Barclays Africa Group Limited

Financial results
for the reporting period ended 31 December 2016

BARCLAYS

Report overview

The full set of documents is available on www.barclaysafrica.com

This financial results booklet for the reporting period ended 31 December 2016 is one of the publications released at the time of the Barclays Africa Group Limited's (Barclays Africa Group or the Group) financial results announcement made on 23 February 2017. It is supplemented with additional disclosures including the Group's JSE SENS announcement and the annual financial results presentation to shareholders and other stakeholders.

The following business portfolio changes resulted in the restatement of financial results for the comparative period. None of the restatements have impacted the overall financial position of net earnings of the Group.

1. Business portfolio changes

- Statutory liquid assets allocations in loan portfolios that were moved from Wealth Investment Management and Insurance (WIMI) to Retail and Business Banking (RBB) in previous reporting periods were reassessed and resulted in the restatement of statutory liquid assets between WIMI and RBB.
- The Group refined its transfer pricing and allocation of endowment methodologies, resulting in restatements between segments.
- The Group reassessed its cost allocation methodology, resulting in the restatements of operating expenses between, and within segments.
- Interest rates on internal cash balances were aligned to market-related rates, resulting in the restatement of interest, between Corporate and Investment Banking (CIB) and Head Office, Treasury and other operations.
- Certain shared services operations that were previously conducted by RBB were transferred to Head Office, Treasury and other operations, resulting in the restatement of income and costs.
- Africa Corporate Development (previously reported within CIB Private Equity) was moved from CIB to Head Office, while cheque income and associated costs were moved from CIB to RBB to better align the ownership of the products and the management thereof.
- Integrated Processing Solutions was moved from RBB to Head Office, Treasury and other operations to better align the ownership of the investment and the management thereof.
- The Rest of Africa treasury function (previously reported in the RBB and CIB segments) was moved to Head Office, Treasury and other operations.

Barclays Africa Group Limited (1986/003934/06)
The term Barclays Africa Group or the Group, refers to Barclays Africa Group Limited and its subsidiaries.

Financial results for the reporting period ended 31 December 2016

Date of publication: 23 February 2017

These annual financial results were prepared by Barclays Africa Group Financial Control under the direction and supervision of the Barclays Africa Group Limited Financial Director, J P Quinn CA (SA).

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Icons used with this report

Positive	Negative	Remains the same	Increase/ decrease

Dividend per share

Final	570 cents
Interim	460 cents

Key dates

Financial year-end	31 December 2016
Dividend payment	10 April 2017
Annual general meeting	16 May 2017

Shareholder communications

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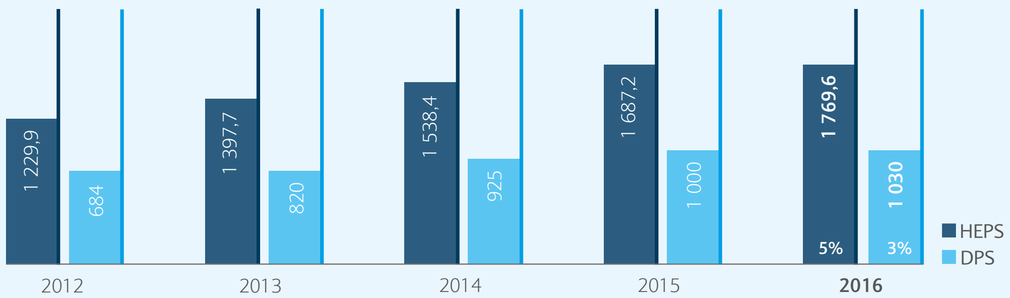
Group performance

Group performance overview

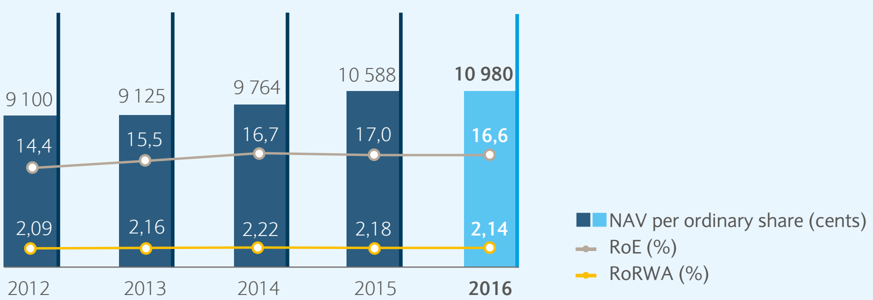
> ***"Barclays Africa is at an inflection point. We have achieved so much and we are determined to maintain our hard-won momentum towards becoming a proudly standalone pan-African bank."***
>
> **Maria Ramos,** *Chief Executive Officer*

- ▲ Pre-provision profit increased by 10% to R32 438m and headline earnings by 5% to R14 980m.
- ▲ Positive Jaws of 1,6 reflects 8% growth in income and 6% growth in operating expenses. Cost-to-income ratio improved to 55,2% from 56,0%.
- ▲ Strong earnings growth in strategic growth areas as CIB segmental earnings increased by 27% and earnings in Rest of Africa increased by 17%.
- ▲ BAGL Common Equity Tier 1 (CET1) ratio of 12,1% increased from 11,9% in 2015 and remains above internal targets.
- ▼ Credit loss ratio deteriorated from 0,92% to 1,08%.
- ▼ WIMI outside South Africa reported a loss of R169m in 2016.
- ▼ Slower revenue growth in the second half of the year reflects National Credit Act and Kenya regulatory changes, consumer pressure and weaker Rest of Africa exchange rates.

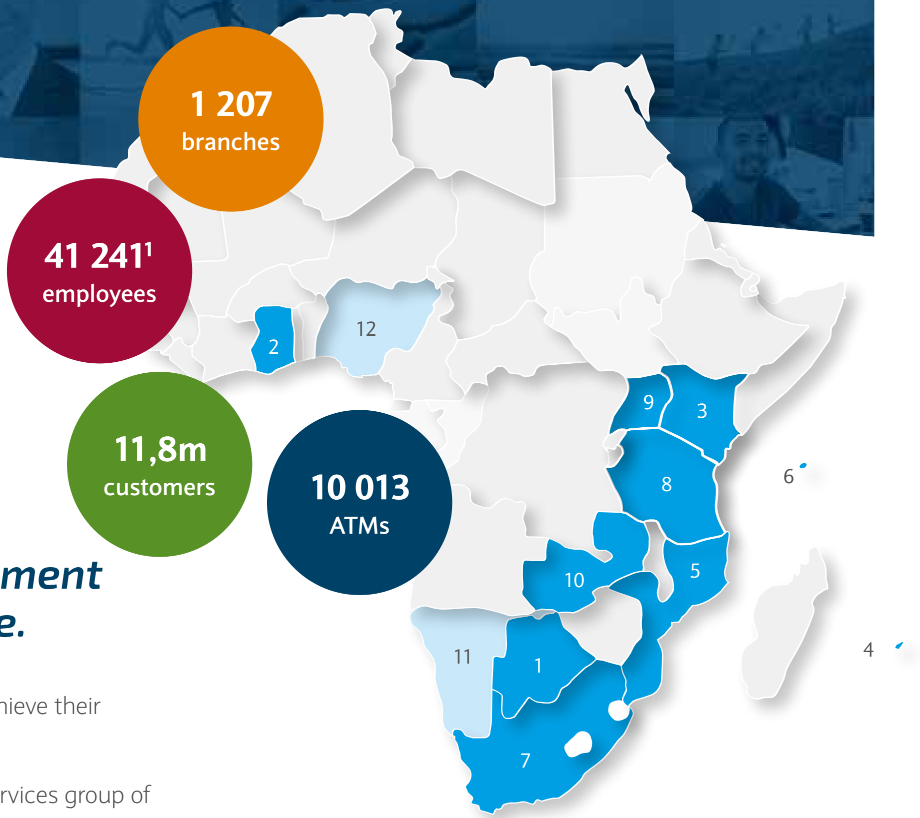
Headline earnings per ordinary share (HEPS) and dividend per share (DPS) (cents)



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



Barclays Africa, a strong African franchise...



We are a diversified financial services provider offering an integrated set of products and services across personal and business banking, corporate and investment banking, wealth and investment management and insurance.

We are driven by **our Purpose** to help people achieve their ambitions in the right way.

We are focused on **our Goal** to be the financial services group of choice in Africa.

Our **Values** define the way we think, work and act:

Respect
We respect and value those we work with and the contribution they make.

Integrity
We act fairly, ethically and openly in all we do.

Service
We put our customers and clients at the centre of what we do.

Excellence
We use our energy, skills and resources to deliver the best sustainable results.

Stewardship
We are passionate about leaving things better than we found them.

We are committed to **Shared Growth**, which for us means having a positive impact on society and delivering shareholder value.

Our **Balanced Scorecard** provides a holistic approach to deliver commercial returns, while responding to stakeholders' needs

	Branches	ATMs	Customers	Employees[1]
1 Botswana	34	113	154 998	1 178
2 Ghana	65	165	518 758	1 111
3 Kenya	105	214	515 966	2 765[2]
4 Mauritius	19	38	77 674	762
5 Mozambique	48	108	283 491	928
6 Seychelles	7	17	16 746	217
7 South Africa	774	8 885	9 426k	30 739
8 Tanzania BBT	18	51	62 980	496
8 Tanzania NBC	51	230	424 712	1 212
9 Uganda	39	69	130 565	869
10 Zambia	47	123	201 555	964[2]

Barclays Africa representative offices
- 11 Namibia
- 12 Nigeria

[1] Includes permanent and temporary employees
[2] Includes Barclays Africa Regional Office employees

…delivering our One Africa strategy.

We are strongly positioned as a fully local bank with regional and international expertise and aspire to build the leading financial services group in our chosen countries in Africa, as well as selected customer and client segments, and to remain locally relevant and competitive in all our presence countries.

We continue our journey to distinguish ourselves …

… from international banks by operating a bank with deep African insights from our local operations.

… from local and regional banks through our access to international technologies and products and our ability to connect our customers and clients seamlessly to international markets.

… by embodying Shared Growth as a business ethos and a sustainable way of conducting business.

Driving change through four strategic themes …

African opportunity

Investing in the greatest growth opportunities and connecting Africa to international capital markets.

Customer and client experience

Making our customers' and clients' lives easier and helping them to prosper.

Simplify and accelerate

Simplifying our business processes to better serve our customers and clients, to sustainably reduce costs and to improve efficiencies.

Powered by people and technology

Unlocking the power of a dynamic workforce enabled with technology, information and innovation to deliver value to our customers and clients.

By focusing on …

African opportunity:

- Serving growth areas such as construction, utilities and transportation, retail and wholesale, agriculture, and manufacturing
- Enabling international client coverage, product distribution and execution

Customer and client experience:

- Creating value propositions that provide integrated product offerings
- Using data insights and digital innovation to understand and respond to customer and client needs
- Using multiple channels to serve our customer and clients

Simplify and accelerate:

- Automating end-to-end processes
- Driving resilience in technology infrastructure
- Leveraging robotics to accelerate business

Powered by people and technology:

- Shaping the working environment to enable engaged employees
- Attracting, developing and retaining employees
- Using artificial intelligence as a complementary tool to our employees in interacting with our customers

Measured against our medium-term targets …

A return on equity in the range of 18 – 20%

Top three by revenue in our five key markets (Botswana, Ghana, Kenya, South Africa and Zambia)

A revenue share of 20 – 25% from outside South Africa

A cost-to-income ratio in the low 50s

While building the Group of the future …

We keep evolving and building new strategic capabilities that enable us to be relevant and competitive moving into the future such as launching new digital payment technologies (blockchain) and leveraging strategic partnerships to drive innovation (Rise Africa), increase market access and enhance our customer value propositions.

Consolidated salient features

	2016	2015	Change %
Statement of comprehensive income (Rm)			
Income	**72 394**	67 198	8
Operating expenses	**39 956**	37 661	6
Profit attributable to ordinary equity holders	**14 708**	14 331	3
Headline earnings	**14 980**	14 287	5
Statement of financial position			
Loans and advances to customers (Rm)	**720 309**	703 359	2
Total assets (Rm)	**1 101 023**	1 144 604	(4)
Deposits due to customers (Rm)	**674 865**	688 419	(2)
Loans to deposits and debt securities ratio (%)	**88,4**	86,1	
Financial performance (%)			
Return on Equity (RoE)	**16,6**	17,0	
Return on Average Assets (RoA)	**1,34**	1,37	
Return on risk-weighted assets (RoRWA)	**2,14**	2,18	
Non-performing loans (NPLs) ratio on gross loans and advances[1]	**3,94**	3,47	
Operating performance (%)			
Net interest margin on average interest-bearing assets	**4,92**	4,81	
Credit loss ratio on gross loans and advances to customers and banks	**1,08**	0,92	
Credit loss ratio on net loans and advances to customers	**1,23**	1,05	
Non-interest income as a percentage of total income	**42,0**	42,8	
Cost-to-income ratio	**55,2**	56,0	
Jaws	**1,64**	1,39	
Effective tax rate	**26,9**	27,7	
Share statistics (million)			
Number of ordinary shares in issue	**847,8**	847,8	
Number of ordinary shares in issue (excluding treasury shares)	**846,7**	845,7	
Weighted average number of ordinary shares in issue	**846,5**	846,8	
Diluted weighted average number of ordinary shares in issue	**846,6**	847,3	
Share statistics (cents)			
Headline earnings per ordinary share	**1 769,6**	1 687,2	5
Diluted headline earnings per ordinary share	**1 769,4**	1 686,2	5
Basic earnings per ordinary share	**1 737,5**	1 692,4	3
Diluted basic earnings per ordinary share	**1 737,3**	1 691,4	3
Dividend per ordinary share relating to income for the reporting period	**1 030**	1 000	3
Dividend cover (times)	**1,7**	1,7	—
NAV per ordinary share	**10 980**	10 558	4
Tangible NAV per ordinary share	**10 501**	10 112	4
Capital adequacy (%)			
Barclays Africa Group Limited	**14,8**	14,5	
Absa Bank Limited	**15,1**	13,8	
Common Equity Tier 1 (%)			
Barclays Africa Group Limited	**12,1**	11,9	
Absa Bank Limited	**11,6**	10,5	

Note

[1] The calculation of the NPLs ratio has been changed to also include loans and advances to banks. Based on the previous methodology the NPLs ratio would be **4,20%** (2015: 3,88%).

Consolidated salient features by segment

	2016	2015[1]	Change %
Headline earnings (Rm)			
RBB	9 313	9 605	(3)
Retail Banking South Africa	6 406	6 691	(4)
Business Banking South Africa	2 138	2 124	1
RBB Rest of Africa	769	790	(3)
CIB	5 098	3 999	27
WIMI	1 399	1 452	(4)
Head Office, Treasury and other operations	(830)	(769)	8
Return on average risk-weighted assets (%)			
RBB	2,41	2,55	
Retail Banking South Africa	2,61	2,75	
Business Banking South Africa	2,93	3,00	
RBB Rest of Africa	1,14	1,27	
CIB	2,27	1,93	
Return on average regulatory capital (%)			
RBB	21,3	22,0	
CIB	19,9	17,4	
WIMI[2]	23,9	24,7	
Credit loss ratio (%)[3]			
RBB	1,46	1,24	
Retail Banking South Africa	1,39	1,23	
Business Banking South Africa	0,87	0,85	
RBB Rest of Africa	2,96	1,93	
CIB	0,53	0,37	
WIMI	0,13	(0,07)	
Loans and advances to customers (Rm)			
RBB	484 598	483 755	0
Retail Banking South Africa	375 082	374 997	0
Business Banking South Africa	69 479	63 545	9
RBB Rest of Africa	40 037	45 213	(11)
CIB	229 432	213 625	7
WIMI	5 660	5 350	6
Head Office, Treasury and other operations	619	629	(2)
Deposits due to customers (Rm)			
RBB	346 413	344 847	0
Retail Banking South Africa	176 952	166 015	7
Business Banking South Africa	108 783	110 096	(1)
RBB Rest of Africa	60 678	68 736	(12)
CIB	225 416	241 689	(7)
WIMI	5 144	5 160	(0)
Head Office, Treasury and other operations	97 892	96 723	1
Off-statement of financial position (Rbn)			
Assets under management and administration	288	274	5
Exchange-traded funds	28	31	(10)
Money market	64	55	16
Non-money market	204	196	4
Intra-segment eliminations	(8)	(8)	—

Notes

1 These numbers have been restated, refer to the reporting changes overview on the inside front cover.

2 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 Return on Average Regulatory Capital (RoRC) for WIMI is calculated as the sum of average legal entities' equity including the regulatory capital (RC) contribution for the Wealth division.

3 The calculation of the credit loss ratio was amended to include impairment losses on loans and advances for the reporting period and dividing it by total gross loans and advances to customers and banks (calculated on a daily weighted average), resulting in a restatement of comparative credit loss ratios.

Profit and dividend announcement

Salient features

- Diluted HEPS increased by 5% to 1 769,4 cents.
- DPS 3% higher at 1 030 cents.
- Headline earnings in South Africa grew by 2% to R12,2bn and Rest of Africa increased by 17% to R2,8bn.
- RoE declined to 16,6% from 17,0%.
- Pre-provision profit increased by 10% to R32,4bn.
- Revenue grew by 8% to R72,4bn, as net interest income increased by 9% and non-interest income rose 6%, while operating expenditure grew by 6% to R40,0bn.
- Credit impairments increased by 26% to R8,8bn resulting in a 1,08% credit loss ratio from 0,92%.
- Barclays Africa Group Limited's Common Equity Tier 1 (CET1) ratio increased to 12,1%, well above regulatory requirements and ahead of our board target range.

Overview of results

Barclays Africa Group Limited's headline earnings increased by 5% to R14 980m from R14 287m. Diluted HEPS also grew by 5% to 1 769,4 cents from 1 686,2 cents. The Group's RoE decreased to 16,6% from 17,0%, due to higher credit impairments, and its return on assets declined to 1,34% from 1,37%. Barclays Africa Group Limited declared a 3% higher ordinary DPS of 1 030 cents. Its NAV per share increased by 4% to 10 980 cents.

Pre-provision profit increased by 10% to R32,4bn, which drove earnings growth. Non-interest income grew by 6% and net interest income by 9%, as the Group's net interest margin (on average interest-bearing assets) improved to 4,92% from 4,81%. Loans and advances to customers grew by 2% to R720bn, while deposits due to customers decreased by 2% to R675bn. The Group's cost-to-income ratio improved to 55,2% from 56,0% as operating expenses rose 6%. The weaker average rand added 1% to the Group's revenue, costs and headline earnings growth. Credit impairments grew by 26%, largely due to higher charges in Retail Banking and CIB in South Africa and RBB Rest of Africa. NPLs rose to 3,94% from 3,47% of gross loans and advances, while portfolio provisions increased to 79 basis points (bps) of total gross performing loans from 65 bps.

RBB's headline earnings decreased by 3% to R9 313m, with 7% cost growth exceeding 6% higher revenues and credit impairments rising 21%. Retail Banking South Africa's headline earnings declined by 4% and RBB Rest of Africa by 3%, while Business Banking South Africa increased by 1%. WIMI's headline earnings decreased by 4% to R1 399m, despite 11% growth in South Africa continuing business lines, which was offset by rest of Africa losses. CIB grew by 27% to R5 098m, driven by Corporate which increased by 44% while the Investment Bank rose 13%.

Revenue from the Rest of Africa grew by 16% and headline earnings rose 17% to R2 778m, to contribute 23% and 19% of the Group's revenue and headline earnings respectively.

Operating environment

The global economy finished 2016 on a stronger footing, despite the heightened policy uncertainty in some developed economies. Global GDP growth for 2016 is projected to be 3,2%. Fears of a significant slowdown in China's economy diminished following new stimulus. Into year end the US dollar strengthened, commodity prices firmed up somewhat and global equity markets generally rallied.

South Africa's economic growth is expected to have slowed to 0,4% in 2016, in part due to the severe drought. Households faced a weak employment environment, higher inflation and tight credit conditions, while businesses reduced investment spending given a more volatile policy environment and weak domestic demand. South Africa's prime interest rate increased 0,75% to 10,5% during the year. Although on average through the year the rand was weaker than the Group's rest of Africa currencies, it appreciated noticeably during the year and closed stronger than at the end of 2015. Consequently, it slightly enhanced the Group's income statement growth, but reduced its balance sheet growth.

Economic growth in the Group's presence markets in the rest of Africa slowed to the weakest level since 2002 as economies were impacted by tighter liquidity conditions, weak commodity prices impacted current account and fiscal receipts, and inflationary pressures impacted households.

Profit and dividend announcement

Group performance

Statement of financial position

Total assets decreased by 4% to R1 101bn at 31 December 2016, predominantly due to loans and advances to banks and trading portfolio assets declining by 42% and 30% respectively. Excluding these, assets grew by 4%, with customer loans and advances increasing by 2%. Rand appreciation against the Group's rest of Africa currencies reduced assets by 2%.

Loans and advances to customers

Loans and advances to customers grew by 2% to R720bn, or by 4% excluding rand appreciation. Retail Banking South Africa's loans were flat at R375bn, reflecting 4% growth in Vehicle and Asset Finance (VAF) and 7% higher Personal Loans, while Home Loans declined by 2% and Card by 4%. Business Banking South Africa's loans rose 9% to R69bn including solid growth in Agri loans and commercial property finance. RBB Rest of Africa's loans declined by 11% to R40bn, despite growing by 2% in constant currency (CCY). CIB's loans rose 7% to R229bn, given 13% growth in South Africa and 1% CCY growth in the rest of Africa.

Funding

Deposits due to customers declined by 2% to R675bn, which increased the loans to deposit and debt securities ratio to 88,4%. Deposits due to customers constituted 77,8% of total funding from 78,2%. Retail Banking South Africa grew deposits by 7% to R177bn, while Business Banking South Africa's deposits declined by 1% to R109bn, largely due to a sector-wide reduction in local and provincial government deposits. RBB Rest of Africa's deposits grew by 2% in CCY, but fell by 14% due to currency translation. CIB's total deposits declined by 7%, with Rest of Africa down 20% (or 7% in CCY) due to the strong rand and lower inflows. CIB's South Africa deposits decreased by 2%, after losing a large, low margin client. The Group's liquidity position remains strong, with liquid assets and other sources of liquidity growing by 20% to R239bn. Absa Bank's three-month average liquidity coverage ratio for the fourth quarter of 2016 was 98%, well above the regulatory minimum hurdle of 70%. While net stable funding ratios only become effective on 1 January 2018, the Group is expected to comply with the 100% minimum. Lastly, long-term funding increased slightly to 21,4% of total funding.

Net asset value

The Group's NAV rose 4% to R93bn and its NAV per share grew by 4% to 10 980 cents. During the year it generated profits of R14,7bn, from which it paid R8,5bn in dividends. The foreign currency translation reserve reduced by R4,1bn to R2,4bn.

Capital to risk-weighted assets

Group risk-weighted assets (RWAs) increased marginally to R704bn at 31 December 2016, slightly ahead of its 4% lower asset growth, in part due to higher counterparty risk. The Group remains well capitalised, comfortably above minimum regulatory requirements. Its CET1 and Tier 1 capital adequacy ratios were 12,1% and 12,6% respectively (from 11,9% and 12,6%). The Group generated 2,1% of CET1 capital internally during the period. Its total capital adequacy ratio was 14,8%. Declaring a 3% higher DPS of 1 030 cents on a dividend cover of 1,7 times took cognisance of the challenging operating environment, the Group's strong capital position, internal capital generation, strategy and growth plans.

Statement of comprehensive income

Net interest income

Net interest income increased by 9% to R42 003m from R38 407m, with average interest-bearing assets growing by 7%. The Group's net interest margin improved to 4,92% from 4,81%.

Loan pricing and mix had a 3 bps impact, due to regulatory changes, higher interest suspended and lower margins in VAF, plus the mix impact of strong CIB loan growth. These outweighed improved Home Loans and Personal Loans margins. The deposit margin increased by 2 bps, due to improved Retail Banking and Corporate pricing offsetting higher wholesale liquidity premiums and the negative mix impact of increased wholesale funding. Higher South African interest rates resulted in an endowment increase on deposits and equity of 10 bps. Despite releasing R268m to the income statement, the benefit from structural hedging declined by 11 bps.

Rest of Africa's net interest margin improved by 23 bps, which added 10 bps to our Group margin. However, the impact of lower rates, rand strength and regulatory changes were evident in the second half. Lastly, the basis benefit of a 75 bps increase in the South African prime rate in the first half and a substantial reduction in loans to banks added 3 bps to our margin, outweighing the cost of higher borrowed funds and liquid asset holdings.

Profit and dividend announcement

Group performance *(continued)*

Statement of comprehensive income

Non-interest income

Non-interest income increased by 6% to R30 391m from R28 791m accounting for 42% of total revenue. South Africa increased by 5% to R24 969m, while Rest of Africa grew by 10% or (6% CCY) to R5 422m. Net fee and commission income rose 3% to R20 723m, with growth in credit cards and electronic banking of 20% and 3% respectively.

RBB's non-interest income grew by 5% to R19 134m, 63% of the Group's total. Retail Banking South Africa increased by 4% to R12 819m largely due to card growth offsetting flat customer numbers, sub-inflation fee increases and continued migration to bundled products and electronic channels. Card non-interest income grew by 11%, with 13% growth in merchant acquiring volumes. Business Banking's non-interest income rose 5% to R3 543m, largely due to 6% growth in electronic banking and cheque account income. RBB Rest of Africa's non-interest income grew by 6% to R2 772m from growth in active customers, rand depreciation and a strong increase in card acquiring and bancassurance.

