customers	575 605	554 354	4	60 721	51 869	17
Investment securities	78 508	72 155	11	7 378	6 849	8
Other assets	214 573	216 416	(1)	54 629	61 220	(11)
<b>Total assets</b>	<b>868 686</b>	<b>842 925</b>	<b>3</b>	<b>122 728</b>	<b>119 938</b>	<b>2</b>
Deposits due to customers	533 414	498 902	7	91 472	89 995	2
Debt securities in issue	105 218	97 348	8	880	481	83
Other liabilities	155 534	176 697	(12)	13 951	14 239	(2)
<b>Total liabilities</b>	<b>794 166</b>	<b>772 947</b>	<b>3</b>	<b>106 303</b>	<b>104 715</b>	<b>2</b>
<b>Total equity</b>	<b>74 520</b>	<b>69 978</b>	<b>6</b>	<b>16 425</b>	<b>15 223</b>	<b>8</b>
<b>Total liabilities and equity</b>	<b>868 686</b>	<b>842 925</b>	<b>3</b>	<b>122 728</b>	<b>119 938</b>	<b>2</b>
	Barclays Africa Group Limited pre-acquisition			Barclays Africa acquisition and consolidation <sup>3</sup>		
	2014 <sup>1</sup>	2013 <sup>1</sup>	Change %	2014 <sup>2</sup>	2013 <sup>2</sup>	Change %
RoE (%)	17,0	15,2		15,1	15,9	
Headline earnings per ordinary share (cents)	1 529,1	1 381,2	11	1 589,1	1 484,3	7
NAV per ordinary share (cents)	9 528	8 903	7	11 053	10 352	7
Tangible NAV per ordinary share (cents)	9 153	8 537	7	10 647	9 933	7

The headline earnings related to the Barclays Africa acquisition increased by 7% relative to 11% for Barclays Africa Group Limited pre-acquisition.

The RoE related to the Barclays Africa Limited acquisition decreased from 15,9% to 15,1%. The marginal decrease is mainly due to the increase in average equity primarily driven by the earnings retained by Barclays Africa Limited entities not yet distributed.

### Notes

<sup>1</sup>Calculations exclude shares issued by Absa Group Limited for the Barclays Africa Limited acquisition.

<sup>2</sup>Calculations based on Absa Group Limited share issue of 129 540 636 shares for Barclays Africa Limited acquisition to illustrate the per share values of the acquisition in isolation.

<sup>3</sup>Includes direct and indirect subsidiaries of the holding company, Barclays Africa Group Limited.

<sup>4</sup>Restated, refer to inside cover page for reporting changes overview. Additional disclosures for 31 December 2013 have been restated where applicable.

Barclays Africa Group Limited

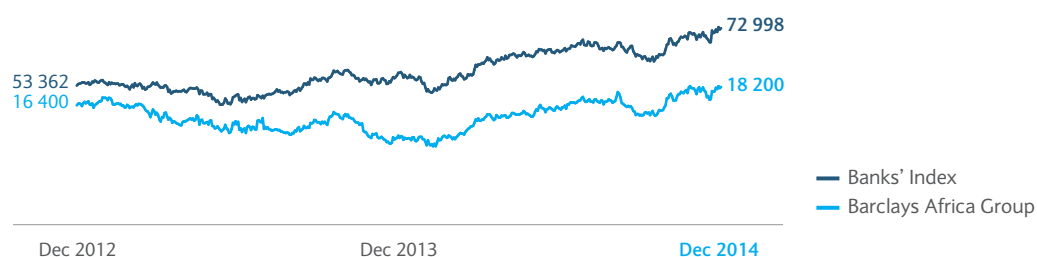
2014 Rm	2013 <sup>4</sup> Rm	Change %
35 601	32 351	10
27 524	27 055	2
63 125	59 406	6
(6 290)	(6 987)	(10)
(35 848)	(33 420)	7
(1 270)	(903)	41
19 717	18 096	9
(5 573)	(5 222)	7
14 144	12 874	10
13 216	11 981	10
623	599	4
305	294	4
14 144	12 874	10
13 032	11 843	10
4,65	4,46	
1,02	1,20	
43,6	45,5	
6	8	
7	10	
56,8	56,3	
636 326	606 223	5
85 886	79 004	9
269 202	277 636	(3)
991 414	962 863	3
624 886	588 897	6
106 098	97 829	8
169 485	190 936	(11)
900 469	877 662	3
90 945	85 201	7
991 414	962 863	3

Barclays Africa Group Limited

2014	2013	Change %
16,7	15,5	
1 538,4	1 397,7	10
9 762	9 125	7
9 382	8 754	7

## Share performance

### Share performance (cents)



	2014	2013 <sup>1</sup>	Change %
<b>Share performance on the JSE</b>			
Number of shares in issue <sup>2</sup>	847 750 679	847 750 679	0
Market prices (cents per share):			
closing	18 200	13 225	38
high	18 452	17 315	7
low	12 207	12 500	(2)
average	15 670	14 838	6
Closing price/NAV per share (excluding preference shares) (%)	1,86	1,45	28
Price-to-earnings ratio (closing price/headline earnings per share) (%)	11,8	9,5	24
Volume of shares traded (million)	319,57	441,0	(28)
Value of shares traded (Rm)	49 659,2	65 560,1	(24)
Market capitalisation (Rm)	154 050,8	112 115,0	37
Annual total return (%)	44,2	(10,7)	>100

The Banks' Index outperformed Barclays Africa Group Limited's share price by **9,48%** (2013: 27,97%). Total return was used to calculate the relative performance, using dividend yield for the reporting period.

#### Notes

<sup>1</sup>Share performance metrics have not been restated for the Barclays Africa acquisition, which was based on the principles of accounting for business combinations under common control.

<sup>2</sup>"Number of shares in issue" includes **880 000** (31 December 2013: 437 896) treasury shares held by Group entities.



## Shareholder information and diary

	2014 %	2013 %
<b>Major ordinary shareholders (top 10)</b>		
Barclays Bank PLC (UK)	62,32	62,32
Public Investment Corporation (SA)	5,58	5,39
Sanlam Investment Management (SA)	2,55	2,56
Old Mutual Asset Managers (SA)	1,67	2,44
Allan Gray Investment Council (SA)	1,70	1,65
STANLIB Asset Management (SA)	2,31	1,97
Dimensional Fund Advisors (US, UK, AU)	1,60	0,62
Prudential Portfolio Managers	1,30	1,28
BlackRock Inc	1,22	0,85
The Vanguard Group Incorporated (US, AU)	1,18	1,18
Other	18,57	19,74
	100,0	100,00
<b>Geographical split</b>		
United Kingdom	65,3	63,8
South Africa	21,7	23,9
United States and Canada	7,0	4,9
Other countries	6,0	7,4
	100,0	100,0

## Shareholder diary

Financial year-end	31 December 2014
Annual general meeting	19 May 2015
Announcement of the final results	3 March 2015
Announcement of the 2015 interim results <sup>1</sup>	29 July 2015

Dividend	Declaration date	Last day to trade	Ex-dividend date	Record date	Payment date
Final	3 March 2015	10 April 2015	13 April 2015	17 April 2015	20 April 2015
Interim <sup>1</sup>	29 July 2015	4 September 2015	7 September 2015	11 September 2015	14 September 2015

### Note

<sup>1</sup>Subject to change.

## Glossary

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### Amounts written-off

Once an advance has been identified as impaired and an impairment allowance has been raised, circumstances may change and indicate that the prospect of further recovery does not exist. Write-offs will occur when, and to the extent that, the debt is considered irrecoverable. A write-off policy based on an age-driven concept, drives the timing and extent of write-offs. A write-off can also be triggered by a specific event, such as the conclusion of insolvency proceedings or other formal recovery actions, making it possible to quantify the extent of the advance that is beyond a realistic prospect of recovery. Assets are only written off once all necessary procedures have been completed and the amount of loss has been determined. Recoveries of amounts previously written off, are reversed and accordingly decrease the amount of the reported impairment charge in the statement of comprehensive income.

### Approaches (FIRB, AIRB, AMA and IMA)

Methods available to banks to calculate their regulatory capital requirements, based on their own risk estimates. These include the foundation internal ratings-based (“FIRB”) and advanced internal ratings-based (“AIRB”) approaches for credit risk, the advanced measurement approach (“AMA”) for operational risk, and the internal models approach (“IMA”) for market risk.

### Average interest-bearing assets

Average interest-bearing assets consist of all accounts that are not impaired and thus attract interest within the asset categories of cash, cash balances and balances with central banks, loans and advances to banks and customers and investment securities (including cash and short-term assets, money market assets and capital market assets).