WIMI's non-interest income decreased by 2% to R4 848m, as the Rest of Africa declined by 41% due to revised reserving requirements, lower investment returns and new business strain. However, net insurance premiums income grew by 10% on continuing lines and embedded value of new business grew by 21%.

CIB's non-interest income increased by 13% to R6 679m, largely due to improved trading. Overall Markets revenue rose by 25% to R5 149m as rest of Africa grew by 26% and South Africa 25%, with Fixed Income and Credit up 51% and Foreign Exchange and Commodities increasing by 21%.

Impairment losses on loans and advances

Credit impairments increased by 26% to R8 751m from R6 920m, resulting in a 1,08% credit loss ratio from 0,92%. The Group changed its credit loss ratio disclosure to use gross customer loans and loans to banks, rather than customer loans. On the previous basis, its credit loss ratio increased to 1,23% from 1,05%. Group NPLs increased 11% to R31,1bn, or 3,9% of gross loans and advances from 3,5%. Total NPL coverage increased to 44,2%, due to increases across most portfolios. Balance sheet portfolio impairments increased by 19% to R6,0bn, or 79 bps of total performing loans from 65 bps. This includes an additional R0,3bn of macroeconomic overlays to R1,4bn.

RBB's credit impairments grew by 21% to R7,4bn, a 1.46% credit loss ratio from 1,24%. Retail Banking South Africa's charge increased by 14% to R5,4bn, as NPLs grew by 11% to R20,2bn. While Home Loans' charge grew by 34% to R922m, its credit loss ratio remains relatively low at 0,40% from 0,30%. VAF's credit loss ratio rose to 1,14% from 0,97%, as its NPL and performing loan coverage increased. Card credit impairments were flat at R2,4bn, a 5,41% credit loss ratio from 5,38%, despite reduced recoveries in Absa Card. Personal Loans credit impairments increased by 23%, resulting in a 5,68% credit loss ratio from 5,16%.

Business Banking South Africa's credit impairments grew by 7% to R581m, resulting in a 0,86% credit loss ratio from 0,85%. Its NPLs were flat at R3,3bn. RBB Rest of Africa's credit impairments rose by 73% to R1,3bn, increasing its credit loss ratio to 2,96% from 1,93%. However, its NPLs decreased by 12% to R3,1bn, while its performing loan cover increased to 2,14% from 1,12%. CIB's credit impairments increased by 77% to R1,4bn, largely due to a single name impairment in the first half. This resulted in a 0,53% credit loss ratio from 0.37%. CIB's unidentified impairments expense grew by 63% to R413m.

Group performance *(continued)*

Statement of comprehensive income

Operating expenses

Operating expenses grew by 6% to R39 956m from R37 661m. South Africa's 5% growth in operating expenses was below inflation, while Rest of Africa costs rose by 11%, or 8% in CCY. Staff costs grew by 6% and accounted for 55% of total expenses. Salaries rose by 5% to R17,9bn due to higher wage increases for entry level employees, while bonuses and deferred cash and share-based payments also grew by 5% to R2,7bn.

Structural cost programme continued to produce efficiency gains that enable investment in strategic initiatives. Property consolidation contained the increase in property costs and operating leases to 5%, while a reduction in sponsorships decreased marketing costs by 9%. Professional fees fell by 8%, given less reliance on external service providers for development and testing activity. The Group continued to invest in technology, with total IT spend up by 17% to R7,4bn, accounting for 19% of costs. Amortisation of intangibles grew by 35%, but remains relatively low.

RBB and WIMI's operating expenses increased by 7% and 11% respectively. Retail Banking South Africa's operating expenses grew by 6%, reflecting increased staff costs and investment in digital channels, and Business Banking South Africa's also rose by 6%. RBB Rest of Africa's operating expenses increased by 11%, or 7% in CCY, reflecting inflationary pressures in some countries and investment in IT. CIB's costs grew by 2% without reducing investment in systems and technology.

Taxation

The Group's taxation expense increased by 1% to R5 835m, slightly less than the 2% growth in pre-tax profit due to the recognition of deferred tax assets and an increase in non-taxable income. This resulted in a 26,9% effective tax rate from 27,7%.

Segment performance

Retail Banking South Africa

Headline earnings declined by 4% to R6 406m, largely due to 14% higher credit impairments, since pre-provision profits grew by 1%. Transactional and Deposits earnings increased by 1% to R2 690m, given 12% higher net interest income on 7% deposit growth. Despite improved margins, Home Loans' earnings decreased by 8% to R1 602m due to 15% higher costs and a 34% increase in credit impairments (off a low base). Card earnings increased by 3% to R1 671m, given 11% non-interest income growth and flat credit impairments. VAF earnings declined by 25% to R800m, as margin pressure saw its revenue reduce and credit impairments rose by 23%. Personal Loans earnings grew by 10% to R384m, reflecting 16% higher net interest income. Losses in the 'Other' segment decreased by 1% to R741m, given lower costs. Retail Banking South Africa accounted for 41% of total earnings, excluding the Group centre.

Business Banking South Africa

Headline earnings grew by 1% to R2 138m, given 5% higher pre-provision profits. Loan growth improved to 9%, increasing its revenue growth to 6%, in line with the rise in costs, resulting in a flat 61% cost-to-income ratio. Deposits declined by 1%, largely due to the reduction in public sector funds industry-wide. Credit impairments grew by 7% although the credit loss ratio was largely unchanged at 0,86%. Business Banking South Africa generated 14% of overall earnings excluding the Group centre.

Retail and Business Banking Rest of Africa

Headline earnings declined by 3% or 15% in CCY to R769m, despite 23% higher pre-provision profits. Revenue grew by 15%, or 9% in CCY, with net interest income rising by 19% as its net interest margin improved to 9,06%. Costs grew by 11% or 7% in CCY, so cost-to-income ratio improved to 67,9%. However, credit impairments grew by 73% due to higher personal loan provisions and coverage for performing loans almost doubling. Loans and deposits fell by 11% and 12% respectively, despite both growing by 2% in CCY. RBB Rest of Africa contributed 5% of total earnings excluding Head Office, Treasury and Other (Group centre).

Segment performance

Corporate and Investment Bank

Headline earnings rose by 27% to R5 098m, as pre-provision profits increased by 34%. CIB earnings grew by 18% in South Africa and 43% in the rest of Africa, or 35% in CCY. CIB in the rest of Africa accounted for 44% of CIB's earnings from 29% in 2013. Revenue grew by 17%, with Rest of Africa increasing by 24% and South Africa 13%. Markets revenue rose by 25% to R5 149m, with rest of Africa up 26% and South Africa 25%, as fixed income and credit grew by 51% and foreign exchange and commodities by 21%. Credit impairments rose by 77% due to a single name impairment in the first half and increased portfolio provisions. Costs increased by 2%, despite continuing to invest in systems and technology. Corporate earnings grew by 44% to R2 672m, as 18% revenue growth exceeded 6% higher costs and credit impairments declined by 8%. Investment Bank earnings rose by 13% to R2 426m, despite 16% revenue growth and 2% lower costs, as credit impairments increased by 228%. CIB's loan growth slowed to 7%, in part due to the strong rand, although average balances were 23% higher. CIB's return on regulatory capital improved to 19,9% from 17,4%. It contributed 32% of total earnings excluding the Group centre.

Wealth, Investment Management and Insurance

Headline earnings declined by 4% to R1 399m, with continuing business lines down by 1%. However, South African earnings from continuing business lines grew by 11% to R1 537m, with Life Insurance up 19%, due to 10% net premium income growth, 43% higher income from shareholder funds and recognising a R55m deferred tax asset (net impact). Short-term Insurance in South Africa grew earnings by 17%, with a 4,3% underwriting margin and well contained costs, while reinsurance limited the rise in claims. Wealth and Investments' earnings grew by 5%, with assets under management increasing by 5% to R288bn on R13bn of net inflows. Rest of Africa lost R112m from a profit of R49m, given higher reserving, increased claims and substantially higher new business costs due to integrating First Assurance in Kenya and investing in our expansion strategy. WIMI's return on equity decreased slightly to 23,9% and it generated 9% of total earnings excluding the Group centre.

Prospects

In South Africa, we expect modest economic recovery and forecast GDP growth of 1,0% for 2017. Inflation should return to within the South African Reserve Bank's target band in the second quarter, resulting in flat interest rates. We expect 4,5% average GDP growth in our other presence countries in Africa. Note that the current rand strength would be a drag on rest of Africa's contribution this year, particularly in the first half of the year.

Against this backdrop, and barring any unforeseen regulatory and macro-economic developments, we continue to expect low to mid-single digit loan growth, with CIB growing faster than RBB and South Africa lagging the rest of Africa's growth in constant currency. Our net interest margin is expected to decline slightly this year. Slower revenue growth, in part due to regulatory changes, is likely to produce negative Jaws in the near term, despite continued cost containment. We expect the strong rand and regulatory pressures to dampen our growth in the first half. However, our credit loss ratio should improve in 2017, in part due to the large single name provision in the base, while last year's reduction in our retail early delinquencies in South Africa also bodes well. Our CET1 ratio is likely to remain above board targets and our RoE should be broadly similar to 2016's. While separating from Barclays PLC will impact our near-term returns, we still believe that our stated longer-term targets currently remain appropriate for our Group, including an 18% RoE and low 50s cost to income ratio. Lastly, we continue to expect that our dividend cover is likely to increase slightly in the medium term.

The Group will release an update on its separation from Barclays PLC later this morning.

Basis of presentation

The Group's audited 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 (IFRS-IC), the South African Institute of Chartered Accountants' Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Reporting Pronouncements as issued by the 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 condensed consolidated financial results 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 consolidation of the audited annual consolidated financial statements, which is available on request.

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 policies are 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 and long-term insurance contracts and offsetting of financial assets and liabilities.

Profit and dividend announcement

Accounting policies

The accounting policies applied in preparing the condensed consolidated annual financial results are the same as those in place for the reporting period ended 31 December 2015, except for business portfolio changes which have been presented in the reporting overview on the inside front cover.

Auditor's report

PricewaterhouseCoopers Inc. and Ernst & Young 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 condensed consolidated financial results. The auditors have expressed an unqualified audit opinion on the consolidated annual financial statements. The condensed consolidated financial results comprise the condensed consolidated statement of financial position at 31 December 2016, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the reporting period 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 2016 and the date of authorisation of these condensed consolidated annual financial results as defined in IAS 10 – Events after the Reporting Period (IAS 10).

On behalf of the Board

W E Lucas-Bull
Group Chairman

M Ramos
Chief Executive Officer

Johannesburg

22 February 2017

Profit and dividend announcement

Declaration of final ordinary dividend number 61

Shareholders are advised that an ordinary dividend of 570 cents per ordinary share was declared on 23 February 2017, for the period ended 31 December 2016. The ordinary dividend is payable to shareholders recorded in the register of members of the Company at the close of business on 7 April 2017. 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 local dividends withholding tax at a rate of 15%. In accordance with paragraphs 11.17 (a) (i) to (ix) 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 570 cents per ordinary share for shareholders exempt from the dividend tax.
- The net local dividend amount is 484,50 cents per ordinary share for shareholders liable to pay the dividend tax. This number may be revised downwards having regard to the announcement by the Minister of Finance on dividend withholding tax on 22 February 2017.
- Barclays Africa Group Limited currently has 847 750 679 ordinary shares in issue (includes 1 075 595 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	Tuesday, 4 April 2017
Shares commence trading ex dividend	Wednesday, 5 April 2017
Record date	Friday, 7 April 2017
Payment date	Monday, 10 April 2017

Share certificates may not be dematerialised or rematerialised between Wednesday, 5 April 2017 and Friday, 7 April 2017, both dates inclusive. On Monday, 10 April 2017, the dividend will be electronically transferred to the bank accounts of certificated shareholders. The accounts of those shareholders who have dematerialised their shares (which are held at their participant or broker) will also be credited on Monday, 10 April 2017.

On behalf of the Board

N R Drutman
Group Company Secretary

Johannesburg

23 February 2017

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.

Condensed consolidated statement of comprehensive income

for the reporting period ended 31 December

	Note	**2016 Rm**	2015 Rm	Change %
Net interest income	2	**42 003**	38 407	9
Interest and similar income		**85 114**	73 603	16
Interest expense and similar charges		**(43 111)**	(35 196)	22
Non-interest income	3	**30 391**	28 791	6
Net fee and commission income		**20 723**	20 155	3
Fee and commission income	3.1	**23 972**	23 152	4
Fee and commission expense	3.1	**(3 249)**	(2 997)	8
Net insurance premium income	3.2	**6 986**	6 303	11
Net claims and benefits incurred on insurance contracts	3.3	**(3 691)**	(3 145)	17
Changes in investment and insurance contract liabilities	3.4	**(493)**	(214)	>100
Gains and losses from banking and trading activities	3.5	**5 691**	3 933	45
Gains and losses from investment activities	3.6	**51**	786	(94)
Other operating income	3.7	**1 124**	973	16
Total income		**72 394**	67 198	8
Impairment losses on loans and advances	4	**(8 751)**	(6 920)	26
Operating income before operating expenditure		**63 643**	60 278	6
Operating expenditure	5	**(39 956)**	(37 661)	6
Other expenses		**(2 120)**	(1 443)	47
Other impairments		**(690)**	(84)	>100
Indirect taxation	6	**(1 430)**	(1 359)	5
Share of post-tax results of associates and joint ventures		**115**	129	(11)
Operating profit before income tax		**21 682**	21 303	2
Taxation expense	7	**(5 835)**	(5 899)	(1)
Profit for the reporting period		**15 847**	15 404	3
Profit attributable to:				
Ordinary equity holders		**14 708**	14 331	3
Non-controlling interest – ordinary shares		**788**	752	5
Non-controlling interest – preference shares		**351**	321	9
		15 847	15 404	3
Earnings per share:				
Basic earnings per share (cents)	1	**1 737,5**	1 692,4	3
Diluted basic earnings per share (cents)	1	**1 737,3**	1 691,4	3

Condensed consolidated statement of comprehensive income

for the reporting period ended 31 December

	2016 Rm	2015 Rm	Change %
Profit for the reporting period	**15 847**	15 404	3
Other comprehensive income			
Items that will not be reclassified to profit or loss	**(220)**	(118)	86
Movement in retirement benefit fund assets and liabilities	**(220)**	(118)	86
Decrease in retirement benefit surplus	**(120)**	(42)	>100
Increase in retirement benefit deficit	**(141)**	(72)	96
Deferred tax	**41**	(4)	<(100)
Items that are or may be subsequently reclassified to profit or loss	**(2 942)**	888	<(100)
Movement in foreign currency translation reserve	**(4 529)**	3 428	<(100)
Differences in translation of foreign operations	**(4 209)**	3 695	<(100)
Gains released to profit or loss	**(320)**	(267)	20
Movement in cash flow hedging reserve	**1 726**	(2 223)	<(100)
Fair value gains/(losses) arising during the reporting period	**2 721**	(2 029)	<(100)
Amount removed from other comprehensive income and recognised in profit or loss	**(321)**	(1 058)	(70)
Deferred tax	**(674)**	864	<(100)
Movement in available-for-sale reserve	**(139)**	(317)	(56)
Fair value losses arising during the reporting period	**(197)**	(690)	(71)
Release to profit or loss	**(3)**	210	<(100)
Deferred tax	**61**	163	(63)
Total comprehensive income for the reporting period	**12 685**	16 174	(22)
Total comprehensive income attributable to:			
Ordinary equity holders	**11 931**	14 649	(19)
Non-controlling interest – ordinary shares	**403**	1 204	(67)
Non-controlling interest – preference shares	**351**	321	9
	12 685	16 174	(22)

Condensed consolidated statement of financial position
as at 31 December 2016

	Note	2016 Rm	2015 Rm	Change %
Assets				
Cash, cash balances and balances with central banks		**50 006**	45 904	9
Investment securities		**114 315**	100 965	13
Loans and advances to banks		**49 789**	85 951	(42)
Trading portfolio assets		**96 236**	137 163	(30)
Hedging portfolio assets		**1 745**	2 232	(22)
Other assets		**25 542**	25 846	(1)
Current tax assets		**894**	833	7
Non-current assets held for sale		**823**	1 700	(52)
Loans and advances to customers	8	**720 309**	703 359	2
Reinsurance assets		**985**	581	70
Investments linked to investment contracts		**18 816**	19 517	(4)
Investments in associates and joint ventures		**1 065**	1 000	7
Investment properties		**478**	1 264	(62)
Property and equipment		**14 643**	13 252	10
Goodwill and intangible assets		**4 049**	3 772	7
Deferred tax assets		**1 328**	1 265	5
Total assets		**1 101 023**	1 144 604	(4)
Liabilities				
Deposits from banks		**53 192**	62 980	(16)
Trading portfolio liabilities		**47 429**	90 407	(48)
Hedging portfolio liabilities		**2 064**	4 531	(54)
Other liabilities		**27 696**	24 982	11
Provisions		**3 005**	3 236	(7)
Current tax liabilities		**244**	242	1
Non-current liabilities held for sale		**9**	233	(96)
Deposits due to customers	9	**674 865**	688 419	(2)
Debt securities in issue	10	**139 714**	128 683	9
Liabilities under investment contracts		**29 198**	24 209	21
Policyholder liabilities under insurance contracts		**4 469**	4 340	3
Borrowed funds	11	**15 673**	13 151	19
Deferred tax liabilities		**1 185**	544	>100
Total liabilities		**998 743**	1 045 957	(5)
Equity				
Capital and reserves				
Attributable to ordinary equity holders:				
Share capital	11	**1 693**	1 691	0
Share premium	11	**4 467**	4 250	5
Retained earnings		**81 604**	75 785	8
Other reserves		**5 293**	7 566	(30)
		93 057	89 292	4
Non-controlling interest – ordinary shares		**4 579**	4 711	(3)
Non-controlling interest – preference shares		**4 644**	4 644	—
Total equity		**102 280**	98 647	4
Total liabilities and equity		**1 101 023**	1 144 604	(4)

Condensed consolidated statement of changes in equity

for the reporting period ended 31 December 2016

	Number of ordinary shares '000	Share capital Rm	Share premium Rm	Retained earnings Rm	Total other reserves Rm
Balance at the beginning of the reporting period	**845 725**	**1 691**	**4 250**	**75 785**	**7 566**
Total comprehensive income	—	—	—	14 496	(2 565)
Profit for the period	—	—	—	14 708	—
Other comprehensive income	—	—	—	(212)	(2 565)
Dividends paid	—	—	—	(8 536)	—
Purchase of Group shares in respect of equity-settled share-based payment arrangements	—	—	(409)	(12)	—
Elimination of the movement in treasury shares held by Group entities	950	2	151	—	—
Movement in share-based payment reserve	—	—	409	—	163
Transfer from share-based payment reserve	—	—	409	—	(409)
Value of employee services	—	—	—	—	495
Conversion from cash-settled to equity-settled schemes	—	—	—	—	37
Deferred tax	—	—	—	—	40
Movement in general credit-risk reserve	—	—	—	(30)	30
Movement in foreign insurance subsidiary regulatory reserve	—	—	—	16	(16)
Share of post-tax results of associates and joint ventures	—	—	—	(115)	115
Acquisition of a subsidiary[1,2]	—	—	66	—	—
Balance at the end of the reporting period	**846 675**	**1 693**	**4 467**	**81 604**	**5 293**

	Number of ordinary shares '000	Share capital Rm	Share premium Rm	Retained earnings Rm	Total other reserves Rm
Balance at the beginning of the reporting period	846 870	1 694	4 548	70 237	6 211
Total comprehensive income	—	—	—	14 228	421
Profit for the period	—	—	—	14 331	—
Other comprehensive income	—	—	—	(103)	421
Dividends paid	—	—	—	(8 248)	—
Purchase of Group shares in respect of equity-settled share-based payment arrangements	—	—	(12)	3	—
Elimination of the movement in treasury shares held by Group entities[3]	(1 145)	(3)	(289)	—	—
Movement in share-based payment reserve	—	—	3	—	673
Transfer from share-based payment reserve	—	—	3	—	(3)
Value of employee services	—	—	—	—	283
Conversion from cash-settled to equity-settled schemes	—	—	—	—	430
Deferred tax	—	—	—	—	(37)
Movement in general credit-risk reserve	—	—	—	(130)	130
Movement in foreign insurance subsidiary regulatory reserve	—	—	—	(2)	2
Share of post-tax results of associates and joint ventures	—	—	—	(129)	129
Acquisition of a subsidiary[4]	—	—	—	—	—
Disposal of interest in a subsidiary[5]	—	—	—	(174)	—
Balance at the end of the reporting period	845 725	1 691	4 250	75 785	7 566

Notes

1 The excess of the purchase price over the Group's share of net assets of Barclays Africa Limited, acquired on 31 July 2013, was accounted for as a deduction against share premium. The sale and purchase agreement between the Group and Barclays Bank Plc allowed for the purchase price to be adjusted for certain items and in June 2016 an agreement was reached on the final purchase price adjustment. As a result Barclays Bank Plc paid R66m to the Group, which was recognised in equity, in line with the accounting of the original transaction.

2 During the current reporting period the Group acquired a 75% controlling stake in Absa Instant Life (Pty) Ltd.

3 The movement is largely due to the elimination of treasury shares in the share incentive trust. These shares were acquired by the trust as part of the conversion of the cash-settled share-based payment schemes to the equity-settled share-based payment schemes.

4 The Group acquired a 63% shareholding in First Assurance Holdings Ltd.

5 The Group disposed of part of its interest in National Bank of Commerce (NBC), reducing its interest from 66% to 55%.

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
727	560	(1 870)	6 461	22	729	937	89 292	4 711	4 644	98 647
—	(183)	1 726	(4 108)	—	—	—	11 931	403	351	12 685
—	—	—	—	—	—	—	14 708	788	351	15 847
—	(183)	1 726	(4 108)	—	—	—	(2 777)	(385)	—	(3 162)
—	—	—	—	—	—	—	(8 536)	(562)	(351)	(9 449)
—	—	—	—	—	—	—	(421)	—	—	(421)
—	—	—	—	—	—	—	153	—	—	153
—	—	—	—	—	163	—	572	2	—	574
—	—	—	—	—	(409)	—	—	—	—	—
—	—	—	—	—	495	—	495	2	—	497
—	—	—	—	—	37	—	37	—	—	37
—	—	—	—	—	40	—	40	—	—	40
30	—	—	—	—	—	—	—	—	—	—
—	—	—	—	(16)	—	—	—	—	—	—
—	—	—	—	—	—	115	—	—	—	—
—	—	—	—	—	—	—	66	25	—	91
757	377	(144)	2 353	6	892	1 052	93 057	4 579	4 644	102 280

2015

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
597	912	353	3 465	20	56	808	82 690	3 611	4 644	90 945
—	(352)	(2 223)	2 996	—	—	—	14 649	1 204	321	16 174
—	—	—	—	—	—	—	14 331	752	321	15 404
—	(352)	(2 223)	2 996	—	—	—	318	452	—	770
—	—	—	—	—	—	—	(8 248)	(495)	(321)	(9 064)
—	—	—	—	—	—	—	(9)	—	—	(9)
—	—	—	—	—	—	—	(292)	—	—	(292)
—	—	—	—	—	673	—	676	4	—	680
—	—	—	—	—	(3)	—	—	—	—	—
—	—	—	—	—	283	—	283	4	—	287
—	—	—	—	—	430	—	430	—	—	430
—	—	—	—	—	(37)	—	(37)	—	—	(37)
130	—	—	—	—	—	—	—	—	—	—
—	—	—	—	2	—	—	—	—	—	—
—	—	—	—	—	—	129	—	—	—	—
—	—	—	—	—	—	—	—	209	—	209
—	—	—	—	—	—	—	(174)	178	—	4
727	560	(1 870)	6 461	22	729	937	89 292	4 711	4 644	98 647

Condensed consolidated statement of cash flows

for the reporting period ended 31 December

	Note	2016 Rm	2015 Rm	Change %
Net cash generated from operating activities		**6 962**	16 357	(58)
Net cash utilised in investing activities		**(4 201)**	(4 547)	(8)
Net cash utilised in financing activities		**(7 509)**	(7 316)	2
Net (decrease)/increase in cash and cash equivalents		**(4 748)**	4 494	<(100)
Cash and cash equivalents at the beginning of the reporting period	1	**21 366**	16 626	29
Effect of foreign exchange rate movements on cash and cash equivalents		**1 116**	246	>100
Cash and cash equivalents at the end of the reporting period	2	**17 734**	21 366	(17)

Notes to the condensed consolidated statement of cash flows

1. Cash and cash equivalents at the beginning of the reporting period

	2016 Rm	2015 Rm	Change %
Cash, cash balances and balances with central banks[1]	**12 899**	12 903	(0)
Loans and advances to banks[2]	**8 467**	3 723	>100
	21 366	16 626	29

2. Cash and cash equivalents at the end of the reporting period

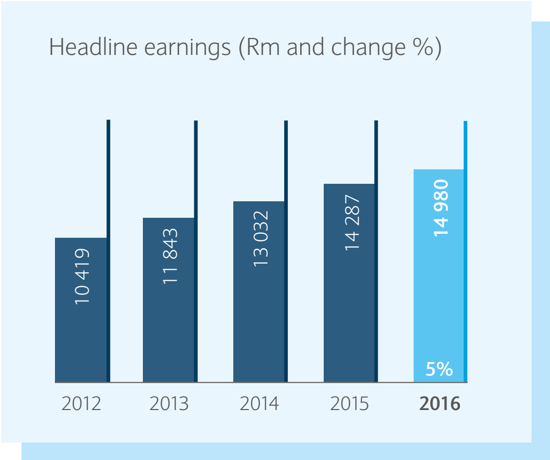
	2016 Rm	2015 Rm	Change %
Cash, cash balances and balances with central banks[1]	**13 141**	12 899	2
Loans and advances to banks[2]	**4 593**	8 467	(46)
	17 734	21 366	(17)

Notes

[1] Includes coins and bank notes.