### Balance sheet

The term “balance sheet” is used in the same context as the “statement of financial position”.

### Bank

Absa Bank Limited, together with its subsidiary undertakings, special purpose entities, joint ventures, associates and offshore holdings. It is also referred to as “the Bank” or “Absa Bank” in this report.

### Banking average assets

Banking average assets consists of all average assets related to the banking activities of the Group. Banking average assets exclude “Other assets”, “Current tax assets”, “Non-current assets held for sale”, “Reinsurance assets”, “Goodwill and intangible assets”, “Property and equipment” and “Deferred tax assets”, and includes “Trading portfolio liabilities”.

### Banking book annual earnings at risk

A measure of the sensitivity of net interest income over a one year horizon due to a change in the level of interest rates. Calculated as the difference between the estimated income using the current yield curve, and the lowest estimated income following an increase or decrease in interest rates. As per regulatory requirement, a 200 bps downward shock is applied.

### Banking interest yield

Net interest income after credit losses, as a proportion of banking average assets.

### Banking non-interest yield

Non-interest income as a proportion of banking average assets.

### Banking revenue yield

Revenue as a proportion of banking average assets.

### Banks Act

This means the Banks Act, No 94 of 1990 and its accompanying regulations relating to banks published in the *Government Gazette* on 12 December 2012.

### Barclays

Barclays PLC, registered in England under registration number 1026167, and the majority shareholder of Barclays Africa Group Limited.

### Basel Capital Accord (II, II.5 and III)

The Basel Capital Accord of the Bank for International Settlements is an improved capital adequacy framework aimed at closely aligning banks' capital requirements with improved modern risk management practices and sophisticated risk assessment capabilities. It further ensures the risk sensitivity of the minimum capital requirements by including supervisory reviews and market discipline through enhanced disclosure.

### Borrowed funds

Subordinated callable notes qualifying as long-term Tier 2 capital in terms of section 1 of the Banks Act, No 94 of 1990.

### Capital adequacy ratio

The capital adequacy of South African banks is measured in terms of the requirements of the SARB. The ratio is calculated by the aggregate amount of qualifying capital and reserve funds divided by RWA. The base minimum South African total capital adequacy ratio for banks is 10% of RWA. Non-South African banks in the Group have similar capital adequacy methodology requirements.

### Capital – Common Equity Tier 1

Common Equity Tier 1 capital consists of the sum of the following elements:

- Common shares issued by Absa Bank Limited that meet the criteria for classification as common shares for regulatory purposes (or the equivalent for non-joint stock companies);
- Stock surplus (share premium) resulting from the issue of instruments including CET1;
- Retained earnings;
- Accumulated other comprehensive income and other disclosed reserves;
- Common shares issued by consolidated subsidiaries Absa Bank Limited and held by third parties (i.e., non-controlling interest) that meet the criteria for inclusion in CET1; and
- Regulatory adjustments applied in the calculation of CET1.

### Capital – Additional Tier 1 capital

Additional Tier 1 capital consists of the sum of the following elements:

- Instruments issued by Absa Bank Limited that meet the criteria for inclusion in Additional Tier 1 capital (and are not included in CET1);
- Stock surplus (share premium) resulting from the issue of instruments included in Additional Tier 1 capital;
- Instrument issued by consolidated subsidiaries of Absa Bank Limited and held by third parties that meet the criteria for inclusion in Additional Tier 1 capital and are not included in Common Equity Tier 1. See section 4 for the relevant criteria; and
- Regulatory adjustments applied in the calculation of additional Tier 1 capital.

### Capital – Common Equity Tier 1 capital adequacy ratio

A measurement of a bank's core equity capital compared with its total risk-weighted assets. This is the measure of a bank's financial strength. The Common Equity Tier 1 excludes any preference shares or non-controlling interests when determining the calculation.

### Capital – Tier 2 capital

Tier 2 capital consists of the sum of the following elements:

- Instruments issued by Absa Bank Limited that meet the criteria for inclusion in Tier 2 capital (and are not included in Tier 1 capital);
- Stock surplus (share premium) resulting from the issue of instruments included in Tier 2 capital;
- Instruments issued by consolidated subsidiaries of Absa Bank Limited and held by third parties that meet the criteria for inclusion in Tier 2 capital and are not included in Tier 1 capital;
- Certain loan loss provisions such as general provisions/general loan-loss reserve; and
- Regulatory adjustments applied in the calculation of Tier 2 capital.

### Capital – Tier 2 ratio

A component of regulatory capital, comprising qualifying subordinated loan capital, related minority interests, allowable collective impairment allowances and unrealised gains arising on the fair valuation of equity instruments held as available-for-sale. Tier 2 capital also includes reserves arising from the revaluation of properties.

### Combined ratio

Insurance losses incurred and expenses as a percentage of insurance premiums earned.

### Conduct risk

Conduct risk is the detriment caused to the Group's customers and clients, counterparties or Absa Bank Limited as a result of inappropriate execution of the business activities.

## Glossary

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### Constant currency

The selected line items from the Summary consolidated statement of comprehensive income and Summary consolidated statement of financial position for the Rest of Africa market segment disclosed on pages 58 and 87, are derived by translating the Statement of comprehensive income and Statement of financial position from the respective individual entities' local currencies to rand.

The current reporting period's results are translated at the current reporting period's average rates for the Statement of comprehensive income, while the closing rate is used for the Statement of financial position in terms of IFRS. In order to calculate the percentage change based on constant currency, the previous reporting period's results have also been translated at the current reporting period's average rates for the Statement of comprehensive income, while the current reporting period's closing rate has been used for the Statement of financial position. This has been done in order to provide investors with information on the impact of foreign currency movements on the local currency earnings.

The percentage change based on constant currency is provided for illustrative purposes only and may not fairly present the Group's financial position and/or the results of its operations. The directors are responsible for the preparation of the constant currency information.

An assurance report on the constant currency financial information prepared by the Group's auditors is available for inspection at the Group's registered office.

### Cost efficiency ratio

"Operating expenses" as a percentage of revenue. Revenue consists of net interest income and non-interest income net of reinsurance, unearned premiums, net insurance claims and benefits paid, changes in investment and insurance contract liabilities and acquisition costs.

### Cost of equity

An estimate of the return that the market demands in exchange for the risk of ownership of equity.

### Cost-to-income ratio

"Operating expenses" as a percentage of revenue. Revenue consists of net interest income and non-interest income.

### Coverage ratio

Impairment losses on loans and advances as a proportion of gross loans and advances

### Credit risk

Credit risk is the risk of financial loss should the Group's customers, clients or market counterparties fail to fulfil their contractual obligations.

### Credit loss ratio

Impairment losses on loans and advances for the reporting period, divided by total average advances (calculated on a daily weighted average basis).

### Debt securities in issue

Short- to medium-term instruments issued by the Group, including promissory notes, bonds and negotiable certificates of deposits.

### Diluted headline earnings per share

Headline earnings for the reporting period that is attributable to ordinary equity holders, as a proportion of the weighted average number of ordinary shares in issue adjusted for the effect of all potential dilutive ordinary shares.

### Dividend cover

Headline earnings per share divided by dividend per share.

### Dividend per ordinary share relating to income for the reporting period

Dividend per ordinary share for the reporting period is the actual interim dividends paid and the final dividends declared for the reporting period under consideration, expressed as cents per share.

Special dividend per ordinary share is a payment made by the Group that is considered separate from the typical recurring dividend cycle, expressed as cents per share.

### Earnings per share

#### Basic earnings per share

This constitutes the net profit for the reporting period, less earnings attributable to non-controlling interest, divided by the weighted average number of ordinary shares in issue during the reporting period.

#### Diluted basic earnings per share

The amount of profit for the reporting period that is attributable to ordinary equity holders, divided by the weighted average number of ordinary shares in issue during the reporting period, both adjusted for the effects of all potential dilutive ordinary shares, assuming they had been in issue for the reporting period.

### Economic capital

An internally calculated capital requirement deemed necessary by the Group to support the risks to which it is exposed, at a confidence level consistent with a target credit rating of AA. Also used in the return of average economic capital calculation.

### Embedded value

The embedded value of the covered business is the discounted value of the future after-tax shareholder profits (net of the opportunity cost of the required capital) arising from covered business in force at the valuation date, together with the adjusted net worth of the covered business. Covered business is taken to be all long-term insurance business written under the Group's licence.

The free surplus is the excess of assets over the sum of liabilities and required capital, with assets at market value and liabilities on the statutory valuation method, adjusted to add back inadmissible assets. The required capital is taken to be two times the statutory capital adequacy requirement, in line with the results of internal capital models and the Group's dividend policy.