[2] Includes call advances, which are used as working capital by the Group.

1. Headline earnings and earnings per ordinary share



Headline earnings	2016 Gross Rm	2016 Net[1] Rm	2015 Gross Rm	2015 Net[1] Rm	Net change %
Headline earnings are determined as follows:					
Profit attributable to ordinary equity holders		**14 708**		14 331	3
Total headline earnings adjustment		**272**		(44)	<(100)
IFRS 3 – Goodwill impairment	**34**	**34**	1	1	>100
IFRS 5 – Gains on disposal of non-current asset held for sale	**(31)**	**(25)**	(1)	(1)	>100
IAS 16 – Profit on disposal of property and equipment	**(29)**	**(21)**	(13)	(10)	>100
IAS 21 – Recycled foreign currency translation reserve	**(320)**	**(297)**	(267)	(267)	11
IAS 28 – Impairment of investments in associates and joint ventures	**42**	**34**	—	—	100
IAS 36 – Impairment of property and equipment	**—**	**—**	1	1	(100)
IAS 36 – Impairment of intangible assets	**618**	**610**	72	51	>100
IAS 38 – Gains on disposal of intangible assets	**—**	**—**	(7)	(5)	(100)
IAS 39 – Release of available-for-sale reserves	**(3)**	**(2)**	210	152	<(100)
IAS 40 – Change in fair value of investment properties	**(70)**	**(61)**	47	34	<(100)
		14 980		14 287	5

Notable adjustments to headline earnings

- The 'Goodwill impairment' during the current reporting period relates to a WIMI subsidiary which operates in Rest of Africa.
- The 'Gains on disposal of non-current asset held for sale' includes the sale of a product line.
- The 'Recycled foreign currency translation reserve' is due to a foreign currency distribution which formed part of the permanent capital of the London branch.
- 'Impairment of investments in associates and joint ventures' relates to investments in CIB.
- The 'Impairment of intangible assets' relates to RBB and Head Office. The impairment in RBB was mainly due to the impact of the interest rate outlook on the fair value of the purchased customer list. The impairment in Head Office is due to a decision to fully impair costs spent on the Virtual Bank work, even though we continue to explore opportunities in this regard. In the prior reporting period WIMI impaired their previously used computer software development costs due to the business investing in integrated technology across Africa.
- The 'Release of available-for-sale reserves' in the previous reporting period relates to releases from the sale of government bonds.
- The 'Change in fair value of investment properties' during the current and prior reporting periods relate to Commercial Property Finance (CPF).

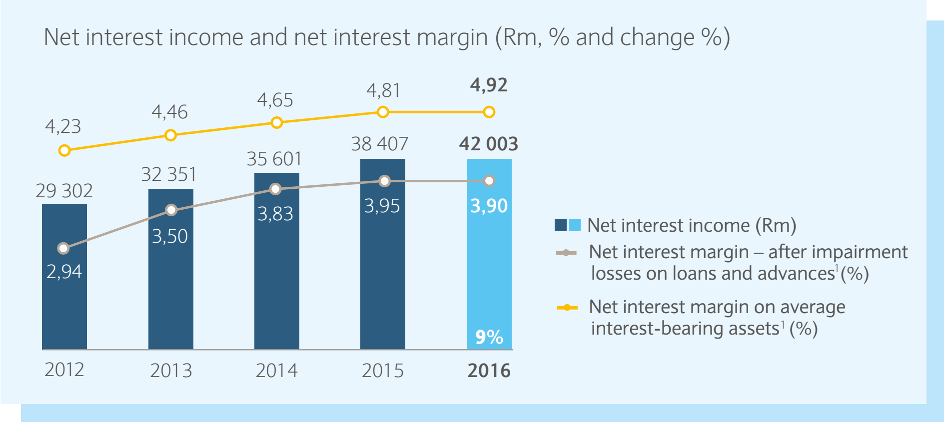
Note

[1] The net amount is reflected after taxation and non-controlling interest.

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

	2016 Rm	2015 Rm	Change value/ %
Basic earnings per ordinary share			
Basic earnings attributable to ordinary equity holders (Rm)	**14 708**	14 331	3
Weighted average number of ordinary shares in issue (million)	**846,5**	846,8	(0,3)
Issued shares at the beginning of the reporting period (million)	**847,8**	847,8	—
Treasury shares held by Group entities (million)	**(1,3)**	(1,0)	(0,3)
Basic earnings per ordinary share (cents)	**1 737,5**	1 692,4	3
Diluted basic earnings per ordinary share			
Basic earnings attributable to ordinary equity holders (Rm)	**14 708**	14 331	3
Diluted weighted average number of ordinary shares in issue (million)	**846,6**	847,3	(0,7)
Weighted average number of ordinary shares in issue (million)	**846,5**	846,8	(0,3)
Adjustments for share options at no value (million)	**0,1**	0,5	(0,4)
Diluted basic earnings per ordinary share (cents)	**1 737,3**	1 691,4	3
Headline earnings per ordinary share			
Headline earnings attributable to ordinary equity holders (Rm)	**14 980**	14 287	5
Weighted average number of ordinary shares in issue (million)	**846,5**	846,8	(0,3)
Headline earnings per ordinary share (cents)	**1 769,6**	1 687,2	5
Diluted headline earnings per ordinary share			
Headline earnings attributable to ordinary equity holders (Rm)	**14 980**	14 287	5
Diluted weighted average number of ordinary shares in issue (million)	**846,6**	847,3	(0,7)
Diluted headline earnings per ordinary share (cents)	**1 769,4**	1 686,2	5

2. Net interest income



Group average statement of financial position	2016 Average balance[1] Rm	2016 Average rate %	2016 Interest income/ (expense) Rm	2015 Average balance[1] Rm	2015 Average rate %	2015 Interest income/ (expense) Rm
Assets						
Cash, cash balances and balances with central banks	849	1,53	13	950	2,32	22
Investment securities	94 790	8,90	8 436	84 662	8,70	7 365
Loans and advances to banks and customers	757 393	10,02	75 898	713 704	9,03	64 450
Other interest[2]	—	—	767	—	—	1 766
Interest-bearing assets	853 032	9,98	85 114	799 316	9,21	73 603
Non-interest-bearing assets	268 712	—	—	245 388	—	—
Total assets	1 121 744	7,59	85 114	1 044 704	7,05	73 603
Liabilities						
Deposits due to banks and customers	646 546	(4,79)	(30 946)	637 454	(4,18)	(26 663)
Debt securities in issue	123 540	(8,15)	(10 068)	119 511	(6,92)	(8 271)
Borrowed funds	13 821	(10,88)	(1 504)	11 891	(9,63)	(1 145)
Other interest[2]	—	—	(593)	—	—	883
Interest-bearing liabilities	783 907	(5,50)	(43 111)	768 856	(4,58)	(35 196)
Non-interest-bearing liabilities	227 495	—	—	181 718	—	—
Total liabilities	1 011 402	(4,26)	(43 111)	950 574	(3,70)	(35 196)
Total equity	110 342	—	—	94 130	—	—
Total equity and liabilities	1 121 744	(3,84)	(43 111)	1 044 704	(3,37)	(35 196)
Net interest margin on average interest-bearing assets		4,92			4,81	

Notes

[1] Average balances are calculated based on daily weighted average balances.

[2] 'Other interest' on assets and liabilities includes fair value adjustments on hedging instruments and hedged items.

2. Net interest income *(continued)*

Change in net interest margin	2016 bps	2015 bps
Loans and advances to customers (i)	**(3)**	8
Change in customer rates (pricing)	(2)	8
Change in composition	(1)	0
Deposits due to customers (ii)	**3**	2
Change in customer rates (pricing)	7	3
Change in composition	(5)	(3)
Endowment (iii)	1	2
Equity endowment (iii)	**9**	1
Interest rate risk management (hedging strategy) (iii)	**(11)**	(6)
Rest of Africa (iv)	**10**	4
Other (v)	**3**	7
	11	16

Performance

The Group's net interest margin expanded by **11 bps** (2015: 16 bps) during the current reporting period. The increase in net interest margin is mainly attributable to the following:

(i) Loans and advances to customers

- Regulatory pricing changes in Retail South Africa, higher suspended interest in the Investment Bank and lower margins in Vehicle and Asset Finance (VAF) had an adverse impact, partially offset by improved margins in Home Loans and Personal Loans and the impact of higher South African interest rates.
- Faster growth in CIB South Africa advances relative to the Group's overall loans and advances, and slower growth in the Card portfolio both created a negative composition effect. This was partially offset by the positive composition effect of a reduction in the Home Loans portfolio relative to the Group's overall loans and advances growth.

(i) Deposits due to customers

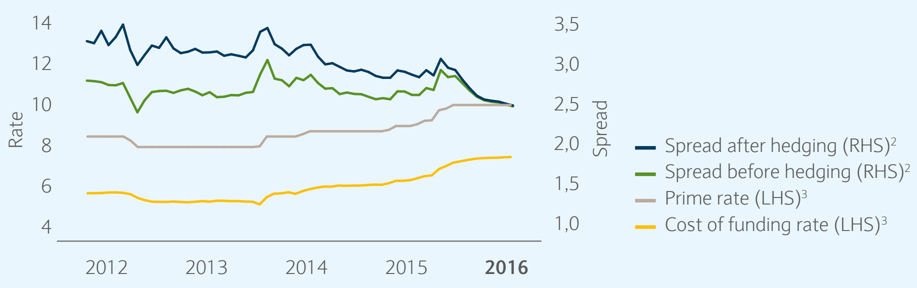
- Improved pricing within Retail Banking and Corporate contributed favourably to the Group's liability margin, partially offset by higher wholesale liquidity premiums.
- Higher reliance on wholesale funding has created a negative composition effect.

2. Net interest income *(continued)*

Performance *(continued)*

(iii) Hedging strategy

Hedging impact on net interest margin[1] (%)



- Absa Bank Limited employs a governed interest rate strategy (hedging programme) through the interest rate cycle to reduce margin volatility associated with structural balances (i.e. rate insensitive liabilities as well as the endowment impact associated with equity).
- Qualification criterion for balances to be treated as structural is well defined and tested. As at the reporting date an aggregate of **13%** (2015: 14%) 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 after tax "cash flow hedging reserve" relating to the hedging programme moved from a debit balance of R1,9bn in 2015 to a largely neutral balance in 2016. The benefit realised in the current reporting period of 3 bps was 11 bps lower than the benefit of 14 bps in the previous reporting period, releasing R268m (2015: R1 110m) to the statement of comprehensive income.

(iv) Rest of Africa

- Africa had a 10 bps favourable impact on the Group's margin mainly as a result of a positive composition effect, assisted by stronger average exchange rates in these markets during the reporting period. The positive impact of higher interest rates on endowment and margin were offset by regulatory pricing changes during the second half of the year.

(iv) Other

Other items include the benefit from prime rate increases during the reporting period and also lower balances with banks, partially offset by higher borrowed funds and increased liquid asset holdings.

Notes

[1] 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.

[2] Right-hand side of the 'y' axis.
[3] Left-hand side of the 'y' axis.

3. Non-interest income

3.1 Net fee and commission income

	2016 Rm	2015 Rm	Change %
Asset management and other related fees	**169**	108	56
Consulting and administration fees	**743**	779	(5)
Credit-related fees and commissions	**17 938**	17 279	4
Cheque accounts	**4 334**	4 159	4
Credit cards[1]	**2 609**	2 172	20
Electronic banking	**5 012**	4 871	3
Other[2]	**3 699**	3 786	(2)
Savings accounts	**2 284**	2 291	(0)
Insurance commission received	**1 128**	1 145	(1)
Investment, markets execution and investment banking fees	**400**	333	20
Merchant income	**1 757**	1 731	2
Other fee and commission income	**393**	334	18
Trust and other fiduciary service fees	**1 444**	1 443	0
Portfolio and other management fees	**1 147**	1 151	(0)
Trust and estate income	**297**	292	2
Fee and commission income	**23 972**	23 152	4
Fee and commission expense	**(3 249)**	(2 997)	8
Brokerage fees[3]	**(142)**	(126)	13
Cheque processing fees	**(134)**	(127)	6
Clearing and settlement charges[3]	**(711)**	(560)	27
Notification fees[3]	**(202)**	(192)	5
Insurance commission paid	**(1 150)**	(1 039)	11
Other[3]	**(797)**	(829)	(4)
Valuation fees	**(113)**	(124)	(9)
	20 723	20 155	3
Segment split[4]			
RBB	**17 616**	17 047	3
Retail Banking South Africa	**12 063**	11 689	3
Business Banking South Africa	**3 234**	3 155	3
RBB Rest of Africa	**2 319**	2 203	5
CIB	**2 242**	2 063	9
WIMI	**1 267**	1 375	(8)
Head Office, Treasury and other operations	**(402)**	(330)	22
	20 723	20 155	3

Notes

1 Includes card issuing fees.

2 Includes fees on mortgage loans and foreign currency transactions.

3 The presentation of 'Fee and commission expense' has been reassessed. 'Brokerage fees', 'Clearing and settlement charges' and 'Notification fees' have been moved from 'Other' to be separately disclosed, while 'Transaction-based legal fees' of **R1m** (2015: R1m) and 'Trust and other fiduciary service fees' of **R62m** (2015: R62m) has been moved to 'Other'.

4 These numbers have been restated, refer to the report overview on the inside cover page.

3. Non-interest income *(continued)*

3.2 Net insurance premium income

	2016 Rm	2015 Rm	Change %
Gross claims and benefits paid on insurance contracts	**8 102**	8 181	(1)
Premiums ceded to reinsurers	**(1 116)**	(1 878)	(41)
	6 986	6 303	11
Segment split			
Retail Banking South Africa, including Woolworths Financial Services (WFS)	**293**	281	4
WIMI	**6 701**	6 022	11
Head Office, Treasury and other operations	**(8)**	—	<(100)
	6 986	6 303	11

3.3 Net claims and benefits incurred on insurance contracts

	2016 Rm	2015 Rm	Change %
Gross claims and benefits incurred on insurance contracts	**(4 387)**	(4 178)	5
Reinsurance recoveries	**696**	1 033	(33)
	(3 691)	(3 145)	17
Segment split			
Retail Banking South Africa, including WFS	**(44)**	(40)	10
WIMI	**(3 639)**	(3 105)	17
Head Office, Treasury and other operations	**(8)**	—	<(100)
	(3 691)	(3 145)	17

3.4 Changes in investment and insurance contract liabilities

	2016 Rm	2015 Rm	Change %
Change in insurance contract liabilities	**(134)**	70	<(100)
Change in investment contract liabilities[1]	**(359)**	(284)	26
	(493)	(214)	>100
Segment split			
Retail Banking South Africa, including WFS	**1**	(3)	<(100)
WIMI	**(499)**	(216)	>100
Head Office, Treasury and other operations	**5**	5	—
	(493)	(214)	>100

Note

[1] One of the main drivers to the movement of the Group's 'Liabilities under investment contracts' is the underlying performance of the related assets. 'Change in investment contract liabilities' should therefore be read in conjunction with 'Net gains on investments from insurance activities: Policyholder investment contracts' reported in 'Gains and losses from investment activities'.

3. Non-interest income *(continued)*

3.5 Gains and losses from banking and trading activities

	2016 Rm	2015 Rm	Change %
Net gains/(losses) on investments	**237**	(225)	<(100)
Debt instruments designated at fair value through profit or loss	**225**	18	>100
Equity instruments designated at fair value through profit or loss	**9**	(33)	<(100)
Available-for-sale unwind from reserves	**3**	(210)	<(100)
Net trading result	**5 341**	4 103	30
Net trading income excluding the impact of hedge accounting	**5 431**	4 253	28
Ineffective portion of hedges	**(90)**	(150)	(40)
Cash flow hedges	**(53)**	(188)	(72)
Fair value hedges	**(37)**	38	<(100)
Other gains	**113**	55	>100
	5 691	3 933	45
Segment split			
RBB	**685**	546	25
Retail Banking South Africa	**230**	129	78
Business Banking South Africa	**18**	15	20
RBB Rest of Africa	**437**	402	9
CIB	**4 383**	3 706	18
WIMI	**—**	1	(100)
Head Office, Treasury and other operations[1]	**623**	(320)	<(100)
	5 691	3 933	45

3.6 Gains and losses from investment activities

	2016 Rm	2015 Rm	Change %
Net gains on investments from insurance activities	**47**	679	(93)
Policyholder insurance contracts	**201**	85	>100
Policyholder investment contracts[2]	**(445)**	337	<(100)
Shareholders' funds	**291**	257	13
Other gains	**4**	107	(96)
	51	786	(94)
Segment split			
CIB	**—**	1	(100)
WIMI	**885**	698	27
Head Office, Treasury and other operations[1]	**(834)**	87	<(100)
	51	786	(94)

Notes

[1] Includes the elimination of investment returns of Absa Life Limited in the WIMI segment for funds invested with CIB. The elimination is recognised between 'Gains and losses from investment activities' recognised by WIMI, and 'Net interest income' and 'Gains and losses from banking and trading activities' recognised by CIB.

[2] One of the main drivers to the movement of the Group's 'Liabilities under investment contracts' is the underlying performance of the related assets. 'Net gains on investments from insurance activities: Policyholder investment contracts' should therefore be read in conjunction with 'Change in investment contracts' reported in 'Changes in investment and insurance contract liabilities'.

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

3. Non-interest income *(continued)*

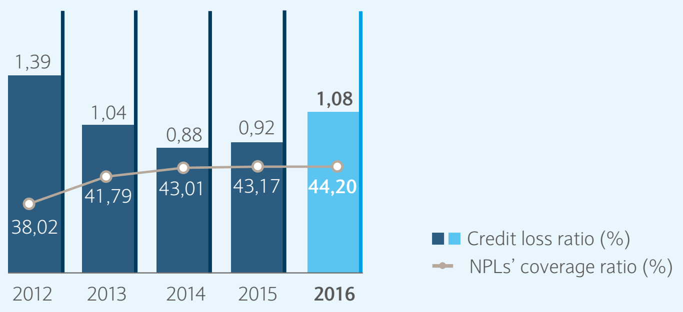
3.7 Other operating income

	2016 Rm	2015 Rm	Change %
Property-related income	**319**	281	14
Income from investment properties	**242**	144	68
Change in fair value	**84**	35	>100
Rentals	**158**	109	45
Profit on disposal of property and equipment	**9**	14	(36)
Profit on sale of developed properties	**17**	31	(45)
(Loss)/profit on sale of repossessed properties	**(25)**	13	<(100)
Rental income	**76**	79	(4)
Other operating income	**805**	692	16
Foreign exchange differences, including recycle from other comprehensive income	**360**	327	10
Income from maintenance contracts	**36**	30	20
Profit on disposal of intangible assets	**—**	7	(100)
Sundry income[1]	**409**	328	25
	1 124	973	16
Segment split			
Property-related income	**319**	281	14
RBB	**255**	227	12
Retail Banking South Africa	**(26)**	26	<(100)
Business Banking South Africa	**265**	194	37
RBB Rest of Africa	**16**	7	>100
WIMI	**41**	30	37
Head Office, Treasury and other operations	**23**	24	(4)
Other operating income	**805**	692	16
RBB	**328**	216	52
Retail Banking South Africa	**302**	200	51
Business Banking South Africa	**26**	8	>100
RBB Rest of Africa	**—**	8	(100)
CIB	**54**	120	(55)
WIMI	**92**	157	(41)
Head Office, Treasury and other operations	**331**	199	66
	1 124	973	16

Note
[1] Includes service fees levied on asset finance.

4. Impairment losses on loans and advances

Credit loss and NPLs’ coverage ratios (%)



Charge to the statement of comprehensive income by market segment	2016 Rm	2015[1] Rm	Change %
RBB			
Total charge	**7 374**	6 094	21
Credit loss ratio (%)[2]	**1,46**	1,24	
Retail Banking South Africa			
Card	**2 345**	2 344	0
Home Loans	**922**	689	34
Personal Loans	**994**	805	23
Transactional and Deposits	**131**	83	58
Vehicle and Asset Finance	**1 047**	848	23
Other	**6**	3	100
Total charge	**5 445**	4 772	14
Credit loss ratio (%)[2]	**1,39**	1,23	
Business Banking South Africa			
Total charge	**581**	545	7
Credit loss ratio (%)[2]	**0,86**	0,85	
RBB Rest of Africa			
Total charge	**1 348**	777	73
Credit loss ratio (%)[2]	**2,96**	1,93	
CIB			
Total charge	**1 403**	793	77
Credit loss ratio (%)[2]	**0,53**	0,37	
WIMI			
Total charge	**10**	(5)	<(100)
Credit loss ratio (%)[2]	**0,13**	(0,07)	
Head Office, Treasury and other operations			
Total charge	**(36)**	38	<(100)
Total charge to the statement of comprehensive income	**8 751**	6 920	26
Comprising:			
Impairments raised	**9 768**	7 896	24
Identified impairments	**9 053**	7 452	21
Unidentified impairments	**715**	444	61
Recoveries of loans and advances previously written off[3]	**(1 017)**	(976)	4
Total charge to the statement of comprehensive income	**8 751**	6 920	26
Credit loss ratio on gross loans and advances to customers and banks	**1,08**	0,92	
Credit loss ratio on net loans and advances to customers	**1,23**	1,05	

Notes

1 These numbers have been restated, refer to the reporting changes overview on the inside cover page.

2 The calculation of the credit loss ratio was amended to include impairment losses on loans and advances for the reporting period and dividing it by total gross loans and advances to customers and banks (calculated on a daily weighted average), resulting in a restatement of comparative credit loss ratios.

3 Includes collection costs of **R300m** (2015: R295m).

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

Charge to the statement of comprehensive income by geographical segment	2016 Rm	2015 Rm	Change %
South Africa	7 019	5 706	23
Credit loss ratio (%)[1]	1,00	0,86	
Rest of Africa	1 732	1 214	43
Credit loss ratio (%)[1]	1,60	1,31	

2016	Performing loans			Non-performing loans			
Loans and advances to customers	**Exposure Rm**	**Impairment Rm**	**Coverage ratio %**	**Exposure Rm**	**Impairment Rm**	**Coverage ratio %**	**Net total exposure Rm**
RBB	**474 866**	**4 936**	**1,04**	**26 591**	**11 923**	**44,84**	**484 598**
Retail Banking South Africa[2]	366 861	3 290	0,90	20 166	8 655	42,92	375 082
Credit cards	34 802	728	2,09	5 423	3 883	71,60	35 614
Instalment credit agreements	73 530	735	1,00	2 085	925	44,36	73 955
Loans to associates and joint ventures	18 933	—	—	—	—	—	18 933
Mortgages	216 955	1 213	0,56	10 029	2 109	21,03	223 662
Other loans and advances	510	—	—	—	—	—	510
Overdrafts	3 923	54	1,38	220	142	64,55	3 947
Personal and term loans	18 208	560	3,08	2 409	1 596	66,25	18 461
Business Banking South Africa	68 147	794	1,17	3 287	1 161	35,32	69 479
Mortgages (including CPF)	34 547	179	0,52	1 566	535	34,16	35 399
Overdrafts	18 284	366	2,00	929	421	45,32	18 426
Term loans	15 316	249	1,63	792	205	25,88	15 654
RBB Rest of Africa	39 858	852	2,14	3 138	2 107	67,14	40 037
CIB	**227 824**	**1 017**	**0,45**	**4 390**	**1 765**	**40,21**	**229 432**
WIMI	**5 615**	**14**	**0,25**	**116**	**57**	**49,14**	**5 660**
Head Office, Treasury and other operations	**623**	**4**	**0,64**	**—**	**—**	**—**	**619**
Loans and advances to customers	**708 928**	**5 971**	**0,84**	**31 097**	**13 745**	**44,20**	**720 309**
Loans and advances to customers and banks[1]	**758 717**	**5 971**	**0,79**	**31 097**	**13 745**	**44,20**	**770 098**

2015	Performing loans			Non-performing loans			
Loans and advances to customers	Exposure Rm	Impairment Rm	Coverage ratio %	Exposure Rm	Impairment Rm	Coverage ratio %	Net total exposure Rm
RBB	473 956	4 184	0,88	25 077	11 094	44,24	483 755
Retail Banking South Africa[2]	367 475	3 024	0,82	18 198	7 652	42,05	374 997
Credit cards	36 390	724	1,99	5 014	3 532	70,44	37 148
Instalment credit agreements	72 426	548	0,76	1 602	621	38,76	72 859
Loans to associates and joint ventures	16 176	—	—	—	—	—	16 176
Mortgages	222 315	1 243	0,56	9 341	2 064	22,10	228 349
Other loans and advances	367	—	—	—	—	—	367
Overdrafts	2 781	34	1,22	172	99	57,56	2 820
Personal and term loans	17 020	475	2,79	2 069	1 336	64,57	17 278
Business Banking South Africa	62 052	661	1,07	3 306	1 152	34,85	63 545
Mortgages (including CPF)	30 016	190	0,63	1 620	586	36,17	30 860
Overdrafts[3]	17 289	270	1,56	960	370	38,54	17 609
Term loans[3]	14 747	201	1,36	726	196	27,00	15 076
RBB Rest of Africa	44 429	499	1,12	3 573	2 290	64,09	45 213
CIB	212 508	766	0,36	2 834	951	33,56	213 625
WIMI	5 346	32	0,60	69	33	47,83	5 350
Head Office, Treasury and other operations	669	40	5,98	—	—	—	629
Loans and advances to customers	692 479	5 022	0,73	27 980	12 078	43,17	703 359
Loans and advances to customers and banks[1]	778 430	5 022	0,65	27 980	12 078	43,17	789 310

Notes

[1] The calculation of the credit loss ratio was amended to include impairment losses on loans and advances for the reporting period and dividing it by total gross loans and advances to customers and banks (calculated on a daily weighted average), resulting in a restatement of comparative credit loss ratios.

[2] Disclosure is provided on a product level.

[3] Some overdrafts were reallocated to term loans to align with the way the products are utilised by the customers.

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

	2016						
Reconciliation of allowance for impairment losses on loans and advances to customers	**Retail Banking South Africa Rm**	**Business Banking South Africa Rm**	**RBB Rest of Africa Rm**	**CIB Rm**	**WIMI Rm**	**Head Office, Treasury and other operations Rm**	**Total Rm**
Balance at the beginning of the reporting period	10 676	1 813	2 789	1 717	65	40	17 100
Net present value unwind on non-performing book	(601)	(98)	—	—	—	—	(699)
Exchange differences	—	—	(382)	(139)	—	—	(521)
Transfer between segments	(4)	(16)	—	20	—	—	—
Amounts written off	(4 294)	(442)	(941)	(248)	(7)	—	(5 932)
Impairment raised/(utilised) – identified	6 010	591	1 395	1 019	38	—	9 053
Impairment raised/(utilised) – unidentified	158	107	98	413	(25)	(36)	715
Balance at the end of the reporting period	**11 945**	**1 955**	**2 959**	**2 782**	**71**	**4**	**19 716**

	2015						
Reconciliation of allowance for impairment losses on loans and advances to customers	Retail Banking South Africa Rm	Business Banking South Africa Rm	RBB Rest of Africa Rm	CIB Rm	WIMI Rm	Head Office, Treasury and other operations Rm	Total Rm
Balance at the beginning of the reporting period	10 912	2 028	2 354	754	82	—	16 130
Net present value unwind on non-performing book	(594)	(130)	—	—	—	—	(724)
Exchange differences	—	—	300	136	—	—	436
Transfer between segments	—	—	(86)	86	—	—	—
Amounts written off	(5 063)	(784)	(719)	(57)	(15)	—	(6 638)
Impairment raised/(utilised) – identified	5 464	572	870	545	(1)	2	7 452
Impairment raised/(utilised) – unidentified	(43)	127	70	253	(1)	38	444
Balance at the end of the reporting period	10 676	1 813	2 789	1 717	65	40	17 100

Statement of financial position – identified and unidentified impairments	**2016 Rm**	2015 Rm	Change %
Comprising:			
Identified impairments	**16 806**	14 755	14
Performing loans	**3 061**	2 682	14
NPLs	**13 745**	12 073	14
Unidentified impairments	**2 910**	2 345	24
Model driven	**1 542**	1 260	22
Macroeconomic	**1 368**	1 085	26
	19 716	17 100	15

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

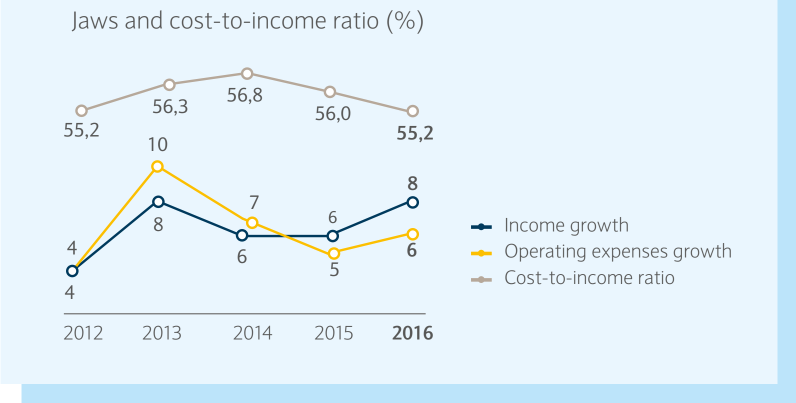
Performance

Credit impairments increased by 26% to **R8 751m** (2015: R6 920m) resulting in a credit loss ratio of **108 bps** (2015: 92 bps[1]). This is largely due to macroeconomic pressure on consumers impacting the Retail portfolio, coupled with emerging risk and larger defaults in specific countries in the RBB Rest of Africa portfolio. The increase in specific impairments in the CIB portfolio mainly relates to an exposure in the consumer sector which also contributed to an increase in NPLs.

Given the current economic environment in which the Group operates, performing coverage increased to **79 bps** (2015: 65 bps), while non-performing coverage increased to **44,20%** (2015: 43,17%).

NPLs increased by 11,1% to **R31 097m** (2015: R27 980m) largely due to deterioration in the construct across all portfolios in Retail as a result of macroeconomic strain and higher defaults in CIB.

5. Operating expenses



Breakdown of operating expenses	**2016 Rm**	2015 Rm	Change %
Administration fees	**722**	788	(8)
Amortisation of intangible assets	**641**	475	35
Auditors' remuneration	**319**	277	15
Cash transportation	**963**	884	9
Depreciation	**1 670**	1 548	8
Equipment costs	**461**	441	5
Information technology	**3 131**	2 274	38
Investment properties charges – change in fair value	**—**	82	(100)
Marketing costs	**1 585**	1 740	(9)
Operating lease expenses on properties	**1 665**	1 657	0
Other[2]	**1 737**	1 650	5
Printing and stationery	**405**	390	4
Professional fees	**1 742**	1 902	(8)
Property costs	**1 718**	1 563	10
Staff costs	**22 090**	20 902	6
Bonuses	**1 902**	1 875	1
Deferred cash and share-based payments	**755**	662	14
Other[3]	**1 179**	1 061	11
Salaries and current service costs on post-retirement benefits	**17 878**	16 984	5
Training costs	**376**	320	18
Telephone and postage	**1 107**	1 088	2
	39 956	37 661	6

Notes

1 The calculation of the credit loss ratio was amended to include impairment losses on loans and advances for the reporting period and dividing it by total gross loans and advances to customers and banks (calculated on a daily weighted average), resulting in a restatement of comparative credit loss ratios. Based on the previous methodology the credit loss ratios would be **1,23%** (2015: 1,05%).

2 Includes fraud losses, travel and entertainment costs as well as administration fees.

3 Includes recruitment costs, membership fees to professional bodies, staff parking, redundancy fees, study assistance, staff relocation and refreshment costs.

5. Operating expenses *(continued)*

Breakdown of IT-related spend included in operating expenses	2016 Rm	2015 Rm	Change %
Amortisation of intangible assets and depreciation of equipment	**1 374**	1 129	22
Information technology	**3 131**	2 274	38
Staff costs	**1 933**	1 868	3
Other[1]	**990**	1 089	(9)
	7 428	6 360	17

Operating cost growth has partially been driven by the appreciation of Rest of Africa currencies and where appropriate, the following commentary is based on constant currency movement. The Group maintained its focus on actively managing the cost base, resulting in operating expenses growing below inflation in constant currency. Major drivers of costs are constantly evaluated for increased optimisation, with specific focus on property, IT and headcount. As per the terms of the purchase agreement, some operating expenses of the African entities acquired during 2013 are still being funded by Barclays Bank PLC.

Operating expenses increased by **6%** (CCY 5%) to **R39 956m** (2015: R37 661m) improving the Group's cost-to-income ratio to 55,2% from 56,0%. Staff costs increased by **6%** (CCY 5%) while non-staff-related cost increased by **7%** (CCY 5%).

- Amortisation of intangible assets increased by 35% due to investments in new customer-facing channels across our markets.
- Cash transportation costs grew 9% due to the outsourcing of the cash operations in South Africa which is offset in staff costs.
- Depreciation increased by 8% due to investment in improving technology service levels.
- Information technology costs increased by 38% due to continued investment to improve service levels on key systems, the purchase of additional licences to support new front-end channel systems as well as the impact of the depreciating currency on imported services.
- Marketing costs reduced by 9% following the exit of sponsorships during the current period.
- Continued optimisation of corporate and branch property costs are reflected in property costs and operating lease expenses which increased by 5% to **R3 383m** (2015: R3 221m).
- Professional fees reduced by 8% due to reduced reliance on external service providers for development and testing activity.
- Staff costs grew by 6% to **R22 090m** (2015: R20 902m), which is sub-inflationary in constant currency as a result of the outsourcing of the cash operations and lower headcount from an ongoing focus on driving efficiencies.
- The marginal 2% increase in telephone and postage costs reflects declining postal volumes as customers migrate to electronic means of communication.

6. Indirect taxation

	2016 Rm	2015 Rm	Change %
Training levy	**193**	180	7
Value-added tax net of input credits	**1 237**	1 179	5
	1 430	1 359	5

Note

[1] These numbers have been restated to include professional fees on IT-related spend.

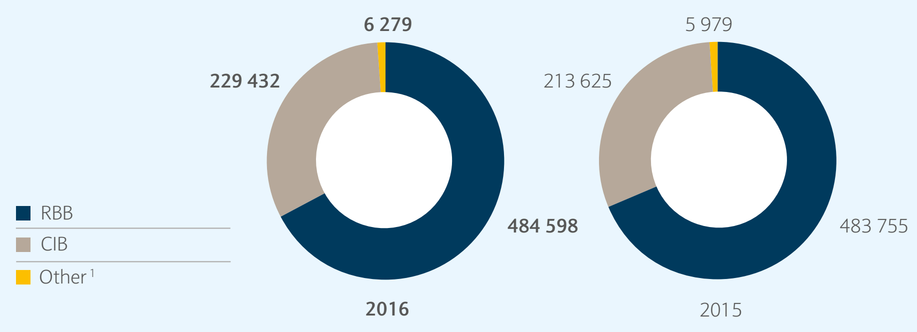
Performance indicators and condensed notes to the consolidated financial statements
for the reporting period ended 31 December

7. Taxation expense

	2016 Rm	2015[1] Rm	Change %
Reconciliation between operating profit before income tax and the taxation expense			
Operating profit before income tax	**21 682**	21 303	2
Share of post-tax results of associates and joint ventures	**(115)**	(129)	(11)
	21 567	21 174	2
Tax calculated at a tax rate of 28%	**6 039**	5 929	2
Effect of different tax rates in other countries	**64**	62	3
Expenses not deductible for tax purposes	**505**	510	(1)
Recognition of previously unrecognised deferred tax assets	**(198)**	—	100
Income not subject to tax	**(784)**	(708)	11
Other	**37**	57	(35)
Non-taxable capital items	**172**	49	>100
	5 835	5 899	1

8. Loans and advances to customers

Loans and advances to customers by segment (Rm)



	2016 %	2015 %
RBB	**67,3**	68,8
Retail Banking South Africa	**52,1**	53,3
Business Banking South Africa	**9,6**	9,0
RBB Rest of Africa	**5,6**	6,5
CIB	**31,9**	30,4
Other[1]	**0,8**	0,8
	100,0	100,0

Note
[1] Includes WIMI and Head Office, Treasury and other operations.

8. Loans and advances to customers *(continued)*

Loans and advances to customers by segment	2016 Rm	2015 Rm	Change %
RBB			
Gross loans and advances to customers	**501 457**	499 033	0
Impairment losses on loans and advances	**(16 859)**	(15 278)	10
	484 598	483 755	0
Retail Banking South Africa[1]			
Credit cards	**40 225**	41 404	(3)
Instalment credit agreements	**75 615**	74 028	2
Loans to associates and joint ventures	**18 933**	16 176	17
Mortgages	**226 984**	231 656	(2)
Other loans and advances	**510**	367	39
Overdrafts	**4 143**	2 953	40
Personal and term loans	**20 617**	19 089	8
Gross loans and advances to customers	**387 027**	385 673	0
Impairment losses on loans and advances	**(11 945)**	(10 676)	12
	375 082	374 997	0
Business Banking South Africa			
Mortgages (including CPF)	**36 113**	31 636	14
Overdrafts[2]	**19 213**	18 249	5
Term loans[2]	**16 108**	15 473	4
Gross loans and advances to customers	**71 434**	65 358	9
Impairment losses on loans and advances	**(1 955)**	(1 813)	8
	69 479	63 545	9
RBB Rest of Africa			
Gross loans and advances to customers	**42 996**	48 002	(10)
Impairment losses on loans and advances	**(2 959)**	(2 789)	6
	40 037	45 213	(11)
CIB			
Foreign currency loans	**28 901**	22 970	26
Mortgages	**6 124**	8 915	(31)
Term loans	**120 698**	105 022	15
Overdrafts	**13 403**	11 793	14
Overnight finance	**14 332**	14 152	1
Preference shares	**17 454**	16 137	8
Reverse repurchase agreements	**16 116**	20 310	(21)
Other loans and advances	**15 186**	16 043	(5)
Gross loans and advances to customers	**232 214**	215 342	8
Impairment losses on loans and advances	**(2 782)**	(1 717)	62
	229 432	213 625	7

Note

[1] Disclosure is provided on a product level.

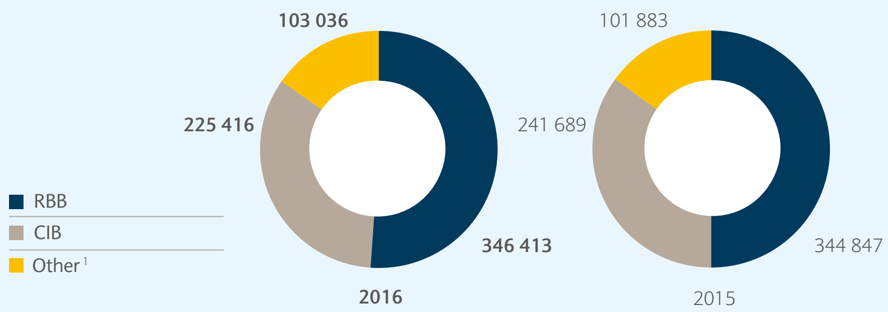
[2] Overdraft facilities were reallocated to term loans to align with the contractual term of the products. This resulted in a restatement of R554m in the prior year.

8. Loans and advances to customers *(continued)*

Loans and advances to customers by segment	2016 Rm	2015 Rm	Change %
WIMI			
CPF	**940**	865	9
Overdrafts	**2 755**	2 890	(5)
Other loans and advances	**2 036**	1 660	23
Gross loans and advances to customers	**5 731**	5 415	6
Impairment losses on loans and advances	**(71)**	(65)	9
	5 660	5 350	6
Head Office, Treasury and other operations			
Gross loans and advances to customers	**623**	669	(7)
Impairment losses on loans and advances	**(4)**	(40)	(90)
	619	629	(2)
Total loans and advances to customers			
Gross loans and advances to customers	**740 025**	720 459	3
Impairment losses on loans and advances	**(19 716)**	(17 100)	15
Net loans and advances to customers	**720 309**	703 359	2

9. Deposits due to customers

Deposits due to customers by segment (Rm)



Total funding mix	2016 %	2015 %
Deposits due to customers	**77,8**	78,2
RBB	**39,9**	39,2
Retail Banking South Africa	**20,4**	18,9
Business Banking South Africa	**12,5**	12,5
RBB Rest of Africa	**7,0**	7,8
CIB	**26,0**	27,4
Other[1]	**11,9**	11,6
Deposits from banks	**6,1**	7,2
Debt securities in issue	**16,1**	14,6
	100,0	100,0

Note

[1] Includes WIMI and Head Office, Treasury and other operations.

9. Deposits due to customers *(continued)*

Deposits due to customers by segment	2016 Rm	2015 Rm	Change %
RBB	**346 413**	344 847	0
Retail Banking South Africa	**176 952**	166 015	7
Call deposits	**253**	286	(12)
Cheque account deposits	**23 736**	24 030	(1)
Credit card deposits	**1 906**	2 002	(5)
Fixed deposits	**40 797**	36 835	11
Foreign currency deposits	**331**	285	16
Investment products	**65 065**	58 103	12
Notice deposits	**12 348**	10 941	13
Other deposits	**438**	314	39
Savings and transmission deposits	**32 078**	33 219	(3)
Business Banking South Africa	**108 783**	110 096	(1)
Call deposits	**10 844**	11 151	(3)
Cheque account deposits	**47 485**	47 629	(0)
Fixed deposits	**19 054**	22 255	(14)
Investment products	**26 022**	23 914	9
Notice deposits	**1 655**	1 356	22
Savings and transmission deposits	**3 723**	3 791	(2)
RBB Rest of Africa	**60 678**	68 736	(12)
CIB	**225 416**	241 689	(7)
Call deposits	**27 082**	28 613	(5)
Cheque account deposits	**102 645**	99 744	3
Fixed deposits	**68 627**	72 285	(5)
Foreign currency deposits	**15 938**	18 293	(13)
Investment products	**1 249**	1 499	(17)
Notice deposits	**2 217**	1 314	69
Other deposits	**2 566**	12 490	(79)
Repurchase agreements with non-banks	**3 970**	4 620	(14)
Savings and transmission deposits	**1 122**	2 831	(60)
WIMI	**5 144**	5 160	(0)
Call deposits	**357**	322	11
Cheque account deposits	**2 283**	2 300	(1)
Fixed deposits	**415**	465	(11)
Foreign currency deposits	**116**	180	(36)
Investment products	**1 619**	1 420	14
Notice deposits	**17**	20	(15)
Savings and transmission deposits	**337**	453	(26)
Head Office, Treasury and other operations	**97 892**	96 723	1
Total deposits due to customers	**674 865**	688 419	(2)

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

10. Debt securities in issue

Debt securities in issue	2016 Rm	2015 Rm	Change %
Commercial paper	**1 166**	2 096	(100)
Credit-linked notes	**10 295**	11 597	(11)
Floating rate notes	**60 441**	54 801	12
Negotiable certificates of deposit	**43 094**	32 767	32
Other	**706**	549	29
Promissory notes	**1 171**	1 232	(5)
Structured notes and bonds	**334**	725	(54)
Senior notes	**22 507**	24 916	(10)
	139 714	128 683	9
Segment split[1]			
Retail Banking South Africa	**871**	1 561	(44)
CIB	**14 326**	16 401	(13)
Head Office, Treasury and other operations	**124 517**	110 721	12
	139 714	128 683	9

11. Equity and borrowed funds

	2016 Rm	2015 Rm	Change %
Authorised			
880 467 500 (2015: 880 467 500) ordinary shares of R2,00 each	**1 761**	1 761	—
Issued			
847 750 679 (31 December 2015: 847 750 679) ordinary shares of R2,00 each	**1 696**	1 696	—
1 075 595 (2015: 2 025 369) treasury shares held by Group entities	**(3)**	(5)	(40)
	1 693	1 691	0
Total issued capital			
Share capital	**1 693**	1 691	0
Share premium	**4 467**	4 250	5
	6 160	5 941	4

Number of ordinary shares in issue (after deduction of treasury shares) at the reporting date	2016 Number of shares (million)	2015 Number of shares (million)	Change %
Ordinary shares in issue of R2,00 each	**847,8**	847,8	—
Treasury shares held by Group entities	**(1,1)**	(2,1)	(48)
	846,7	845,7	0

Note

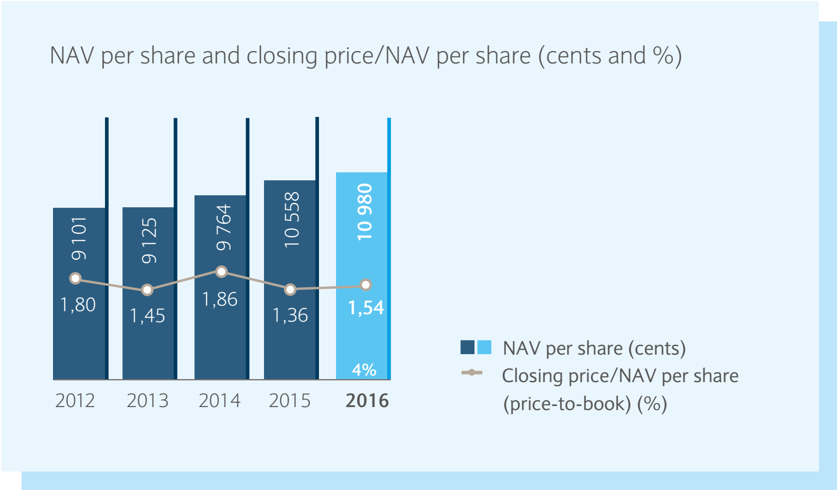
[1] These numbers have been restated, refer to the reporting changes overview on the inside front cover.

11. Equity and borrowed funds *(continued)*

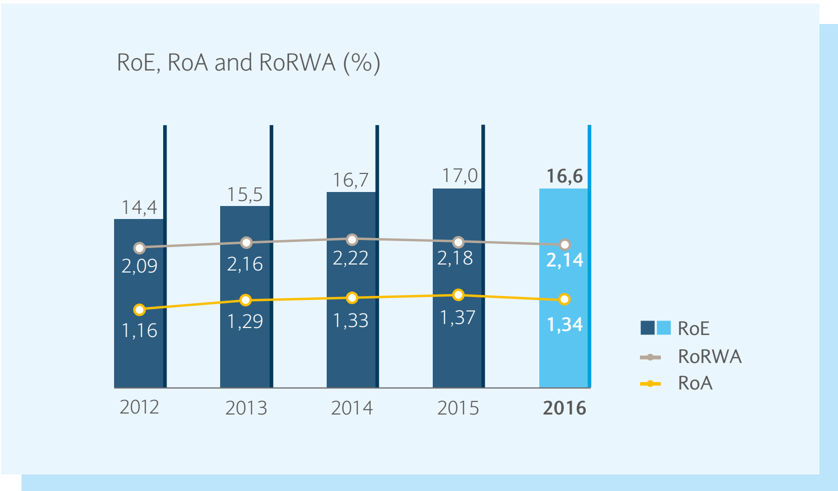
Borrowed funds		2016 Rm	2015 Rm	Change %
Subordinated callable notes issued by Absa Bank Limited				
The following subordinated debt instruments qualify as secondary capital in terms of the Banks Act.				
Interest rate	**Final maturity date**			
8,295%	21 November 2023	**1 188**	1 188	—
10,28%	3 May 2022	**600**	600	—
Three-month Johannesburg Interbank Agreed Rate (JIBAR) +2,10%	3 May 2022	**400**	400	—
Three-month JIBAR + 1,95%	21 November 2022	**1 805**	1 805	—
Three-month JIBAR + 2,05%	21 November 2023	**2 007**	2 007	—
Consumer Price Index (CPI) linked notes, fixed at the following coupon rates: 5,50%	7 December 2028	**1 500**	1 500	—
Subordinated callable notes issued by Barclays Africa Group Limited				
10,05%	5 February 2025	**807**	807	—
10,835%	19 November 2024	**130**	130	—
11,365%	4 September 2025	**508**	508	—
11,40%	29 September 2025	**288**	288	—
11,74%	20 August 2026	**140**	—	100
11,81%	3 September 2027	**737**	737	—
12,43%	5 May 2026	**200**	—	100
Three-month Johannesburg Interbank Agreed Rate (JIBAR)				
Three-month JIBAR1 + 3,30%	19 November 2024	**370**	370	—
Three-month JIBAR1 + 3,50%	5 February 2025	**1 693**	1 693	—
Three-month JIBAR1 + 3,50%	4 September 2025	**437**	437	—
Three-month JIBAR1 + 3,60%	3 September 2027	**30**	30	—
Three-month JIBAR1 + 4,00%	5 May 2026	**31**	—	100
Three-month JIBAR + 4,00%	20 August 2026	**1 510**	—	100
Three-month JIBAR + 4,00%	3 November 2026	**500**	—	100
Subordinated callable notes issued by other subsidiaries				
One hundred and eighty two-day Zambian Government Treasury Bill rate + 2,50% (capped at 13,00%)	18 May 2016	**—**	71	(100)
United States dollar three-month London Interbank Offered Rate London Interbank Offered Rate (LIBOR) + 1,00% (non-qualifying)	31 March 2018	**—**	102	(100)
National Bank of Commerce 16,44% fixed rate note	24 January 2024	**31**	36	(14)
Accrued interest		**805**	684	18
Fair value adjustments on total subordinated debt instruments		**(44)**	(242)	(82)
		15 673	13 151	19

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

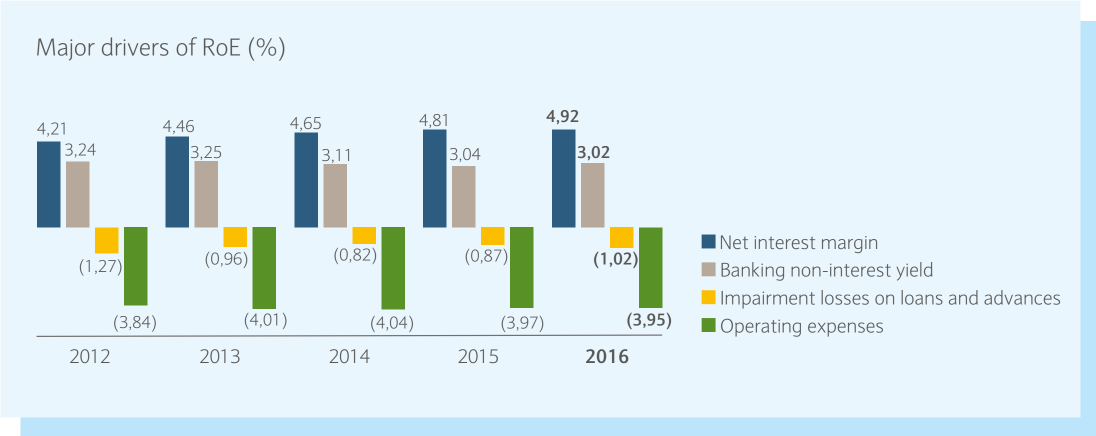
11. Equity and borrowed funds *(continued)*



12. Returns



13. RoE decomposition



		2016 %	2015 %
	Net interest margin (average interest-bearing assets)	**4,92**	4,81
Less:	Impairment losses on loans and advances/average interest-bearing assets	**1,02**	0,87
Equals:	Net interest margin – after impairment losses (average interest-bearing assets)	**3,90**	3,94
Multiply:	Average interest-bearing assets/average banking assets	**84,40**	84,16
Equals:	Banking interest yield	**3,29**	3,31
Plus:	Banking non-interest yield	**3,02**	3,04
Equals:	Banking income yield	**6,31**	6,36
Less:	Operating expenses/average banking assets	**3,95**	3,97
Equals:	Net banking return	**2,36**	2,39
Less:	Other[1]	**0,88**	0,88
Equals:	Banking return	**1,48**	1,51
Multiply:	Average banking assets/total average assets	**90,11**	90,76
Equals:	RoA	**1,34**	1,37
Multiply:	Leverage	**12,40**	12,42
Equals:	RoE	**16,6**	17,0

Note

[1] 'Other' includes other impairments, indirect taxation, share of post-tax results of associates and joint ventures and taxation expense.