### Exchange differences

Differences resulting from the translation of a given number of units of one currency into another currency at different exchange rates.

### Financial Markets Act

This means the Financial Markets Act No 19 of 2012 and its regulations. This Act is the primary legislation governing the regulation of financial markets, market infrastructure and securities services in South Africa. It focuses primarily on the licensing and regulation of exchanges, central securities depositories, clearing houses, trade repositories and market infrastructure. The Act also strengthens measures already in place aimed at prohibiting insider trading and other market abuses.

### Foreign currency translation

Foreign currency accounts of the Group's subsidiaries translated to reporting currency, with the foreign adjusted currency translation included in a foreign currency translation reserve as equity capital.

### Funding risk

Funding risk is the risk that the Group is unable to achieve its business plans. It consists of:

- Capital risk: the risk that the Group is unable to maintain appropriate capital ratios and composition which could lead to: an inability to support business activity, a failure to meet regulatory requirements; and/or changes to credit ratings, which could also result in increased costs or reduced capacity to raise funding;
- Liquidity risk: the risk that the Group is unable to meet its obligations as they fall due; and
- Structural risk: the risk arising from the impact of interest rate and foreign exchange movements on the Statement of comprehensive income and Statement of financial position.

### Gains and losses from banking and trading activities

Banking and trading portfolios include:

- realised gains and losses on financial instruments held at amortised cost, held-to-maturity or available-for-sale;
- realised gains and losses on the disposal of associates, joint ventures and subsidiaries within the banking portfolios;
- realised and unrealised gains and losses on financial instruments designated at fair value through profit or loss; and
- interest, dividends and fair value movements on certain financial instruments held for trading or designated at fair value through profit or loss.

## Glossary

### Gains and losses from investment activities

Insurance and strategic investment portfolios including:

- realised gains and losses on financial instruments held at amortised cost, held-to-maturity or available-for-sale;
- realised gains and losses on the disposal of associates, joint ventures and subsidiaries;
- realised and unrealised gains and losses on financial instruments designated at fair value through profit or loss; and
- interest, dividends and fair value movements on certain financial instruments held for trading or designated at fair value through profit or loss.

### Gross credit extended

Loans advanced to customers and banks, as well as off-balance sheet exposures.

### Group

Barclays Africa Group Limited, together with its subsidiary undertakings, special purpose entities, joint ventures, associates and offshore holdings. It is also referred to as “the Group” or “Barclays Africa Group” in this report.

### Headline earnings

Headline earnings reflects the operating performance separated from remeasurements (an amount recognised in the statement of comprehensive income relating to any change (realised or unrealised) in the carrying amount of an asset/liability that arose after the initial recognition of such asset or liability) as well as non-controlling interest of preference shares or ordinary shares, where relevant.

### Headline earnings per share

Profit attributable to ordinary equity holders after adjusting for separately identifiable remeasurements, net of tax and non-controlling interest, divided by the weighted average number of ordinary shares in issue. A remeasurement is an amount recognised in profit or loss relating to any change in the carrying amount of an asset or liability that arose after the initial recognition of such asset or liability.

### Diluted headline earnings per share

Diluted headline earnings per share is calculated by adjusting both the headline earnings and the weighted average number of ordinary shares outstanding for the effects of all potential dilutive ordinary shares, assuming they had been in issue for the reporting period.

### Impairments raised – Identified

Impaired loans with key indicators of default being:

- the borrower is unlikely to pay its credit obligation in full, without recourse by the Group to actions such as realising security held; and/or
- the borrower is overdue.

A retail identified impairment is triggered when a contractual payment is missed and is raised on a collective basis. Future cash flows for a group of financial assets, which are collectively evaluated for impaired purposes, are estimated based on the contractual cash flows of the assets in the Group and the historical loss experienced for assets with similar credit risk characteristics to those in the Group.

In the wholesale portfolio, an identified impairment is raised on an individual basis and is the difference between the outstanding capital and the present value of future cash flows.

### Impairments raised – Unidentified

Allowances are raised when observable data indicates a measurable decrease in the estimated future cash flows from a group of financial assets since their original recognition, even though the decrease cannot yet be linked to individual assets in the Group. The unidentified impairment calculation is based on the asset's probability of moving from the performing portfolio to the defaulted portfolio as a result of a risk condition that has already occurred, but will only be identifiable at a borrower level at a future date.