14. Off-statement of financial position items

	2016 Rm	2015 Rm	Change %
Financial guarantee contracts	**10**	24	(58)
Commitments			
Authorised capital expenditure			
Contracted but not provided for[1]	**521**	902	(42)
Other commitments			
No later than one year	**—**	991	(100)
	521	1 893	(72)
Operating lease payments due			
Not later than one year	**1 309**	758	73
Later than one year and no later than five years	**2 946**	1 742	69
Later than five years	**1 228**	956	28
	5 483	3 456	59
Contingencies			
Guarantees[2]	**38 441**	37 901	1
Irrevocable debt facilities	**135 935**	152 984	(11)
Irrevocable equity facilities	**141**	364	(61)
Letters of credit[1]	**8 481**	8 206	3
Other	**135**	5 325	(97)
	183 133	204 780	(11)

Performance

- **Commitments:** 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.
- **Operating lease payments due:** The growth in the operating lease commitment is driven by both the Cape Town office and branch portfolios strategies.
- **Other commitments:** The South African Reserve Bank (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 had underwritten R5bn respectively. In the current financial reporting period, African Bank Holdings Limited (that is, the holding company of 'Good Bank', African Bank Limited) was successfully capitalised, with BAGL subscribing for a portion of the issued ordinary shares. The investment is recognised within Investment Securities, and the remaining commitment which was underwritten by Barclays Africa Group Limited, but guaranteed by the SARB, therefore has been extinguished during the current reporting period.
- **Contingencies:** The decrease in irrevocable debt facilities was mainly attributable to draw-downs by clients in the investment banking division.

Notes
[1] The presentation of commitments for 2015 has been revised following the reallocation of an amount of R740m from Commitments to Letters of Credit (within Contingencies) so as to more appropriately reflect the substance of the item.
[2] 'Guarantees' include performance and payment guarantee contracts.

15. Legal proceedings

Legal matters

The Group has been party to proceedings against it during the reporting period, and as at the reporting date the following material cases are disclosed:

- Pinnacle Point Holdings Proprietary Limited (PPG): New Port Finance Company and the trustees of the Winifred Trust (the plaintiffs) allege a local bank conducted itself unlawfully, and that Absa Bank Limited (the Bank) was privy to such conduct. They have instituted proceedings against the Bank for damages for an amount of R1 387m. Although Pinnacle Point Holdings' claim has been withdrawn, the second to fifth plaintiff's claims remain and will proceed to trial.
- Ayanda Collective Investment Scheme (the Scheme): Absa Capital Investor Services was the trustee of Ayanda Collective Investment Scheme, in which Corporate Money Managers (CMM) managed a portfolio of assets within the Scheme. The joint curators of the CMM group of companies and the Altron Pension Fund (an investor in the fund) allege that the defendants caused damages to them arising from their alleged failure to meet their obligations in the trust deed together with their statutory obligations set out in the Collective Investment Scheme Act, in respect of which they seek payment of R1 157m.

The Group is engaged in various other legal, competition and regulatory matters, both in South Africa and a number of other jurisdictions. It is involved in legal proceedings which arise in the ordinary course of business from time to time, including (but not limited to) disputes in relation to contracts, securities, debt collection, consumer credit, fraud, trusts, client assets, competition, data protection, money laundering, employment, environmental and other statutory and common law issues.

The Group is also subject to enquiries and examinations, requests for information, audits, investigations and legal and other proceedings by regulators, governmental and other public bodies in connection with (but not limited to) consumer protection measures, compliance with legislation and regulation, wholesale trading activity and other areas of banking and business activities in which the Group is or has been engaged.

At the present time, the Group does not expect the ultimate resolution of any of these other matters to have a material adverse effect on its financial position. However, in light of the uncertainties involved in such matters and the matters specifically described in this note, there can be no assurance that the outcome of a particular matter or matters will not be material to the Group's results of operations or cash flow for a particular period, depending on, among other things, the amount of the loss resulting from the matter(s) and the amount of income otherwise reported for the reporting period.

The Group has not disclosed the contingent liabilities associated with these matters either because they cannot reasonably be estimated or because such disclosure could be prejudicial to the outcome of the matter. Provision is made for all liabilities which are expected to materialise.

Regulatory matters

The scale of regulatory change remains challenging and the global financial crisis is resulting in a significant tightening of regulation and changes to regulatory structures globally, especially for companies that are deemed to be of systemic importance. Concurrently, there is continuing political and regulatory scrutiny of the operation of the banking and consumer credit industries globally which, in some cases, is leading to increased regulation. The nature and impact of future changes in the legal framework, policies and regulatory action cannot currently be fully predicted and are beyond the Group's control, but especially in the area of banking and insurance regulation, are likely to have an impact on the Group's businesses and earnings.

The Group is continuously evaluating its compliance programmes and controls in general. As a consequence of these compliance programmes and controls, including monitoring and review activities, the Group has also adopted appropriate remedial and/or mitigating steps, where necessary or advisable, and made disclosures on material findings as and when appropriate.

Absa Bank Limited, a subsidiary of Barclays Africa Group Limited, has identified potentially fraudulent activity by certain of its customers using import advance payments for imports in 2014 and 2015 to effect foreign exchange transfers from South Africa to beneficiary accounts located in East Asia, UK, Europe and the US. As a result, the Group has been conducting a review of relevant activity, processes, systems and controls. The Group is keeping relevant authorities informed as to the status of this matter and is providing information to these authorities as part of its ongoing cooperation. It is not currently possible to estimate the financial impact of the actions described on the Group, if any.

In February 2017 the South African Competition Commission (SACC) referred Absa Bank Limited, among other banks, to the Competition Tribunal to be prosecuted for breaches of South African competition law related to foreign exchange trading of the South African rand. The SACC found from its investigation that, between 2007 and 2013, the respondents had engaged in various forms of collusive behaviour. Absa Bank and its parent Barclays PLC were the first to bring the conduct to the attention of the SACC under its leniency programme and have cooperated with, and will continue to cooperate with, the SACC in relation to this matter. The SACC is therefore not seeking an order from the Tribunal to impose any administrative fine on Absa Bank Limited.

16. Income taxes

The Group is subject to income taxes in numerous jurisdictions and the calculation of the Group's tax charge and provisions for income taxes necessarily involves a degree of estimation and judgement. There may be transactions and calculations for which the ultimate tax treatment is uncertain or in respect of which the relevant tax authorities may have indicated disagreement with the Group's treatment and accordingly the final tax charge cannot be determined until resolution has been reached with the relevant tax authority.

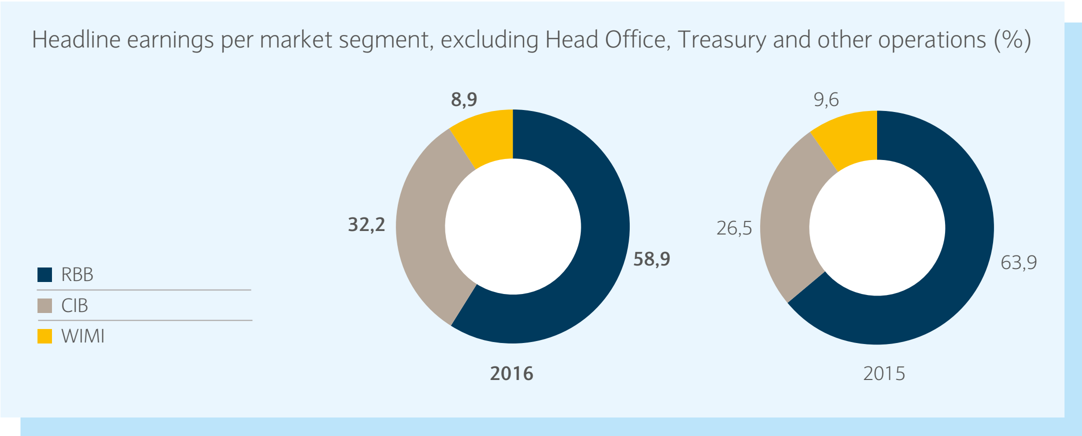
The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due after taking into account expert external advice where appropriate. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the reporting period in which such determination is made. These risks are managed in accordance with the Group's Tax Risk Framework.

Segment performance

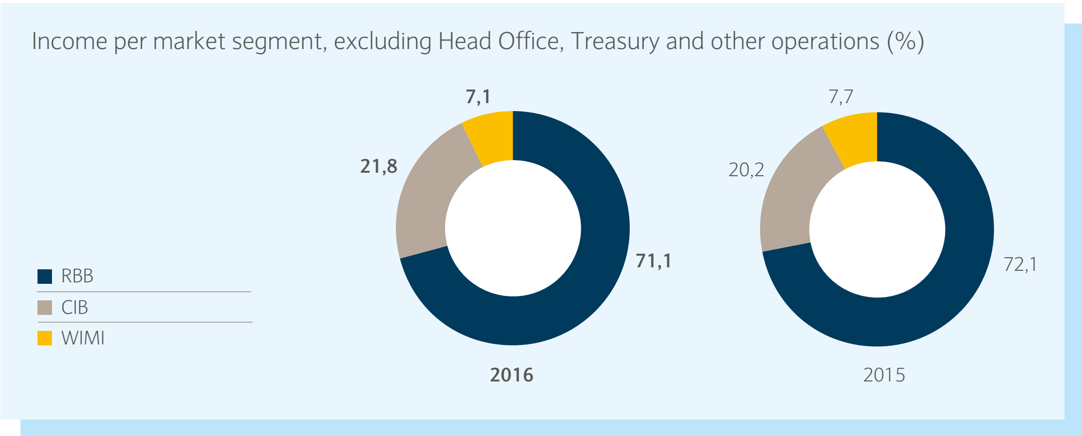
Segment performance overview
for the reporting period ended 31 December

BAGL headline earnings increased by 5% supported by 27% increase in CIB whereas RBB and WIMI decreased by 3% and 4% respectively. Headline earnings from the businesses in Rest of Africa increased by 17% whereas South Africa increased by 2%.

Performance per market segment



Headline earnings	2016 Rm	2015 Rm	Change %
RBB	**9 313**	9 605	(3)
CIB	**5 098**	3 999	27
WIMI	**1 399**	1 452	(4)
Head Office, Treasury and other operations	**(830)**	(769)	8
	14 980	14 287	5

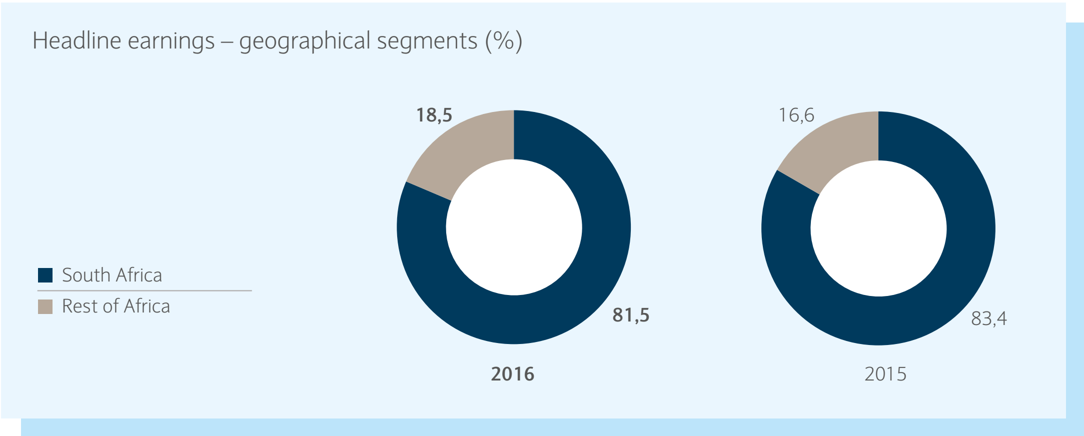


Income	2016 Rm	2015 Rm	Change %
RBB	**52 217**	49 160	6
CIB	**16 054**	13 741	17
WIMI	**5 223**	5 235	(0)
Head Office, Treasury and other operations	**(1 100)**	(938)	17
	72 394	67 198	8

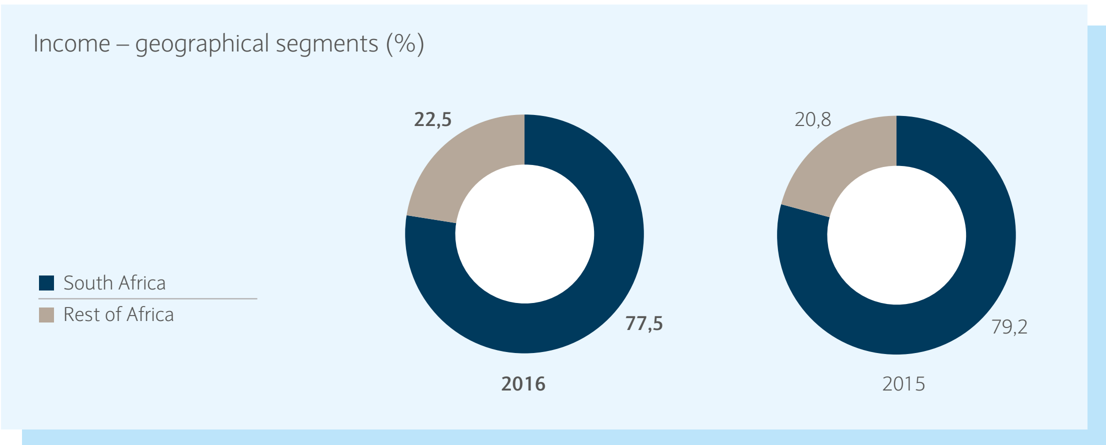
Segment performance overview

for the reporting period ended 31 December

Performance per geographical segment



Headline earnings	2016 Rm	2015 Rm	Change %
South Africa	**12 202**	11 918	2
Rest of Africa	**2 778**	2 369	17
	14 980	14 287	5



Income	2016 Rm	2015 Rm	Change %
South Africa	**56 098**	53 197	5
Rest of Africa	**16 296**	14 001	16
	72 394	67 198	8

Segment performance overview
for the reporting period ended 31 December

Segment reporting structure

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

Barclays Africa Group Limited

	RBB	CIB	WIMI	Head Office, Treasury and other operations[3]
South Africa	**Retail Banking** ○ Home Loans ○ Vehicle and Asset Finance ○ Card ○ Personal Loans ○ Transactional and Deposits ○ Other **Business Banking** ○ Debt Products ○ Deposit Products ○ Transactional Products ○ Equities	○ Corporate ○ Investment Bank — Markets — Banking[1] — Private Equity and Infrastructure Investments	○ Continuing Business Lines — Life Insurance — Wealth and Investment Management[2] — Short-term Insurance — Fiduciary Services — Distribution — Other ○ Terminating Business Lines	○ Enterprise Functions ○ Group Treasury ○ Consolidation Centre
Rest of Africa	RBB	CIB ○ Corporate ○ Investment Bank	WIMI ○ Life Insurance ○ Short-term Insurance	Head Office, Treasury and other operations

Notes
[1] Previously referred to as 'Investment Banking'.
[2] Includes the Wealth banking portfolio.
[3] Includes Absa Manx Insurance Company.

Segment performance overview
for the reporting period ended 31 December

Operational metrics	2016	2015	Change %
Delivery footprint (number)	11 220	11 629	(4)
South Africa	9 659	10 000	(3)
Outlets	774	784	(1)
ATMs	8 885	9 216	(4)
Rest of Africa	1 561	1 629	(4)
Outlets	433	467	(7)
ATMs	1 128	1 162	(3)
Number of customers ('000)	11 813	12 067	(2)
RBB (excludes Edcon and WFS portfolio customers)	11 790	12 042	(2)
CIB	9	11	(18)
WIMI (Wealth customers)	14	14	—
Number of customers ('000)	11 813	12 067	(2)
South Africa (excludes Edcon and WFS portfolio customers)	9 426	9 424	—
Rest of Africa	2 387	2 643	(10)
Number of employees (permanent and temporary employees)	41 241	41 840	(1)
South Africa (excludes WFS employees)	30 739	30 922	(1)
Rest of Africa	10 502	10 918	(4)

Segment report per market segment
for the reporting period ended 31 December

	RBB			CIB		
	2016	2015[1]	Change %	**2016**	2015[1]	Change %
Statement of comprehensive income (Rm)						
Net interest income	**33 083**	30 886	7	**9 375**	7 851	19
Non-interest income	**19 134**	18 274	5	**6 679**	5 890	13
Total income	**52 217**	49 160	6	**16 054**	13 741	17
Impairment losses on loans and advances	**(7 374)**	(6 094)	21	**(1 403)**	(793)	77
Operating expenses	**(30 273)**	(28 223)	7	**(7 547)**	(7 373)	2
Other operating expenses	**(572)**	(279)	>100	**(189)**	(148)	28
Operating profit before income tax	**13 998**	14 564	(4)	**6 915**	5 427	27
Tax expense	**(4 135)**	(4 219)	(2)	**(1 454)**	(1 126)	29
Profit for the reporting period	**9 863**	10 345	(5)	**5 461**	4 301	27
Profit attributable to:						
Ordinary equity holders	**9 106**	9 584	(5)	**5 065**	3 999	27
Non-controlling interest – ordinary shares	**527**	553	(5)	**280**	195	44
Non-controlling interest – preference shares	**230**	208	11	**116**	107	8
	9 863	10 345	(5)	**5 461**	4 301	27
Headline earnings	**9 313**	9 605	(3)	**5 098**	3 999	27
Operating performance (%)						
Net interest margin on average interest-bearing assets	**4,44**	4,34		**2,49**	2,38	
Credit loss ratio[2]	**1,46**	1,24		**0,53**	0,37	
Non-interest income as percentage of income	**36,6**	37,2		**41,6**	42,9	
Income growth	**6**	6		**17**	8	
Operating expenses growth	**7**	4		**2**	9	
Cost-to-income ratio	**58,0**	57,4		**47,0**	53,7	
Statement of financial position (Rm)						
Loans and advances to customers	**484 598**	483 755	0	**229 432**	213 625	7
Loans and advances to banks	**6 348**	5 296	20	**34 122**	43 987	(22)
Investment securities	**42 138**	42 513	(1)	**25 431**	20 126	26
Other assets	**275 808**	280 611	(2)	**263 629**	296 977	(11)
Total assets	**808 892**	812 175	(0)	**552 614**	574 715	(4)
Deposits due to customers	**346 413**	344 847	0	**225 416**	241 689	(7)
Debt securities in issue	**871**	1 561	(44)	**14 326**	16 401	(13)
Other liabilities	**450 974**	449 429	0	**305 926**	307 999	(1)
Total liabilities	**798 258**	795 837	0	**545 668**	566 089	(4)
Financial performance (%)						
RoRWA	**2,41**	2,55		**2,27**	1,93	
RoA	**1,16**	1,25		**0,90**	0,81	
RoRC[3]	**21,3**	22,0		**19,9**	17,4	

Notes

1 These numbers have been restated, refer to the reporting changes overview on the inside front cover.

2 The calculation of the credit loss ratio was amended to include impairment losses on loans and advances for the reporting period and dividing it by total gross loans and advances to customers and banks (calculated on a daily weighted average), resulting in a restatement of comparative credit loss ratios.

3 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, Treasury and other operations			Group		
2016	2015[1]	Change %	**2016**	2015[1]	Change %	**2016**	2015	Change %
375	273	37	**(830)**	(603)	38	**42 003**	38 407	9
4 848	4 962	(2)	**(270)**	(335)	(19)	**30 391**	28 791	6
5 223	5 235	(0)	**(1 100)**	(938)	17	**72 394**	67 198	8
(10)	5	<(100)	**36**	(38)	<(100)	**(8 751)**	(6 920)	26
(3 346)	(3 018)	11	**1 210**	953	27	**(39 956)**	(37 661)	6
(171)	(204)	(16)	**(1 073)**	(683)	57	**(2 005)**	(1 314)	53
1 696	2 018	(16)	**(927)**	(706)	31	**21 682**	21 303	2
(346)	(603)	(43)	**100**	49	>100	**(5 835)**	(5 899)	(1)
1 350	1 415	(5)	**(827)**	(657)	26	**15 847**	15 404	3
1 364	1 405	(3)	**(827)**	(657)	26	**14 708**	14 331	3
(19)	4	<(100)	**—**	—	—	**788**	752	5
5	6	(17)	**—**	—	—	**351**	321	9
1 350	1 415	(5)	**(827)**	(657)	26	**15 847**	15 404	3
1 399	1 452	(4)	**(830)**	(769)	8	**14 980**	14 287	5
n/a	n/a		**n/a**	n/a		**4,92**	4,81	
0,13	(0,07)		**n/a**	n/a		**1,08**	0,92	
92,8	94,8		**n/a**	n/a		**42,0**	42,8	
—	7		**n/a**	n/a		**8**	6	
11	4		**n/a**	n/a		**6**	5	
64,1	57,6		**n/a**	n/a		**55,2**	56,0	
5 660	5 350	6	**619**	629	(2)	**720 309**	703 359	2
1 973	2 225	(11)	**7 346**	34 443	(79)	**49 789**	85 951	(42)
4 687	4 642	1	**42 059**	33 684	25	**114 315**	100 965	13
38 882	31 681	23	**(361 709)**	(354 940)	2	**216 610**	254 329	(15)
51 202	43 898	17	**(311 685)**	(286 184)	9	**1 101 023**	1 144 604	(4)
5 144	5 160	(0)	**97 892**	96 723	1	**674 865**	688 419	(2)
—	—	—	**124 517**	110 721	12	**139 714**	128 683	9
40 602	33 226	22	**(613 338)**	(561 799)	9	**184 164**	228 855	(20)
45 746	38 386	19	**(390 929)**	(354 355)	10	**998 743**	1 045 957	(5)
n/a	n/a		**n/a**	n/a		**2,14**	2,18	
3,03	3,36		**n/a**	n/a		**1,34**	1,37	
23,9	24,7		**n/a**	n/a		**n/a**	n/a	

Segment report per geographical segment
for the reporting period ended 31 December

	South Africa		
	2016	2015[1]	Change %
Statement of comprehensive income (Rm)			
Net interest income	31 129	29 339	6
Non-interest income	24 969	23 858	5
Total income	56 098	53 197	5
Impairment losses on loans and advances	(7 019)	(5 706)	23
Operating expenses	(30 551)	(29 222)	5
Other operating expenses	(1 789)	(1 167)	53
Operating income before income tax	16 739	17 102	(2)
Tax expenses	(4 158)	(4 590)	(9)
Profit for the reporting period	12 581	12 512	1
Profit attributable to:			
Ordinary equity holders	11 965	11 963	0
Non-controlling interest – ordinary shares	265	228	16
Non-controlling interest – preference shares	351	321	9
	12 581	12 512	1
Headline earnings	12 202	11 918	2
Operating performance (%)			
Net interest margin on average interest-bearing assets	4,29	4,26	
Credit loss ratio[2]	1,00	0,86	
Non-interest income as percentage of income	44,5	44,8	
Income growth	5	5	
Operating expenses growth	5	4	
Cost-to-income ratio	54,5	54,9	
Statement of financial position (Rm)			
Loans and advances to customers	642 432	614 615	5
Loans and advances to banks	21 704	58 753	(63)
Investment securities	90 057	77 676	17
Other assets	182 019	206 179	(12)
Total assets	936 712	957 223	(2)
Deposits due to customers	562 872	556 072	1
Debt securities in issue	139 383	128 190	9
Other liabilities	153 855	198 291	(22)
Total liabilities	856 110	882 553	(3)
Financial performance (%)			
RoRWA	2,29	2,35	
RoA	1,28	1,34	

Notes

1 These numbers have been restated, refer to the reporting changes overview on the inside front cover.

2 The calculation of the credit loss ratio was amended to include impairment losses on loans and advances for the reporting period and dividing it by total gross loans and advances to customers and banks (calculated on a daily weighted average), resulting in a restatement of comparatives credit loss ratios.

Rest of Africa			Group		
2016	2015[1]	Change %	**2016**	2015	Change %
10 874	9 068	20	**42 003**	38 407	9
5 422	4 933	10	**30 391**	28 791	6
16 296	14 001	16	**72 394**	67 198	8
(1 732)	(1 214)	43	**(8 751)**	(6 920)	26
(9 405)	(8 439)	11	**(39 956)**	(37 661)	6
(216)	(147)	47	**(2 005)**	(1 314)	53
4 943	4 201	18	**21 682**	21 303	2
(1 677)	(1 309)	28	**(5 835)**	(5 899)	(1)
3 266	2 892	13	**15 847**	15 404	3
2 743	2 368	16	**14 708**	14 331	3
523	524	(0)	**788**	752	5
—	—	—	**351**	321	9
3 266	2 892	13	**15 847**	15 404	3
2 778	2 369	17	**14 980**	14 287	5
8,46	8,23		**4,92**	4,81	
1,60	1,31		**1,08**	0,92	
33,3	35,2		**42,0**	42,8	
16	14		**8**	6	
11	9		**6**	5	
57,7	60,3		**55,2**	56,0	
77 877	88 744	(12)	**720 309**	703 359	2
28 085	27 198	3	**49 789**	85 951	(42)
23 758	23 289	2	**114 315**	100 965	13
34 591	48 150	(28)	**216 610**	254 329	(15)
164 311	187 381	(12)	**1 101 023**	1 144 604	(4)
111 993	132 347	(15)	**674 865**	688 419	(2)
331	493	(33)	**139 714**	128 683	9
30 309	30 564	(1)	**184 164**	228 855	(20)
142 633	163 404	(13)	**998 743**	1 045 957	(5)
1,64	1,59		**2,14**	2,18	
1,67	1,63		**1,34**	1,37	

Segment report per market and geographical segment

for the reporting period ended 31 December

South Africa per market segment[2]	RBB 2016 Rm	RBB 2015[1] Rm	RBB Change %
Statement of comprehensive income			
Net interest income	**25 804**	24 745	4
Non-interest income	**16 362**	15 654	5
Total income	**42 166**	40 399	4
Impairment losses on loans and advances	**(6 026)**	(5 317)	13
Operating expenses	**(23 449)**	(22 081)	6
Other operating expenses	**(441)**	(167)	>100
Operating income before income tax	**12 250**	12 834	(5)
Taxation expense	**(3 420)**	(3 604)	(5)
Profit for the reporting period	**8 830**	9 230	(4)
Profit attributable to:			
Ordinary equity holders	**8 333**	8 794	(5)
Non-controlling interest – ordinary shares	**267**	228	17
Non-controlling interest – preference shares	**230**	208	11
	8 830	9 230	(4)
Headline earnings	**8 544**	8 815	(3)
Statement of financial position			
Loans and advances to customers	**444 561**	438 542	1
Loans and advances to banks	**6 348**	5 296	20
Investment securities	**42 132**	42 508	(1)
Other assets	**236 594**	233 046	2
Total assets	**729 635**	719 392	1
Deposits due to customers	**285 735**	276 111	3
Debt securities in issue	**871**	1 561	(44)
Other liabilities	**431 503**	429 784	0
Total liabilities	**718 109**	707 456	2

Rest of Africa per market segment	RBB 2016 Rm	RBB 2015[1] Rm	RBB C%[3]	RBB FX%[4]	RBB Change %
Statement of comprehensive income					
Net interest income	**7 279**	6 141	12	12	19
Non-interest income	**2 772**	2 620	2	2	6
Total income	**10 051**	8 761	9	9	15
Impairment losses on loans and advances	**(1 348)**	(777)	66	66	73
Operating expenses	**(6 824)**	(6 142)	7	7	11
Other	**(131)**	(112)	16	16	17
Operating income before income tax	**1 748**	1 730	(9)	(9)	1
Taxation expense	**(715)**	(615)	8	8	16
Profit for the reporting period	**1 033**	1 115	(18)	(18)	(7)
Profit attributable to:					
Ordinary equity holders	**773**	790	(14)	(14)	(2)
Non-controlling interest – ordinary shares	**260**	325	(27)	(27)	(20)
	1 033	1 115	(18)	(18)	(7)
Headline earnings	**769**	790	(15)	(15)	(3)
Statement of financial position					
Loans and advances to customers	**40 037**	45 213	2	2	(11)
Loans and advances to banks	**—**	—	—	—	—
Investment securities	**6**	5	86	86	20
Other assets	**39 214**	47 565	(4)	(4)	(18)
Total assets	**79 257**	92 783	(1)	(1)	(15)
Deposits due to customers	**60 678**	68 736	2	2	(12)
Debt securities in issue	**—**	—	—	—	—
Other liabilities	**19 471**	19 645	12	12	(1)
Total liabilities	**80 149**	88 381	4	4	(9)

Notes

1 These numbers have been restated, refer to the reporting changes overview on the inside front cover.

2 No constant currency change is disclosed for Absa Bank London since it is deemed immaterial.

3 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 140.

4 FX% = Foreign currency change impact.

CIB 2016 Rm	CIB 2015[1] Rm	CIB Change %	WIMI 2016 Rm	WIMI 2015[1] Rm	WIMI Change %
5 824	4 991	17	319	272	17
4 223	3 892	9	4 652	4 631	0
10 047	8 883	13	4 971	4 903	1
(1 020)	(356)	>100	(10)	5	<(100)
(5 333)	(5 301)	1	(2 963)	(2 793)	6
(150)	(123)	22	(127)	(195)	(35)
3 544	3 103	14	1 871	1 920	(3)
(612)	(574)	7	(352)	(558)	(37)
2 932	2 529	16	1 519	1 362	12
2 817	2 423	16	1 515	1 356	12
(1)	(1)	—	(1)	—	100
116	107	8	5	6	(17)
2 932	2 529	16	1 519	1 362	12
2 850	2 423	18	1 511	1 403	8
191 593	170 094	13	5 660	5 350	6
34 121	43 978	(22)	1 147	1 247	(8)
25 367	20 124	26	4 391	4 347	1
236 233	261 658	(10)	37 375	30 201	24
487 314	495 854	(2)	48 573	41 145	18
174 344	178 078	(2)	5 144	5 160	(0)
14 326	16 401	(13)	—	—	—
292 859	295 436	(1)	38 739	31 556	23
481 529	489 915	(2)	43 883	36 716	20

CIB 2016 Rm	CIB 2015[1] Rm	CIB C%[3]	CIB FX%[4]	CIB Change %	WIMI 2016 Rm	WIMI 2015[1] Rm	WIMI C%[3]	WIMI FX%[4]	WIMI Change %
3 551	2 860	19	5	24	56	1	>100	>100	>100
2 456	1 998	21	2	23	196	331	(46)	5	(41)
6 007	4 858	20	4	24	252	332	(31)	7	(24)
(383)	(437)	(8)	(4)	(12)	—	—	—	—	—
(2 214)	(2 072)	5	2	7	(383)	(225)	61	9	70
(39)	(25)	63	(7)	56	(44)	(9)	>100	40	>100
3 371	2 324	37	8	45	(175)	98	<(100)	(29)	<(100)
(842)	(552)	42	11	53	6	(45)	<(100)	(2)	<(100)
2 529	1 772	35	8	43	(169)	53	<(100)	(59)	<(100)
2 248	1 576	35	8	43	(151)	49	<(100)	(65)	<(100)
281	196	36	7	43	(18)	4	<(100)	—	<(100)
2 529	1 772	35	8	43	(169)	53	<(100)	(59)	<(100)
2 248	1 576	35	8	43	(112)	49	<(100)	(48)	<(100)
37 839	43 531	1	(14)	(13)	—	—	—	—	—
1	9	(80)	(9)	(89)	826	978	(6)	(10)	(16)
64	2	>100	<(100)	>100	296	295	15	(15)	0
27 396	35 319	(11)	(11)	(22)	1 507	1 480	15	(13)	2
65 300	78 861	(4)	(13)	(17)	2 629	2 753	8	(13)	(5)
51 072	63 611	(7)	(13)	(20)	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
13 067	12 563	18	(14)	4	1 863	1 670	25	(13)	12
64 139	76 174	(3)	(13)	(16)	1 863	1 670	25	(13)	12

Head Office, Treasury and other operations 2016 Rm	2015[1] Rm	Change %	Total South Africa 2016 Rm	2015[1] Rm	Change %
(818)	(669)	22	**31 129**	29 339	6
(268)	(319)	(16)	**24 969**	23 858	5
(1 086)	(988)	10	**56 098**	53 197	5
37	(38)	<(100)	**(7 019)**	(5 706)	23
1 194	953	25	**(30 551)**	(29 222)	5
(1 071)	(682)	57	**(1 789)**	(1 167)	53
(926)	(755)	23	**16 739**	17 102	(2)
226	146	55	**(4 158)**	(4 590)	(9)
(700)	(609)	15	**12 581**	12 512	1
(700)	(610)	15	**11 965**	11 963	0
—	1	(100)	**265**	228	16
—	0	(100)	**351**	321	9
(700)	(609)	15	**12 581**	12 512	1
(703)	(723)	(3)	**12 202**	11 918	2
618	629	(2)	**642 432**	614 615	5
(19 912)	8 232	<(100)	**21 704**	58 753	(63)
18 667	10 697	75	**90 557**	77 676	17
(328 183)	(318 726)	3	**182 019**	206 179	(12)
(328 810)	(299 168)	10	**936 712**	957 223	(2)
97 649	96 723	1	**562 872**	556 072	1
124 186	110 228	13	**139 383**	128 190	9
(609 246)	(558 485)	9	**153 855**	198 291	(22)
(387 411)	(351 534)	10	**856 110**	882 553	(3)

Head Office, Treasury and other operations 2016 Rm	2015[1] Rm	C%[3]	FX%[4]	Change %	Total Rest of Africa 2016 Rm	2015[1] Rm	C%[3]	FX%[4]	Change %
(12)	66	<(100)	1	<(100)	**10 874**	9 068	14	6	20
(2)	(16)	(81)	(7)	(88)	**5 422**	4 933	6	4	10
(14)	50	<(100)	3	<(100)	**16 296**	14 001	11	5	16
(1)	—	<(100)	>100	100	**(1 732)**	(1 214)	41	2	43
16	0	<(100)	>100	>100	**(9 405)**	(8 439)	8	3	11
(2)	(1)	>100	<(100)	100	**(216)**	(147)	47	-	47
(1)	49	<(100)	—	<(100)	**4 943**	4 201	9	9	18
(126)	(97)	29	1	30	**(1 677)**	(1 309)	20	8	28
(127)	(48)	>100	26	>100	**3 266**	2 892	4	9	13
(127)	(47)	>100	6	>100	**2 743**	2 368	6	10	16
—	(1)	(96)	>100	(100)	**523**	524	(7)	7	(0)
(127)	(48)	>100	25	>100	**3 266**	2 892	4	9	13
(127)	(46)	>100	5	>100	**2 778**	2 369	8	9	17
1	—	<(100)	>100	100	**77 877**	88 744	1	(13)	(12)
27 258	26 211	19	(15)	4	**28 085**	27 198	18	(15)	3
23 392	22 987	20	(18)	2	**23 758**	23 289	21	(19)	2
(33 526)	(36 214)	(12)	5	(7)	**34 591**	48 150	(1)	(27)	(28)
17 125	12 984	>100	<(100)	32	**164 311**	187 381	(1)	(11)	(12)
243	—	<(100)	>100	100	**111 993**	132 347	(2)	(13)	(15)
331	493	(27)	(6)	(33)	**331**	493	(27)	(6)	(33)
(4 092)	(3 314)	(59)	82	23	**30 309**	30 564	51	(52)	(1)
(3 518)	(2 821)	(63)	88	25	**142 633**	163 404	6	(19)	(13)

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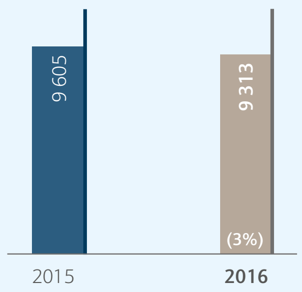
RBB overview

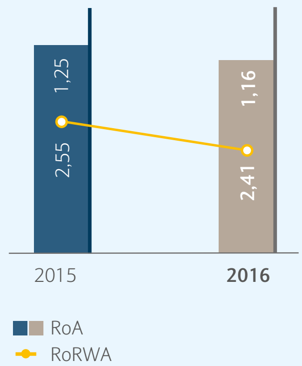
for the reporting period ended 31 December

- Pre-provision profit increased 5% to **R21 944m** (2015: R20 936m), despite a challenging operating environment.
- Net interest income grew 7% to **R33 083m** (2015: R30 886m) supported by deposit margin improvement and higher yield in some advances products, despite adverse impact of regulatory changes.
- Non-interest income growth of 5% to **R19 134m** (2015: R18 274m) was mainly due to higher Card transaction volumes.
- Winner of the 2016 Lafferty Global Awards for Excellence in Retail Banking and most innovative app developed by a corporate awarded by New Generation Award for 2016.
- Good progress made on the relocation of mainframe systems to a new state-of-the-art data centre, which enabled system stability and solid uptime on our branches, ATMs and banking app, thereby improving on customer experience.
- RoRC remained stable at **21,3%** (2015: 22,0%).
- Operating expenses growth of 7% was broadly in line with inflation in our various markets and increased partly from investment spend in information technology.
- Deterioration in the credit loss ratio to **1,46%** (2015: 1,24%) reflecting financial stress on the consumer, resulted in a headline earnings decline of 3%.
- Performing loans coverage ratio increased to **1,04%** (2015: 0,88%) to strengthen the balance sheet against a weak macroeconomic environment and increased consumer strain.
- NPLs increased as the credit cycle turned, with prudent provisioning levels reflected in the NPL coverage ratio increase to **44,8%** (2015: 44,2%).
- Muted balance sheet growth reflected weak macroeconomic environment and the impact of regulatory changes.

Headline earnings (Rm and change %)



RoA and RoRWA (%)

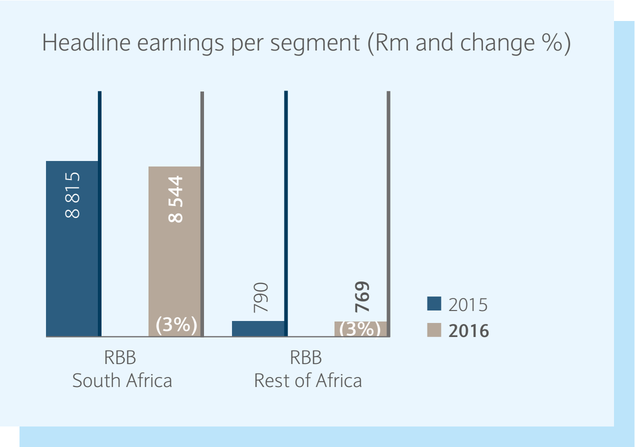


Salient features	2016	2015[1]	Change %
Income (Rm)	**52 217**	49 160	6
Attributable earnings (Rm)	**9 106**	9 584	(5)
Headline earnings (Rm)	**9 313**	9 605	(3)
Credit loss ratio (%)	**1,46**	1,24	
Cost-to-income ratio (%)	**58,0**	57,4	
RoRWA (%)	**2,41**	2,55	
RoA (%)	**1,16**	1,25	
RoRC (%)	**21,3**	22,0	

Note

[1] These numbers have been restated, refer to the reporting changes overview on the inside front cover.

RBB overview
for the reporting period ended 31 December



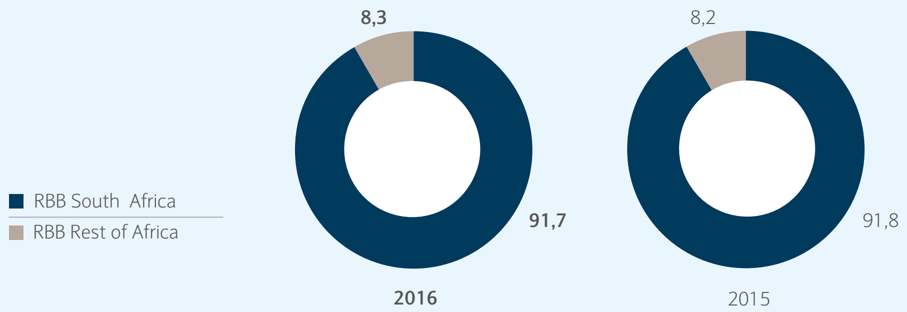
Headline earnings by segment	2016 Rm	2015[1] Rm	Change %
RBB	**9 313**	9 605	(3)
Retail Banking South Africa	**8 544**	8 815	(3)
Home Loans	**1 602**	1 734	(8)
Vehicle and Asset Finance	**800**	1 068	(25)
Card	**1 671**	1 615	3
Personal Loans	**384**	350	10
Transactional and Deposits	**2 690**	2 675	1
Other	**(741)**	(751)	(1)
Business Banking (excluding equities)	**2 160**	2 179	(1)
Business Banking equities	**(22)**	(55)	(60)
RBB Rest of Africa	**769**	790	(3)

Note
[1] These numbers have been restated, refer to the reporting changes overview on the inside front cover.

RBB overview
for the reporting period ended 31 December

	RBB South Africa		
	2016	2015[1]	Change %
Statement of comprehensive income (Rm)			
Net interest income	**25 804**	24 745	4
Non-interest income	**16 362**	15 654	5
Total income	**42 166**	40 399	4
Impairment losses on loans and advances	**(6 026)**	(5 317)	13
Operating expenses	**(23 449)**	(22 081)	6
Other operating expenses	**(441)**	(167)	>100
Operating profit before income tax	**12 250**	12 834	(5)
Tax expenses	**(3 420)**	(3 604)	(5)
Profit for the reporting period	**8 830**	9 230	(4)
Profit attributable to:			
Ordinary equity holders	**8 333**	8 794	(5)
Non-controlling interest – ordinary shares	**267**	228	17
Non-controlling interest – preference shares	**230**	208	11
	8 830	9 230	(4)
Headline earnings	**8 544**	8 815	(3)
Operating performance (%)			
Net interest margin on average interest-bearing assets	**3,88**	3,89	
Credit loss ratio	**1,31**	1,18	
Non-interest income as percentage of income	**38,8**	38,6	
Income growth	**4**	5	
Operating expenses growth	**6**	3	
Cost-to-income ratio	**55,6**	54,7	
Statement of financial position (Rm)			
Loans and advances to customers	**444 561**	438 542	1
Loans and advances to banks	**6 348**	5 296	20
Investment securities	**42 132**	42 508	(1)
Other assets	**236 594**	233 046	2
Total assets	**729 635**	719 392	1
Deposits due to customers	**285 735**	276 111	3
Debt securities in issue	**871**	1 561	(44)
Other liabilities	**431 503**	429 784	0
Total liabilities	**718 109**	707 456	2
Financial performance (%)			
RoRWA	**2,68**	2,80	
RoA	**1,19**	1,29	

Headline earnings per segment (%)

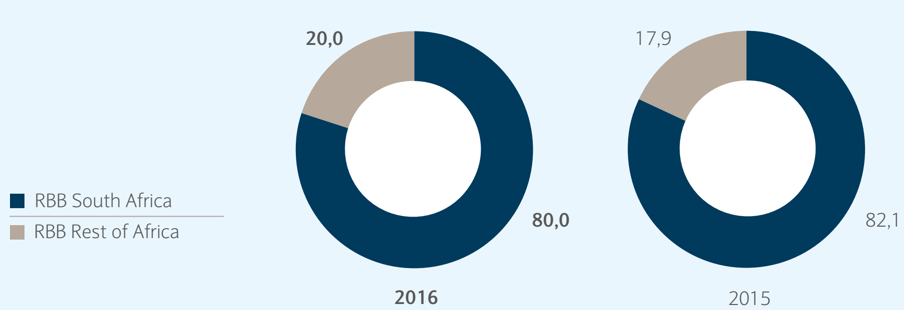


Note

1 These numbers have been restated, refer to the reporting changes overview on the inside front cover.

RBB Rest of Africa 2016	RBB Rest of Africa 2015[1]	RBB Rest of Africa Change %	Total RBB 2016	Total RBB 2015[1]	Total RBB Change %
7 279	6 141	19	**33 083**	30 886	7
2 772	2 620	6	**19 134**	18 274	5
10 051	8 761	15	**52 217**	49 160	6
(1 348)	(777)	73	**(7 374)**	(6 094)	21
(6 824)	(6 142)	11	**(30 273)**	(28 223)	7
(131)	(112)	17	**(572)**	(279)	>100
1 748	1 730	1	**13 998**	14 564	(4)
(715)	(615)	16	**(4 135)**	(4 219)	(2)
1 033	1 115	(7)	**9 863**	10 345	(5)
773	790	(2)	**9 106**	9 584	(5)
260	325	(20)	**527**	553	(5)
—	—	—	**230**	208	11
1 033	1 115	(7)	**9 863**	10 345	(5)
769	790	(3)	**9 313**	9 605	(3)
9,06	8,25		**4,44**	4,34	
2,96	1,93		**1,46**	1,24	
27,6	29,9		**36,6**	37,2	
15	12		**6**	6	
11	7		**7**	4	
67,9	70,1		**58,0**	57,4	
40 037	45 213	(11)	**484 598**	483 755	0
—	—	—	**6 348**	5 296	20
6	5	20	**42 138**	42 513	(1)
39 214	47 565	(18)	**275 808**	280 611	(2)
79 257	92 783	(15)	**808 892**	812 175	(0)
60 678	68 736	(12)	**346 413**	344 847	0
—	—	—	**871**	1 561	(44)
19 471	19 645	(1)	**450 974**	449 429	0
80 149	88 381	(9)	**798 258**	795 837	0
1,14	1,27		**2,41**	2,55	
0,90	0,97		**1,16**	1,25	

Income by segment (%)



RBB – Retail and Business Banking South Africa

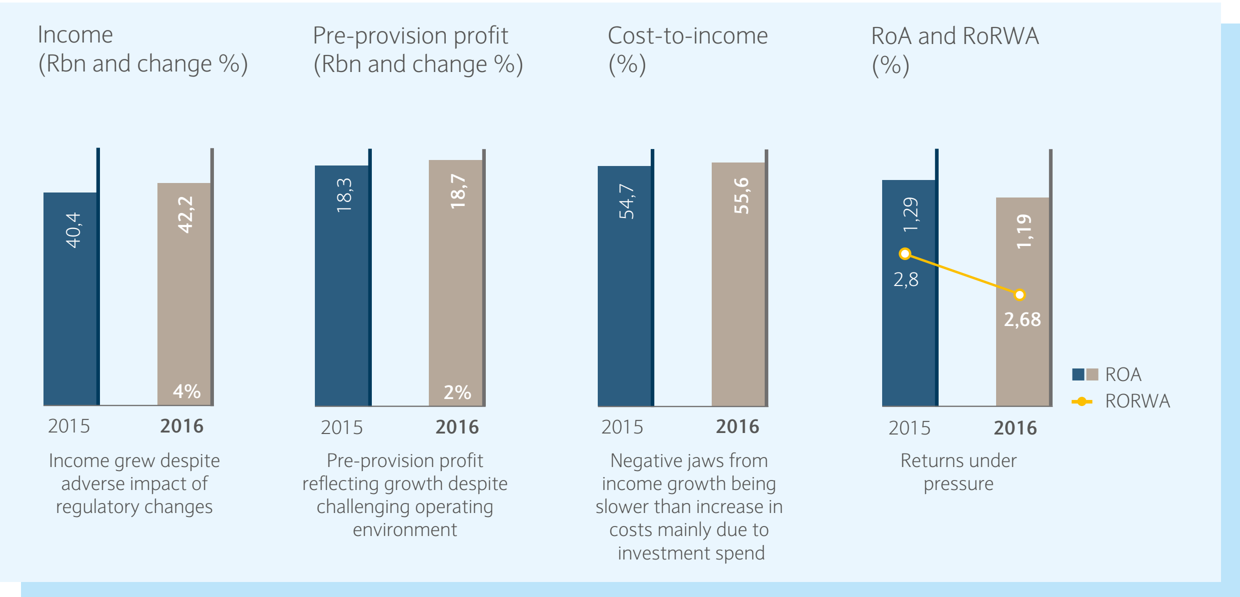
for the reporting period ended 31 December

Retail and Business Banking South Africa's performance was in line with expectations in the face of a challenging macroeconomic environment. Low levels of GDP growth and an interest rate increase served to dampen consumer and business confidence. As a result, spending has declined, the overall demand for credit has largely tapered, household balance sheets have weakened and impairments have trended higher across the sector. In addition, industry-wide returns continue to be impacted by the implementation of regulatory changes.