### Indirect taxation

Indirect taxes are the taxes that are levied on transactions rather than on persons (whether individuals or corporate). These taxes include unclaimed value added taxes, stamp duties on deposits and Regional Services Council levies.

### Income statement

The term Income statement is used in the same context as the Statement of comprehensive income.

### Jaws

A measure used to demonstrate the extent to which the Group's income from operations growth rate exceeds operating expenses growth rate. Income from operations consists of net interest income and non-interest income.

### Leverage

Average assets as a proportion of average equity.

### Life new business margin

Embedded value of new business attained in the Life Insurance key business area of WIMI, as a proportion of the discounted value of the associated future premiums.

### Loans-to-deposits and debt securities ratio

Loans and advances to customers as a percentage of deposits due to customers and debt securities in issue.

### Long-term funding ratio

Funding with a term in excess of six months.

### Market capitalisation

The Group's closing share price, times the number of shares in issue at the reporting date.

### Market risk

Market risk is the risk that the Group's earnings, capital or business objectives will be adversely impacted by changes in the level or volatility of market rates or prices such as interest rates, foreign exchange rates, equity prices, commodity prices and credit spreads. It consists of:

- Traded market risk, which is the risk of the Group being impacted by changes in the level or volatility of positions in the Group's trading books, primarily in Investment Bank.
- Non-traded market risk, which is the risk of the Group being unable to hedge the interest rate risk in the banking book, primarily in retail, business banking and corporate portfolios.
- Insurance risk, which is the risk that future experiences relating to claims, expenses, policyholder behaviour and investment returns are different from the assumptions made when setting premiums or valuing policyholder liabilities.
- Pension risk, which arises when an adverse movement between pension assets and liabilities results in a pension deficit.

### Merchant income

Income generated from the provision of point-of-sale facilities to the Group's merchant network customers. This income includes both rental income for the supply of point-of-sale units as well as transactional income for the transactions processed on the supplied terminals.

### Net asset value per share

Total equity attributable to ordinary equity holders divided by the number of shares in issue. The net asset value per share figure excludes the non-cumulative, non-redeemable preference shares issued.

### Net insurance premium income

The amount of insurance premiums received or receivable on insurance assets net of insurance claims and benefits paid on insurance liabilities.

### Net interest income

The amount of interest received or receivable on assets net of interest paid or payable on liabilities.

### Net interest margin on average interest-bearing assets

Net interest income for the reporting period, divided by average interest-bearing assets (calculated on a daily weighted average basis), expressed as a percentage of average interest-bearing assets.

### Net present value unwind on non-performing book

A net present value adjustment representing time value of money of expected cash flows within the impairment allowance. Such time value of money reduces as the point of cash flow is approached. The time-based reduction in time value of money is recognised in the statement of comprehensive income as interest received on impaired assets.

### Net revenue

Net revenue consists of net interest income and non-interest income, net of impairment losses on loans and advances.

## Glossary

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### Net trading result

Net trading result includes the profits and losses on CIB's trading desks arising from both the purchase and sale of trading instruments and the revaluation to market value, as well as CIB's hedge ineffectiveness. This includes the interest income and interest expense from these instruments and related funding cost. It also includes similar activities from the African operations.

### Non-interest income

Non-interest income consists of the following Statement of comprehensive income line items: "net fee and commission income", "net insurance premium income", "net insurance claims and benefits paid", "changes in investment contracts and insurance contract liabilities", "gains and losses from banking and trading activities", "gains and losses from investment activities as well as other operating income".

### Non-performing loans

A loan is typically considered non-performing once its delinquency reaches a trigger point. This is typically when interest is suspended (in accordance with Group policy) or if the loan is moved to the legal environment for recovery. As a consequence, a loan that has defaulted is not necessarily non-performing (unless certain criteria are met).

### Non-performing loan – coverage ratio

Net exposure, being the outstanding non-performing loan balance, less expected recoveries and fair value of collateral, as a percentage of the total outstanding non-performing loan balance.

### Non-performing loan ratio

Non-performing loans as a percentage of gross loans and advances to customers.

### Non-interest income as a percentage of revenue

Non-interest income as a percentage of income from operations. Revenue consists of net interest income and non-interest income.

### Operational risk

Operational risk is the risk of direct or indirect impacts resulting from human factors, inadequate or failed internal processes and systems or external events. This includes risks associated with payments and transaction operations, external suppliers, products, premises and security, fraud risk, regulation, information, financial reporting, tax, legal, people and technology.