Headline earnings declined by 3% to **R8 544m** (2015: R8 815m). This decrease, however, masked the traction which has been gained in executing on our strategy to improve our market position in South Africa by investing in initiatives that provide customers with a superior, seamless and omni-channel banking experience. We have also continued to focus on the quality of our book and successfully limited the reduction in the return on risk weighted asset ratio by refining our risk appetite and prudently selecting the assets that were added to the book.

Key performance highlights for the reporting period include:

- Income growth of 4% to R42 166m, despite adverse impact of regulatory changes and customer migration to less expensive channels and products.
- Healthy loans and advances book backed by strong performing loans coverage ratio.
- Operating expenses were well controlled as benefits continued to be realised from the simplification of business process and network optimisation, notwithstanding increased information technology spend.
- RoRC remained stable at 23,3%.
- Negative Jaws of 1,83% mainly due to cost growth in order to support information technology investment.
- Adverse impact of National Credit Act (NCA) pricing caps on margins, particularly within the unsecured lending portfolio.
- Loans and advances growth of 1% was mainly hampered by a decline in Home Loans and the impact of the new NCA requirements related to income verification within the Card portfolio.
- Customer numbers remained broadly in line with prior year, despite traction on acquisition within some of our target customer segments and increased Rewards membership base.



Salient features	2016	2015[1]	Change %
Income (Rm)	**42 166**	40 399	4
Attributable earnings (Rm)	**8 333**	8 794	(5)
Headline earnings (Rm)	**8 544**	8 815	(3)
Credit loss ratio (%)	**1,31**	1,18	
Cost-to-income ratio (%)	**55,6**	54,7	
RoRWA (%)	**2,68**	2,80	
RoA (%)	**1,19**	1,29	

Note

[1] These numbers have been restated, refer to the reporting changes overview on the inside front cover.

RBB – Retail and Business Banking South Africa

for the reporting period ended 31 December

Business profile

Retail and Business Banking South Africa offers a comprehensive suite of retail and business banking products and services to individual, enterprise and commercial 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, priority suites and mobile channels, relationship managers as well as call centre agents, dealerships, originators, alliances and joint ventures.

Key business areas

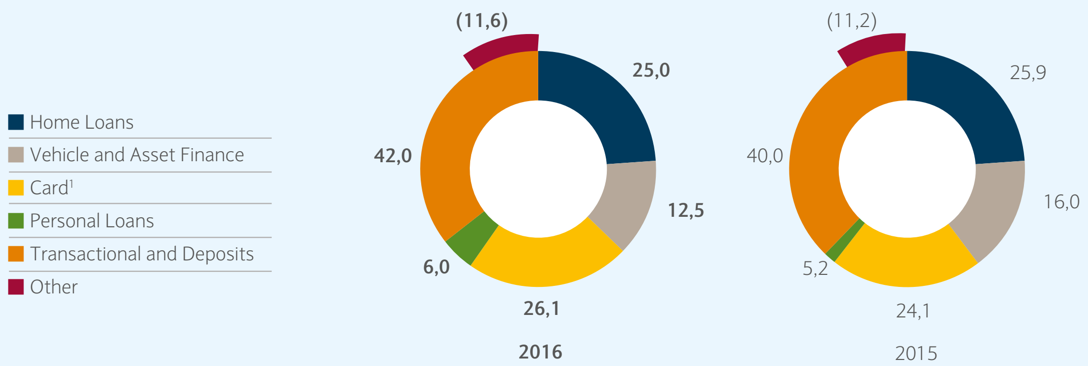
- **Home Loans** – offers residential property-related finance solutions direct to customers through personalised services, a range of electronic channels, and intermediaries such as estate agents and originators.
- **Vehicle and Asset Finance (VAF)** – offers a comprehensive range of funding solutions for assets such as vehicles, aviation, marine, agricultural equipment, commercial, plant and office equipment as well as vehicle fleet and fleet card management. These solutions are provided to both individual and business customers through the branch network, one of 2 400 approved dealerships, preferred suppliers and a specialist sales force. VAF's joint ventures with Ford Financial Services and Man Financial Services are an extension of the business and continue to reinforce the strategic intent of establishing and harnessing relationships with dealers and customers.
- **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 in this portfolio are strategic partnerships with Edcon, which offers in-store cards and Woolworths Financial Services, which offers in-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 programmes and services through a variety of channels. These include physical branches, digital channels, ATMs, priority suites, call centres as well as through a third-party retailer PEP (part of the PEPKOR Group).
- **Business Banking** – offers debt, deposit and transactional products to enterprise and commercial customers. 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 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 primarily on agriculture, public sector, wholesale, retail and franchising. Business Banking also includes an Equity portfolio which is being reduced in an orderly manner.
- **Other** – includes distribution channel costs not recovered from product houses, strategic initiative expenditure and funding costs held centrally for Retail Banking South Africa.

RBB – Retail Banking South Africa

for the reporting period ended 31 December

	Home Loans			Vehicle and Asset Finance		
	2016	2015[1]	Change %	**2016**	2015[1]	Change %
Statement of comprehensive income (Rm)						
Net interest income	**4 450**	4 246	5	**2 953**	3 049	(3)
Non-interest income	**329**	353	(7)	**794**	792	0
Total income	**4 779**	4 599	4	**3 747**	3 841	(2)
Impairment losses on loans and advances	**(922)**	(689)	34	**(1 047)**	(848)	23
Operating expenses	**(1 706)**	(1 483)	15	**(1 758)**	(1 662)	6
Other operating expenses	**(17)**	(16)	6	**120**	107	12
Operating income before income tax	**2 134**	2 411	(11)	**1 062**	1 438	(26)
Tax expenses	**(532)**	(677)	(21)	**(261)**	(370)	(29)
Profit for the reporting period	**1 602**	1 734	(8)	**801**	1 068	(25)
Profit attributable to:						
Ordinary equity holders	**1 602**	1 734	(8)	**801**	1 068	(25)
Non-controlling interest – ordinary shares	**—**	—	—	**—**	—	—
Non-controlling interest – preference shares	**—**	—	—	**—**	—	—
	1 602	1 734	(8)	**801**	1 068	(25)
Headline earnings	**1 602**	1 734	(8)	**800**	1 068	(25)
Operating performance (%)						
Credit loss ratio	**0,40**	0,30		**1,14**	0,97	
Non-interest income as percentage of income	**6,9**	7,7		**21,2**	20,6	
Income growth	**4**	(0)		**(2)**	5	
Operating expenses growth	**15**	(8)		**6**	6	
Cost-to-income ratio	**35,7**	32,2		**46,9**	43,3	
Statement of financial position (Rm)						
Loans and advances to customers	**225 158**	229 026	(2)	**93 630**	89 635	4
Loans and advances to banks	**1 002**	632	59	**24**	48	(50)
Investment securities	**11 739**	12 076	(3)	**4 563**	4 569	(0)
Other assets	**7 066**	6 347	11	**5 930**	5 232	13
Total assets	**244 965**	248 081	(1)	**104 147**	99 484	5
Deposits due to customers	**1 762**	2 113	(17)	**297**	206	44
Debt securities in issue	**871**	1 561	(44)	**—**	—	—
Other liabilities	**240 568**	242 529	(1)	**101 675**	97 086	5
Total liabilities	**243 201**	246 203	(1)	**101 972**	97 292	5
Financial performance (%)						
RoRWA	**2,16**	2,38		**1,12**	1,58	
RoA	**0,65**	0,70		**0,76**	1,12	

Retail Banking headline earnings (%)



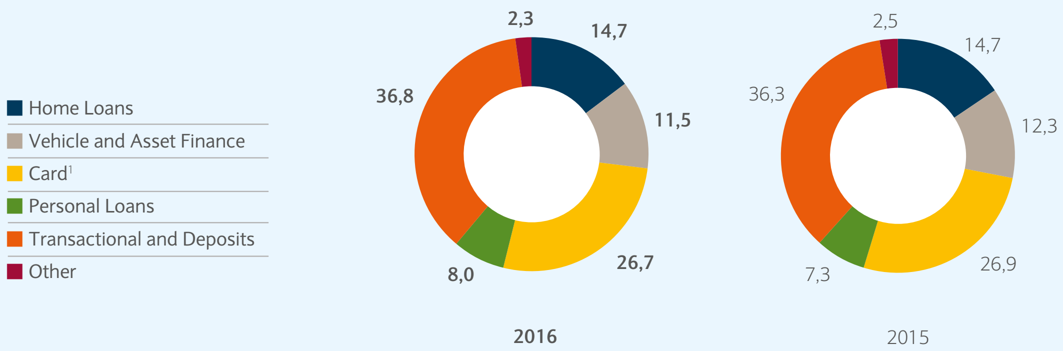
Notes

[1] These numbers have been restated, refer to the reporting changes overview on the inside front cover.

[2] Includes WFS and the Edcon portfolio.

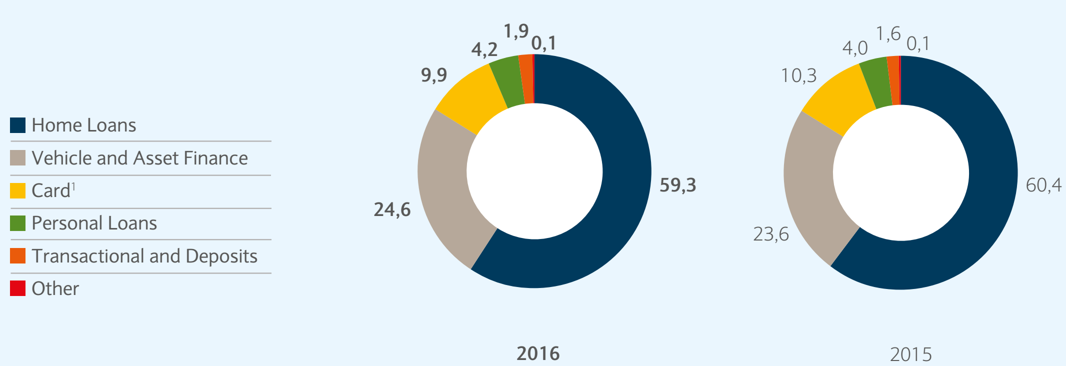
Card[2]			Personal Loans			Transactional and Deposits		
2016	2015[1]	Change %	2016	2015[1]	Change %	2016	2015[1]	Change %
5 023	5 109	(2)	**2 271**	1 960	16	**5 045**	4 504	12
3 669	3 313	11	**320**	321	(0)	**6 936**	6 846	1
8 692	8 422	3	**2 591**	2 281	14	**11 981**	11 350	6
(2 345)	(2 344)	(0)	**(994)**	(805)	23	**(131)**	(83)	58
(3 543)	(3 375)	5	**(1 062)**	(991)	7	**(8 103)**	(7 545)	7
(413)	(118)	>100	**(1)**	—	100	**(11)**	(5)	>100
2 391	2 585	(8)	**534**	485	10	**3 736**	3 717	1
(753)	(734)	3	**(150)**	(135)	11	**(1 046)**	(1 042)	(0)
1 638	1 851	(12)	**384**	350	10	**2 690**	2 675	1
1 387	1 614	(14)	**384**	350	10	**2 690**	2 675	1
251	227	11	**—**	—	—	**—**	—	—
—	10	(100)	**—**	—	—	**—**	—	—
1 638	1 851	(12)	**384**	350	10	**2 690**	2 675	1
1 671	1 615	3	**384**	350	10	**2 690**	2 675	1
5,41	5,38		**5,68**	5,16		**1,74**	1,36	
42,2	39,3		**12,3**	14,1		**57,9**	60,3	
3	6		**14**	11		**6**	7	
5	(1)		**7**	(9)		**7**	8	
40,8	40,1		**41,0**	43,4		**67,6**	66,5	
37 522	39 022	(4)	**16 164**	15 086	7	**2 606**	2 225	17
93	76	22	**—**	—	—	**4 764**	4 085	17
1 915	2 024	(5)	**828**	769	8	**199**	145	37
11 445	11 468	(0)	**395**	347	14	**171 369**	162 138	6
50 975	52 590	(3)	**17 387**	16 202	7	**178 938**	168 593	6
1 907	1 998	(5)	**10**	12	(17)	**172 962**	161 650	7
—	—	—	**—**	—	—	**—**	—	—
46 330	47 733	(3)	**16 992**	15 841	7	**3 282**	4 262	(23)
48 237	49 731	(3)	**17 002**	15 853	7	**176 244**	165 912	6
2,70	2,46		**1,76**	1,91		**17,86**	15,52	
3,18	3,08		**2,24**	2,29		**1,65**	1,78	

Retail Banking income (%)



Other 2016	Other 2015[1]	Other Change %	Total Retail Banking South Africa 2016	Total Retail Banking South Africa 2015[1]	Total Retail Banking South Africa Change %
(6)	141	<(100)	**19 736**	19 009	4
771	657	17	**12 819**	12 282	4
765	798	(4)	**32 555**	31 291	4
(6)	(3)	100	**(5 445)**	(4 772)	14
(1 417)	(1 489)	(5)	**(17 589)**	(16 545)	6
(90)	(96)	(6)	**(412)**	(128)	>100
(748)	(790)	(5)	**9 109**	9 846	(7)
190	201	(5)	**(2 552)**	(2 757)	(7)
(558)	(589)	(5)	**6 557**	7 089	(8)
(735)	(739)	(1)	**6 129**	6 702	(9)
1	1	—	**252**	228	11
176	149	18	**176**	159	11
(558)	(589)	(5)	**6 557**	7 089	(8)
(741)	(751)	(1)	**6 406**	6 691	(4)
n/a	n/a		**1,39**	1,23	
n/a	n/a		**39,4**	39,3	
n/a	n/a		**4**	6	
n/a	n/a		**6**	2	
n/a	n/a		**54,0**	52,9	
2	3	(33)	**375 082**	374 997	0
401	425	(6)	**6 284**	5 266	19
12 677	12 702	(0)	**31 921**	32 285	(1)
5 410	5 059	7	**201 615**	190 591	6
18 490	18 189	2	**614 902**	603 139	2
14	36	(61)	**176 952**	166 015	7
—	—	—	**871**	1 561	(44)
19 032	18 495	3	**427 879**	425 946	0
19 046	18 531	3	**605 702**	593 522	2
n/a	n/a		**2,61**	2,75	
n/a	n/a		**1,07**	1,16	

Retail Banking loans and advances (%)



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RBB – Business Banking South Africa

for the reporting period ended 31 December

	Business Banking (excluding Equities)		
	2016	2015[1]	Change %
Statement of comprehensive income (Rm)			
Net interest income	**6 182**	5 827	6
Non-interest income	**3 234**	3 153	3
Total income	**9 416**	8 980	5
Impairment losses on loans and advances	**(581)**	(545)	7
Operating expenses	**(5 723)**	(5 318)	8
Other operating expenses	**(29)**	(26)	12
Operating income before income tax	**3 083**	3 091	(0)
Tax expenses	**(870)**	(865)	1
Profit for the reporting period	**2 213**	2 226	(1)
Profit attributable to:			
Ordinary equity holders	**2 161**	2 180	(1)
Non-controlling interest – ordinary shares	**—**	—	—
Non-controlling interest – preference shares	**52**	46	13
	2 213	2 226	(1)
Headline earnings	**2 160**	2 179	(1)
Operating performance (%)			
Credit loss ratio	**0,86**	0,85	
Non-interest income as percentage of income	**34,3**	35,1	
Income growth	**5**	3	
Cost growth	**8**	6	
Cost-to-income ratio	**60,8**	59,2	
Statement of financial position (Rm)			
Loans and advances to customers	**69 479**	63 545	9
Loans and advances to banks	**—**	—	—
Investment securities	**9 699**	9 573	1
Other assets	**32 791**	40 134	(18)
Total assets	**111 969**	113 252	(1)
Deposits due to customers	**108 783**	110 096	(1)
Debt securities in issue	**—**	—	—
Other liabilities	**979**	939	4
Total liabilities	**109 762**	111 035	(1)
Financial performance (%)			
RoRWA	**3,16**	3,34	
RoA	**1,92**	2,04	

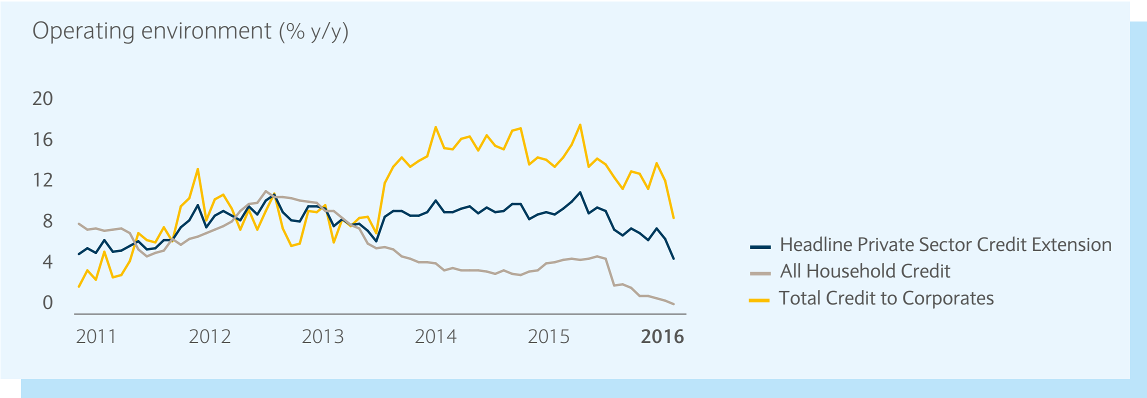
Note

[1] These numbers have been restated, refer to the reporting changes overview on the inside front cover.

Business Banking Equities			Total Business Banking South Africa		
2016	2015[1]	Change %	2016	2015[1]	Change %
(114)	(91)	25	6 068	5 736	6
309	219	41	3 543	3 372	5
195	128	52	9 611	9 108	6
—	—	—	(581)	(545)	7
(137)	(218)	(37)	(5 860)	(5 536)	6
—	(13)	(100)	(29)	(39)	(26)
58	(103)	<(100)	3 141	2 988	5
2	18	(89)	(868)	(847)	2
60	(85)	<(100)	2 273	2 141	6
43	(88)	<(100)	2 204	2 092	5
15	—	100	15	—	100
2	3	(33)	54	49	10
60	(85)	<(100)	2 273	2 141	6
(22)	(55)	(60)	2 138	2 124	1
n/a	n/a		0,86	0,85	
n/a	n/a		36,9	37,0	
53	(17)		6	3	
(37)	1		6	6	
69,8	170,3		61,0	60,8	
—	—	—	69 479	63 545	9
64	30	>100	64	30	>100
512	650	(21)	10 211	10 223	(0)
2 188	2 321	(6)	34 979	42 455	(18)
2 764	3 001	(8)	114 733	116 253	(1)
—	—	—	108 783	110 096	(1)
—	—	—	—	—	—
2 645	2 899	(9)	3 624	3 838	(6)
2 645	2 899	(9)	112 407	113 934	(1)
n/a	n/a		2,93	3,00	
(0,81)	(1,90)		1,85	1,93	

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

Operating environment



South Africa's economic growth slowed to 0,4% in 2016, marking the slowest growth rate since the global recession in 2009. The household sector was affected by rising inflation, higher interest rates, a tight credit market and weak jobs growth. All these factors weighed on consumer confidence which affected their willingness to spend or take up new credit. Credit extension growth to households slowed further to 2,4% from 3,8% in the previous reporting period with notable moderation across all credit types. Household debt to disposable income slowed to its lowest level since 2006, showing that households are taking up less debt. The business environment was also challenging as businesses cited the weak external environment as well as political and policy uncertainty as key constraints. As a result, private sector investment contracted for the fourth consecutive quarter in the third quarter of 2016 and shows no immediate signs of recovery.

In the financial sector, regulatory changes continue to negatively influence performance and returns. From a retail banking perspective, amendments to the NCA and interchange requirements have impacted growth in net interest margins and transactional fees respectively.

In summary, the following income statement items have been impacted by the current operating environment:

- ▼ Asset net interest income – a decline in the level of real household credit extension and the implementation of revised NCA interest rate caps have constrained net interest income growth.
- ▲ Deposit net interest income – increase in deposits across the sector has supported income levels.
- ▲ Non-interest income – the negative impact of regulatory changes has been partially offset by an increase in the total nominal value of transactions.
- ▼ Margins – the implementation of revised NCA interest rate caps has resulted in margin squeeze, particularly on unsecured lending products.
- ▼ Impairments – affordability has been impacted by pressure on consumer disposable income and higher debt servicing costs for individuals and enterprise customers.
- ▼ Asset growth – the NCA regulatory change related to income verification requirements impacted asset growth.

Financial performance

Retail and Business Banking South Africa produced results that were in line with expectation in a challenging operating environment. Headline earnings declined 3% to **R8 544m** (2015: R8 815m), partly mitigated by income growth of 4% on the back of increases in both net interest income and non-interest income. Operating expenses remain well managed, rising 6% despite increased investment spend. The balance sheet was further strengthened against current economic headwinds, with a 13% increase in impairments raised.

Net interest income increased 4% to **R25 804m** (2015: R24 745m), primarily driven by an improvement in the deposit margin and a higher yield on loans and advances to customers within certain businesses, despite reduced NCA caps and subdued growth in loans and advances to customers.

Non-interest income growth of 5% to **R16 362m** (2015: R15 654m) was mainly driven by higher credit card transaction volumes, an increase in merchant acquiring volumes as a result of new merchant acquisition and positive fair value adjustments within the Equities portfolio. Transactional income experienced muted growth following continued customer migration trends to more affordable products and channels. Customer numbers remained flat; however, the effective execution of our strategy and the attractiveness of our overall value proposition continued to drive sustained growth in some of our targeted customer segments.

Impairments rose 13% to **R6 026** (2015: R5 317m), resulting in a higher credit loss ratio of **1,31%** (2015: 1,18%). The increase was reflective of a worsening credit cycle due to the impact of deteriorating macroeconomic conditions in South Africa and higher interest rates. Our book continued to be prudently provided for and the overall book coverage ratio increased to **3,03%** (2015: 2,77%). Further general provisions were built in order to increase resilience of the portfolio to macroeconomic strain.

Operating expenses grew by 6% to **R23 449m** (2015: R22 081m) mainly due to inflationary pressures. Furthermore, we have continued to strategically invest in our systems, processes and people, with initiatives targeted at improving customer engagement and bolstering our value proposition. Progress has been made on:

- enhancing our end-to-end operational efficiency from onboarding to transacting;
- refining employee training so as to boost service levels;

Financial performance *(continued)*

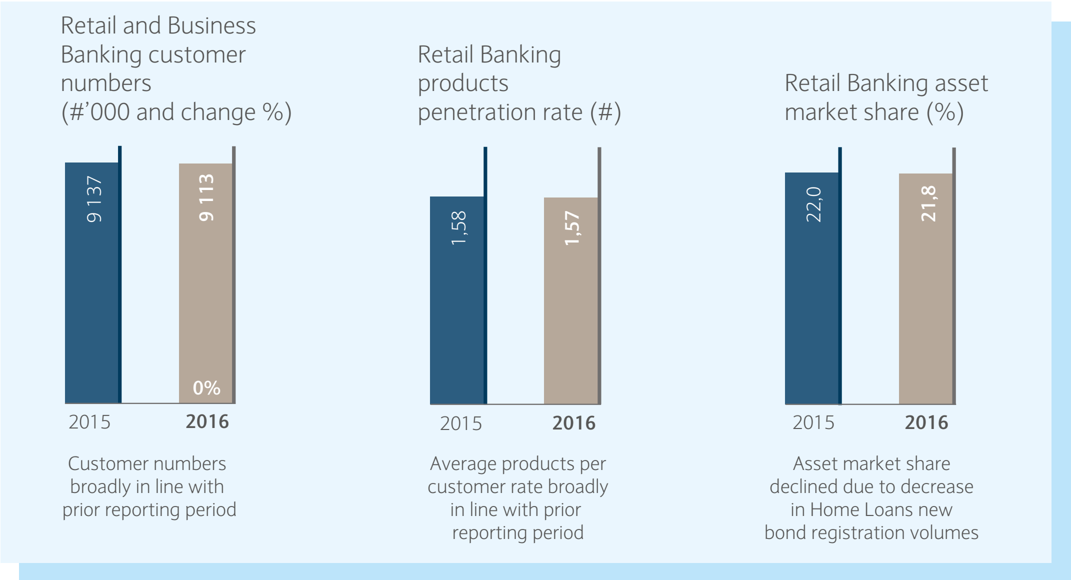
- revitalising our digital channels; and
- implementing targeted offerings that cater to differing stages of the customer lifecycle.

Loans and advances to customers increased 1% to **R445bn** (2015: R439bn), driven by solid asset growth of 9% in Business Banking, 4% in VAF and 7% in Personal Loans. The muted growth in loans and advances to customers was as a result of a 2% decrease in Home Loans due to a reduction in registration volumes and a 4% decrease in Card mainly as a result of NCA regulatory changes related to income verification requirements.