### Price-to-earnings ratio

The closing price of ordinary shares, divided by headline earnings per ordinary share for the reporting period.

### Probability of default

The probability that a debtor will default within a one-year time horizon.

### Pre-provision profit

Total revenue less operating expenses.

### Regulatory capital

The capital that the Group holds, determined in accordance with the requirements of the Banks Act and regulations relating to banks.

### Return on average assets

Annualised headline earnings as proportion of total average assets.

### Return on average equity

Annualised headline earnings as a proportion of average equity.

### Return on average regulatory capital

Measure of efficient use, by segment, of regulatory capital.

### Return on average risk-weighted assets

Annualised headline earnings as a proportion of average risk-weighted assets.



### Revenue/total income

Revenue consists of net interest income and non-interest income.

### Risk-weighted assets

Calculated by assigning a degree of risk, expressed as a percentage (risk weight) to an exposure, in accordance with the applicable standardised or internal ratings-based approaches rules. RWA are determined by applying the:

- AIRB approach for wholesale and retail credit;
- AMA for operational risk;
- Internal ratings-based market-based simple risk-weight approach for equity investment risk in the banking book; and
- Standardised approach for all African entities (both credit and operational risk).

### Solvency margin

The amount by which assets, at fair value, exceed liabilities and other comparable commitments.

### Underwriting margin

Net insurance premium income remaining after losses have been paid and administrative expenses have been deducted.

### Value-at-risk model

A technique that measures the loss that could occur on risk positions as a result of adverse movements in market risk factors (e.g. rates, prices, volatilities) over a specified time horizon and to a given level of confidence.

### Value of new business

The discounted value, at the date of sale, of the projected after-tax shareholder profits from new covered business, net of the opportunity cost of the required capital for new business. New covered business is defined as long-term insurance contracts written by the Group during the reporting period and for which at least one premium has been recognised in the financial statements. The value of new business is calculated using closing assumptions for all basis items.

### Weighted average number of shares

The number of shares in issue at the beginning of the reporting period increased by shares issued during the reporting period, weighted on a time basis for the period during which they participated in the income, less treasury shares held by entities, weighted on a time basis for the period during which the entities held these shares.

## Abbreviations and acronyms

### List of abbreviations

#### A

AIRB	advanced internal ratings-based approach
AMA	advanced measurement approach
ATM	automated teller machine

#### B

Basel	Basel Capital Accord
bps	basis points

#### C

CET1	Common Equity Tier 1
CIB	Corporate and Investment Bank
CoE	cost of equity
CPF	Commercial Property Finance

#### D

DPS	dividend per share
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#### E

EC	Economic Capital
Edcon portfolio	Edcon Store Card Portfolio
ERMF	Enterprise Risk Management framework
EV	embedded value

#### F

FIRB	foundation internal ratings-based approach
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#### H

HEPS	headline earnings per share
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#### I

IAS	International Accounting Standard(s)
IAS 16	IAS 16 Property, Plant and Equipment
IAS 21	IAS 21 Effects of changes in foreign exchange rates
IAS 27	IAS 27 Consolidated and Separate Financial Statements
IAS 32	IAS 32 Financial Instruments: Presentation
IAS 36	IAS 36 Impairment of Assets
IAS 38	IAS 38 Intangible Assets
IAS 39	IAS 39 Financial Instruments: Recognition and Measurement
IAS 40	IAS 40 Investment Property
ICAAP	internal capital adequacy assessment process
IFRS	International Financial Reporting Standard(s)
IFRS 3	Business Combinations
IFRS 5	Non-current Assets Held for Sale and Discontinued Operations
IMA	internal models approach
IT	information technology

#### J

JIBAR	Johannesburg Interbank Agreed Rate
JSE	Johannesburg Stock Exchange

#### N

NAV	net asset value
NBC	National Bank of Commerce Limited (Tanzania)
NPL(s)	non-performing loan(s)

#### R

RBB	Retail and Business Banking
RoA	return on average assets
RoE	return on average equity
RoRC	return on average regulatory capital
RoRWA	return on average risk-weighted assets
RWA	risk-weighted assets

#### S

SARB	South African Reserve Bank
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#### T

TSA	the standard approach
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#### V

VAF	Vehicle and Asset Finance
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#### W

WIMI	Wealth, Investment Management and Insurance
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## Administration and contact details

### Barclays Africa Group Limited

Incorporated in the Republic of South Africa  
Registration number: 1986/003934/06  
Authorised financial services and registered credit provider (NCRCP7)  
JSE share code: BGA  
ISIN: ZAE000174124

### Registered office

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### Group Company Secretary

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### Head of Finance

Jason Quinn  
Telephone: +27 11 350 7565

### Queries

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Please direct media queries to [groupmedia@barclaysafrica.com](mailto:groupmedia@barclaysafrica.com)  
For all customer and client queries, please go to the relevant country website (see details below) for the local customer contact information  
Please direct queries relating to your Barclays Africa Group shares to [questions@computershare.co.za](mailto:questions@computershare.co.za)  
Please direct other queries regarding the Group to [groupsec@barclaysafrica.com](mailto:groupsec@barclaysafrica.com)

### Board of directors

**Group independent non-executive directors**  
C Beggs, Y Z Cuba, A B Darko<sup>1</sup>, M J Husain, P B Matlare, T S Munday (Lead Independent Director), F Okomo-Okello<sup>2</sup>  
**Group non-executive directors**  
P A Clackson<sup>3</sup>, W E Lucas-Bull (Group Chairman), M S Merson<sup>3</sup>, A V Vaswani<sup>4</sup>  
**Group executive directors**  
D W P Hodnett (Deputy Chief Executive Officer and Financial Director), M Ramos (Chief Executive Officer)

### Transfer secretary

Computershare Investor Services (Pty) Ltd  
Telephone: +27 11 370 5000  
[computershare.com/za/](http://computershare.com/za/)

### ADR depository

BNY Mellon  
Telephone: +1 212 815 2248  
[bnymellon.com](http://bnymellon.com)

### Auditors

Ernst & Young Inc.  
Telephone: +27 011 772 3000  
[ey.com/ZA/en/Home](http://ey.com/ZA/en/Home)

PricewaterhouseCoopers Inc.  
Telephone: +27 011 797 4000  
[pwc.co.za](http://pwc.co.za)

### Sponsors

**Lead independent sponsor**  
J. P. Morgan Equities South Africa (Pty) Ltd  
Telephone: +27 11 507 0300  
[jpmorgan.com/pages/jpmorgan/emea/local/za](http://jpmorgan.com/pages/jpmorgan/emea/local/za)

**Joint sponsor**  
Absa Bank Limited (Corporate and Investment Bank)  
Telephone: +27 11 895 6843  
E-mail: [equitysponsor@absacapital.com](mailto:equitysponsor@absacapital.com)

### Significant banking subsidiaries

Information on the entity and the products and services provided (including banking, insurance and investments) can be found at:

Absa Bank Limited	<a href="http://absa.co.za">absa.co.za</a>	Barclays Bank (Seychelles) Limited	<a href="http://barclays.sc">barclays.sc</a>
Barclays Bank Botswana	<a href="http://barclays.co.bw">barclays.co.bw</a>	Barclays Bank Tanzania Limited	<a href="http://barclays.co.tz">barclays.co.tz</a>
Barclays Bank of Ghana Limited	<a href="http://gh.barclays.com/">gh.barclays.com/</a>	Barclays Bank of Uganda Limited	<a href="http://barclays.co.ug">barclays.co.ug</a>
Barclays Bank of Kenya	<a href="http://barclays.co.ke">barclays.co.ke</a>	Barclays Bank Zambia plc	<a href="http://zm.barclays.com/">zm.barclays.com/</a>
Barclays Bank Mauritius Limited	<a href="http://barclays.mu">barclays.mu</a>	National Bank of Commerce Ltd	<a href="http://nbctz.com">nbctz.com</a>
Barclays Bank Mozambique SA	<a href="http://barclays.co.mz/eng">barclays.co.mz/eng</a>		

### Representative offices

Absa Namibia Proprietary Limited  
Absa Capital Representative Office Nigeria Limited

[absanamibia.com.na](http://absanamibia.com.na)  
[cib.absa.co.za](http://cib.absa.co.za)

While not members of the Barclays Africa Group Limited legal entity, these operations are managed by us

Barclays Bank Egypt S.A.E  
Barclays Bank of Zimbabwe Limited

[barclays.com.eg](http://barclays.com.eg)  
[zw.barclays.com/](http://zw.barclays.com/)

#### Notes

<sup>1</sup>Ghanaian  
<sup>2</sup>Kenyan  
<sup>3</sup>British  
<sup>4</sup>Singaporean