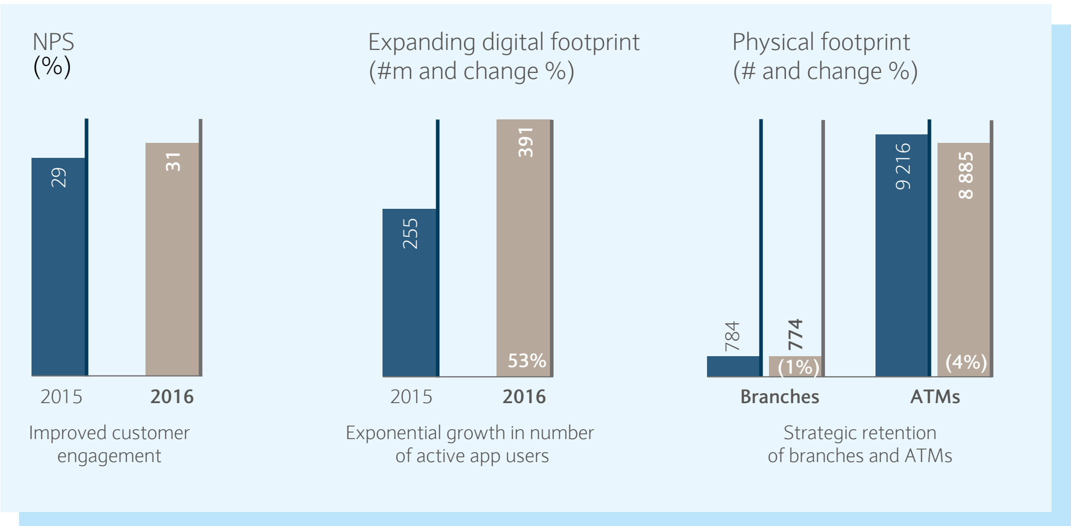
Deposits due to customers increased 3% to **R286bn** (2015: R276bn) led by Retail deposit book growth of 7% mainly from investment products. This growth was partly offset by a Business Banking decrease of 1%.

Business performance

We remain focused on regaining our leading market position in South Africa by providing compelling, integrated and tailored customer value propositions underpinned by data-driven insights that improve understanding of our customers and their needs. Our customer base remained broadly flat compared to the prior reporting period, despite bulk closure of dormant accounts. In line with our strategic intent, we have started to see a shift in the make-up of our customer base, with growth recorded in some of our targeted customer segments.



Our strategy is anchored by an omni-channel approach that provides customers with access to an array of convenient channels to choose from. We aim to be available for and accessible to our customer needs across service, sales, transactional and advice-related support by utilising a digital footprint, which we have grown during 2016, and strategically maintaining our physical presence. In addition to the customer experience benefit from the omni-channel cohesion and network optimisation, we have been able to free up square meterage space due to co-locations and through partnerships with third parties for increased engagement. Our integration and strategy alignment with WIMI has resulted in an increase in the number of insurance policies sold through the branch channel, thus resulting in positive revenue uplift. Direct customer feedback, as measured by the Net Promoter Score (NPS), indicates that our commitment to service excellence and care, as delivered by our motivated frontline colleagues, is paying dividends. In addition our brand value remains strong, with Absa winning the Best Retail Bank in South Africa at the Banker Africa – Southern Africa Awards 2016.



RBB – Retail and Business Banking South Africa
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Business performance *(continued)*

We have demonstrated commitment to our strategic customer-centric approach through our initiatives, which include:

- Investment in customer insights and analytics capabilities;
- Continued improvement of customer onboarding and switching capabilities;
- Pursuit of operational efficiencies and cost management;
- Improved system stability and uptime on ATMs and online banking channels; and
- Enhanced risk management and collections strategies.

These efforts continue to show good traction and we are confident that our coordinated customer efforts will drive growth in our targeted customer segments and sectors. As our strategy continues to take effect, we can expect to see our NPS improve from its current level of 31%.

Initiatives that have been launched resulted in the following highlights for the reporting period:

- Right customer propositions relevant to the target segments:
  - Free MegaU account for the 0 to 19-year-olds;
  - The Silver Student account and affordable study loans for the university going age;
  - The Young Professional proposition; and
  - The launch of Business Essentials Light, a more affordable transactional account aimed at the SMME market.
- We have made it easier for customers to join:
  - We have re-engineered our customer onboarding process enabling us to source FICA documents online from national data sources;
  - Ability for our customers to digitally upload their FICA documents;
  - Account number portability – allowing customers to keep their number 'for life' when changing their transaction account type; and
  - Improved customer onboarding processes to ensure a seamless new product experience in Business Banking South Africa, including the launch of instant online business account opening.
- We worked on making it more desirable for customers to stay with us:
  - Extending customers' ability to purchase prepaid electricity at an ATM and via the banking app;
  - Enhancement to the Home Loans home buyers app for an improved and convenient customer experience;
  - Ability for the customer to utilise the banking app with no usage of the customer's data;
  - Revamp the look and feel of the Absa online banking platform, Absa website, the Absa banking app, and the USSD offering which is a technology that is used to send text between a mobile and an application program in the network;
  - Delivered on systems stability initiatives resulting in significantly lower system downtime in our branches, ATMs and banking app, greatly improving customer experience; and
  - Enhanced automation of existing processes resulting in greater efficiency and turnaround times particularly in VAF and Personal Loans.

As testament to our strategy taking effect, we have received several industry-related accolades, including:

- Winner of the 2016 Lafferty Global Awards for Excellence in Retail Banking;
- Winner of the Social Media Awards for Absa ChatBanking on Twitter, The Banker Technology Projects of the Year Awards 2016;
- Voted number two in the Ask Afrika Orange Index Awards 2016/2017 in the Banking Industry category;
- Awarded by New Generation Awards:
  - Best Corporate Website for absa.co.za;
  - Best Corporate Application for ChatBanking; and
  - Best Revenue Generating Campaign for ChatBanking.
- Voted number two in the annual global Lafferty Bank Quality Ratings review; and
- Best Retail Bank in South Africa, Banker Africa – Southern Africa Awards 2016.

Looking ahead, it is likely that South African consumers will continue to be under strain in 2017. Although growth should improve marginally, we expect that current macroeconomic pressures will persist with risks to the downside. In response, we are committed to providing an attractive customer value proposition that supports the selective but strong growth of our customer base. Focus is being placed on delivering operational excellence, enhancing the customer experience and providing shared growth opportunities. The following initiatives have been prioritised in support of our strategy:

- Targeted ongoing campaigns in key identified customer segments and sectors;
- Ensuring quality core products through the simplification of our product catalogue;
- Ongoing improvements to ensure system resilience and stability;
- Continuous process optimisation, automation and digitisation to enable operational excellence; and
- Enhancement of collections efforts to enable appropriate management of customers in financial difficulty.

Additionally, our performance will continue to be supported by sustainable cost management practices, responsible credit extension, maintenance of an appropriate risk appetite and the provision of a compelling value proposition for employees who are our most valuable asset. Overall, we remain well positioned to achieve our long-term targets and strategic goals.

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

Business unit performance

Home Loans

The business was primarily impacted by a reduction in customer affordability as a result of higher interest rates which increased debt servicing costs.

▼ Increase in debt service cost to disposable income ratio to above 9,6% during the third quarter of 2016.

▼ A slowing house price index of around 5% was below CPI and house prices deflated in real terms.

▼ 4,7% decrease in total industry value of bonds registered (per Lightstone).

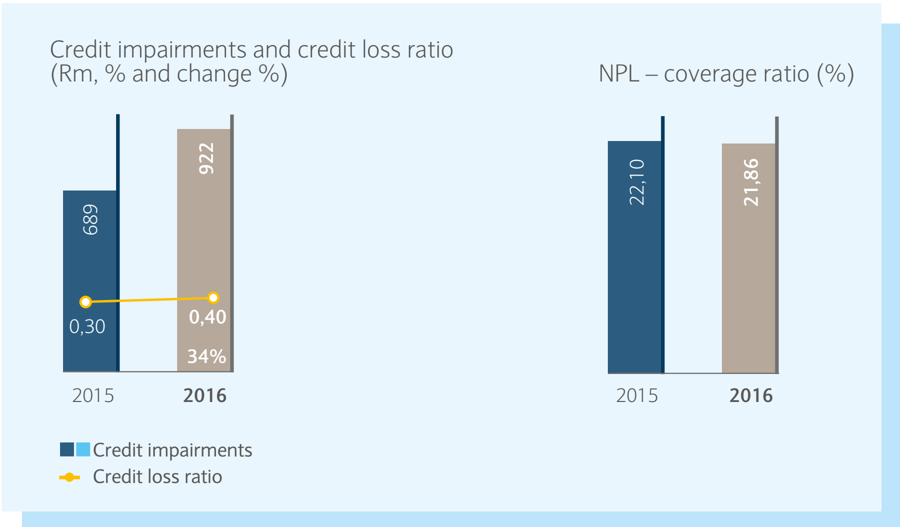
Headline earnings contracted by 8% to **R1 602m** (2015: R1 734m). Performance over the reporting period was shaped by two key factors; a 2% reduction of loans and advances to customers to **R225bn** (2015: R229bn) and a 34% increase in impairments to **R922m** (2015: R689m). Registrations decreased by 19%, resulting in our market share of new bond registrations declining to **17,5%** (2015: 19,9%) per Lightstone. Net interest income has increased 5% to **R4 450m** (2015: R4 246m) due to improved yields from inflows as lower margin exposures rolled off the book.

Customer defaults trended upwards across the portfolio as a result of widespread financial pressure experienced within all customer segments. Focused collection activities have mitigated the adverse impact of this negative trend resulting in a marginal decline in the legal book. The credit loss ratio increased from 30 bps to 40 bps mainly driven by the late stage arrears. However, our stronghold on the low loan-to-value segment of the market minimised the impact of losses from customer defaults. The performing loans coverage remained in line with the prior reporting period at 56 bps. Portfolio shifts to higher delinquency cycles have been observed due to ongoing customer strain, this resulted in an increase in the NPL ratio from 4,0% to 4,4%. Despite this, the NPL coverage ratio decreased from 22,1% to 21,0% as a result of better legal recoveries and a declining legal book.

Home Loans continues to innovate and transform to a more customer-centric business. The business has been successful in implementing strategies to retain customers. These include:

- Offering services that are efficient and easily accessible by digitising the mortgage application processes;
- Improving the home owner's app by providing customers with a view of the credit facility that they potentially qualify for;
- Promoting loyalty programmes which act to strengthen customer retention and encourage cross-sales;
- Providing financial education for customers through social and electronic media; and
- Creating strong partnerships with all stakeholders within the property and housing industry.

Looking forward, it is likely that the challenging macroeconomic environment will persist in 2017 resulting in a continued book decline, thereby impacting performance. In response, we aim to increase registration volumes within our target customer segments.



Vehicle and Asset Finance

Macroeconomic headwinds impacted the growth rate across the Vehicle and Asset Finance portfolio and the ability of customers to repay loans.

▼ 11,4% decline in new vehicle sale volumes (per NAAMSA).

▼ 8,1% decline in financed vehicle market (per TransUnion).

▲ 36% increase in total industry bad debts as at the end of the third quarter of 2016 (per NCR).

Headline earnings declined by 25% to **R800m** (2015: R1 068m). Continued competition from both bank and non-bank financiers, lower vehicle sales and higher funding costs exerted pressure on margins resulting in a 3% reduction in net interest income to **R2 953m** (2015: R3 049m). New vehicles contributed **33%** (2015: 36%) to the retail units financed, trending in the same direction as the market.

Higher levels of impairments of **R1 047m** (2015: R848m) further impacted profits. In line with the industry, this was driven by a greater number of financially strained customers. The level of general provisions was also increased to further bolster the balance sheet in response to the adverse economic climate. As a result, our portfolio credit loss ratio ended the reporting period higher at **1,14%** (2015: 0,97%).

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

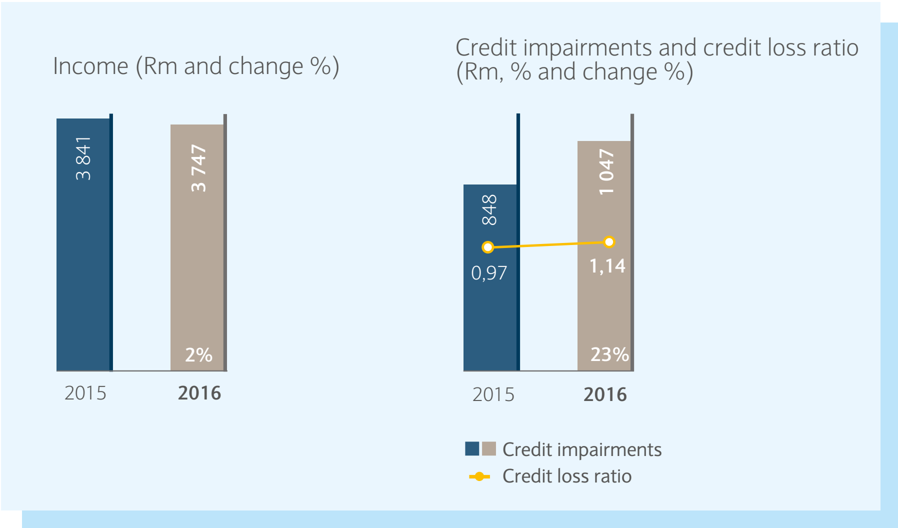
Business unit performance *(continued)*

There were several positive developments during the reporting period:

- Loans and advances to customers grew by 4%, mainly supported by joint ventures and alliances;
- Margins started to improve towards the end of the reporting period; and
- The commercial portfolio remains robust, increasing loans and advances by 7%.

Vehicle and Asset Finance remains focused on regaining its market share within the industry. In support of this ambition, key initiatives are targeted at:

- Creating and strengthening key partnerships with industry stakeholders. The joint venture between Ford Financial services and MAN financial services positively contributed to the performance of the business;
- Upgrading core product systems and improving customer and dealer service experience; and
- Improving cross-sell to the existing RBB customer base.



Card

Card produced a robust set of results during the reporting period. The implementation of revised regulations served to restrict net interest income and balance sheet growth, while improved transactional activity supported growth in non-interest income.

▼ Implementation of changes to NCA regulations.

▲ 11% increase in total industry credit card transactions as at 30 September 2016 (per SARB).

▲ 14% increase in value of total industry credit card transactions as at 30 September 2016 (per SARB).

Headline earnings increased 3% to **R1 671m** (R2015: R1 615m). The business benefited from non-interest income increasing 11% to **R3 669m** (2015: R3 313m) driven by higher credit card transaction volumes and a 13% increase in merchant acquiring volumes as a result of new merchant acquisition over the past 24 months. The introduction by the NCR of revised income verification requirements and new interest rate caps as part of amendments to the NCA adversely impacted balance sheet growth and margins respectively and resulted in a 2% reduction in net interest income to **R5 023m** (2015: R5 109m).

Impairments remain well managed and we continue to review our credit risk appetite in this stressed economic environment. Focus has been placed on reducing exposures to high-risk customers, as well as increasing our collections capacity and as a result, we have experienced a marginal uptick in the credit loss ratio to **5,41%** (2015: 5,38%). The muted total book exposure growth has led to an increase in the non-performing loan ratio from 12,7% to 14,3%. However, the NPL coverage ratio increased from 69,4% to 71,3%, ensuring adequate coverage is in place against expected losses.

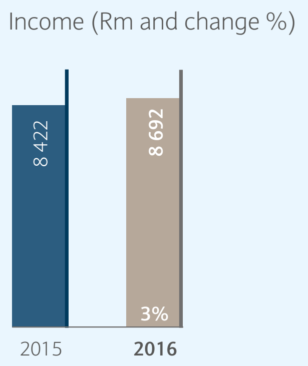
Operating expenses increased by 5% to **R3 543m** (2015: R3 375m) as the business continues to focus on extracting efficiencies in the cost base, with the implementation of quicker and more cost effective mechanisms to get cards to customers. Fraud remains well within risk appetite and management remain vigilant to new fraud methodologies and continue to play an active role in combating credit card fraud in South Africa.

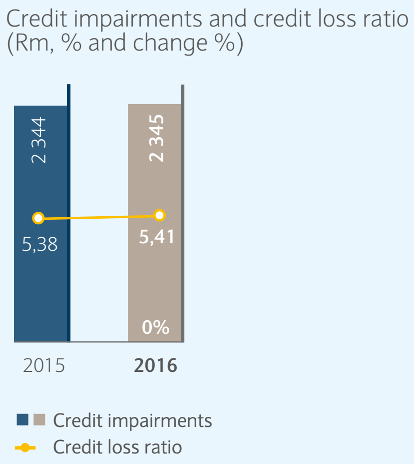
Card management's strategic emphasis continues to be placed on addressing business challenges and include:

- Driving effortless and consistent customer onboarding processes through the customers preferred channel;
- Enabling customers with instant access to products and services that anticipate and solve their needs whenever, wherever;
- Designing and delivering innovative payment solutions that provide access to new customers, partnerships, products and markets;
- Ensuring our systems and processes remain fit for purpose, scalable and dynamic; and
- Developing our colleagues to deliver excellence in the workplace.

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

Business unit performance *(continued)*





Personal Loans

Overall demand for unsecured lending increased as consumers attempted to keep up with their day-to-day financial commitments and repayment behaviour across the industry remained stable.

- ▼ Implementation of changes to NCA regulations.
- ▲ 12% increase in total industry unsecured credit granted as at the end of the third quarter of 2016 (per NCR).

Headline earnings reflected 10% growth to **R384m** (2015: R350m) as strong income growth of 14% absorbed impairment and operating expense growth. The performance contributed to the cost-to-income ratio improving to **41,0%** (2015: 43,4%).

New business production grew on the back of enhanced acquisition strategies offered to our existing low-risk customer base, including increased credit limits introduced during the second half of 2015. The 9% increase in production resulted in loans and advances increasing by 7% to **R16 164m** (2015: R15 086m). This growth was achieved without any significant changes to the risk appetite with risk parameters being continuously monitored. Our market share of disbursements according to the NCR, however, has declined to 9,4% as at 30 September 2016 (30 September 2015: 10,0%).

Income increased by 14% to **R2 591m** (2015: R2 281m) on the back of improved yields due to book growth of 7%, repricing new business and continued roll-off of lower margins business. NCA amendments have, however, placed pressure on margins and are anticipated to continue to do so going forward.

Credit impairments increased by 23% to **R994m** (2015: R805m) resulting in an increase of the credit loss ratio to **5,68%** (2015: 5,16%). Performing loans as a percentage of the book remained broadly in line at **90,3%** (2015: 90,8%). NPL's coverage ratio remained strong at **64,0%** (2015: 61,5%) as we continue to adopt appropriate risk management practices in light of the deteriorating economic climate. The level of general provisions was also increased to further bolster the balance sheet in response to the adverse economic climate. Superior, high and medium-quality bookings constitute the biggest weighting of the book at 85%, increasing from 84%. New business vintages remain healthy and are performing within acceptable levels of risk appetite.

Strategically we remain committed to providing a superior experience for our customers. Over the current reporting period, this has been achieved by enhancing service levels in the voice channel, refining processes and investing in improved digital capabilities. The focus remains on responsible lending and continuously reviewing credit and collections strategies along with processes in light of the challenging economic environment.

RBB – Retail and Business Banking South Africa

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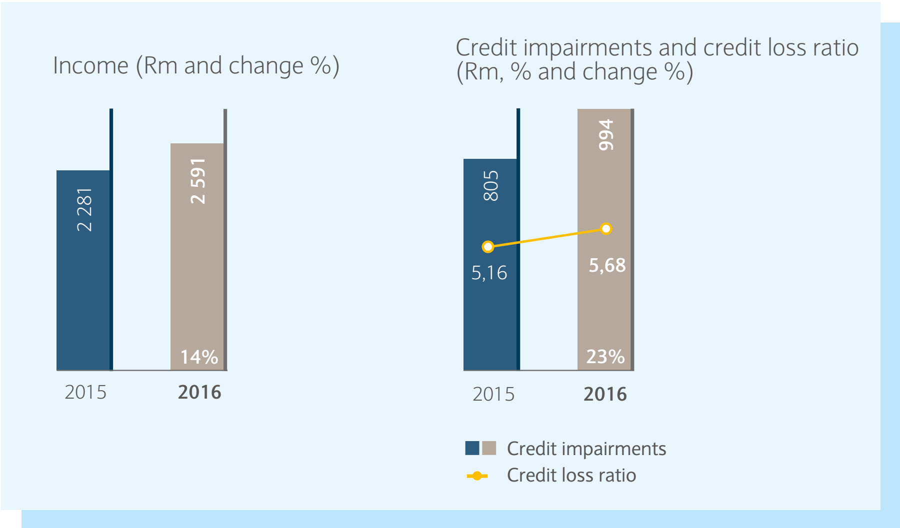
Business unit performance *(continued)*



Transactional and Deposits

A 75 bps increase in the prime rate favourably impacted deposit margins. However, the rising inflation resulted in a change in customer behaviour and related spending patterns.

- 75 bps increase in the prime rate.
- Impact of digitisation on traditional banking revenue streams.
- 10,7% growth in market deposits from individuals (per BA 900).

Headline earnings grew by 1% to **R2 690m** (2015: R2 675m). Growth in net interest income and non-interest income of 12% and 1% respectively, absorbed the 57% increase in overdraft impairments and a 7% increase in operating expenses. The deposit book growth of 7% was aided by an introduction of new products with a specific focus on maintaining a balance between term, contractual and instant access funds.

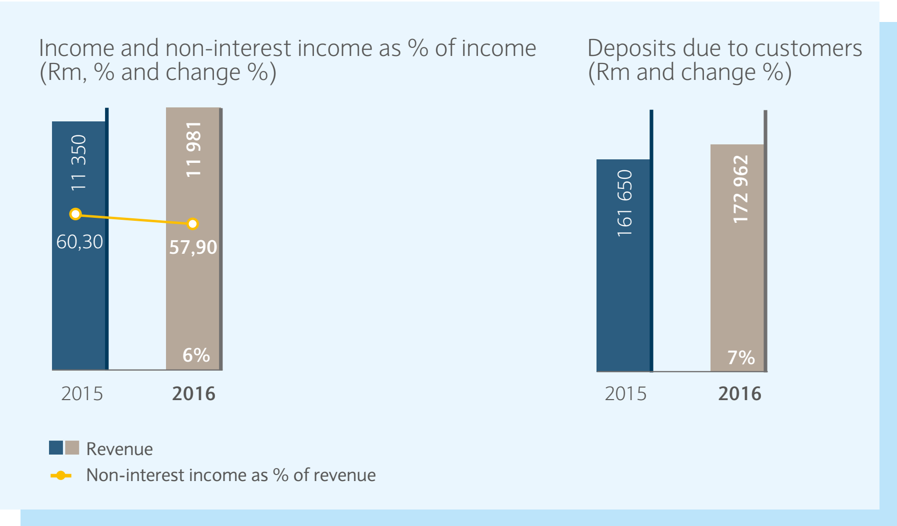
A key facet of our customer focused strategy entails selling the right products to customers for their needs and enabling them to access financial services in the easiest and most cost-effective manner. This was especially important given the strain that has been placed on consumers by the current economic conditions and we have seen customers migrate to less expensive digital channels, transactions and select bundled account offerings that provide certainty around banking fees. In some segments the economic cycle has resulted in reduced and inconsistent customer income levels and accordingly lower transactional levels. The non-interest income pressure generated by this shift was partially offset by cost efficiencies reflected in reduced cost to income ratio of **57,9%** (2015: 60,3%). The transactional proposition and lift in card point of sale transactions of 10% was underpinned by the continued growth in Absa Rewards membership base by 13%, providing enhanced cash benefits to customers as well as the introduction of new and enhancement of existing service provider relationships.

Our customer focused strategy and enhanced service offerings are starting to bear fruit with positive gains in some of our target segments, supported by the successful implementation of transactional product campaigns aimed at these target segments and the streamlining of our product offerings to customers. In particular we have succeeded in growing our high-quality retail affluent customer base by 6% and have invested in the growth of our Student and Youth feeder streams.

We expanded and improved our International Banking transactional capability through the introduction of our digital channel for international payments, resulting in substantial customer adoption. Enhanced branch network facilities and linking to the Absa Rewards campaign further enriched the International Banking customer proposition.

Looking ahead, in our effort to provide customers with access to an array of convenient channels and products to choose from, we anticipate that customers will continue to migrate to less expensive transactions, resulting in pressure on non-interest income. In response, we will focus on strengthening primary banking relationships inter alia through the reviewing and market positioning of our customer value proposition in our target customer segments.

Business unit performance *(continued)*



Business Banking

Changes in prime interest rates impacted favourably on deposit margins, enterprise cash flows were under pressure with certain sector-specific headwinds continuing to manifest. However, the overall demand for credit remained.

- ▲ 11% increase in credit extended to retail and corporate SMEs as at 30 September 2016 (per SARB).
- ▲ 75 bps increase in the prime rate.
- ▼ Drought conditions.

Headline earnings increased by 1% to **R2 138m** (2015: R2 124m). Growth in net interest income and non-interest income of 6% and 5% respectively, absorbed a 7% increase in impairments and a 6% increase in operating expenses.

Net interest income increased to **R6 068m** (2015: R5 736m) on the back of solid asset growth, favourable mix of deposit products and a benefit from increased recoveries of suspended interest on the NPL portfolio. Gross advances growth of 9% was driven by CPF with a 14% increase, which constitutes a third of the portfolio. The book benefited from strategies implemented to improve customer engagement and traction was evident as payouts were 31% higher when compared to the prior reporting period. In agriculture, the focus remained on proactive engagement with customers affected by the drought in an effort to support and assist them in managing their risk. The agricultural book remained well diversified, which further helped to limit financial risks emanating from drought affected areas. Overdrafts growth was primarily driven from the enterprise portfolio while term loans grew from extensions of loans to targeted segment markets. Deposits due to customers declined by 1% mainly driven by lower fixed deposits and muted growth in cheque account deposits.

Non-interest income increased by 5% to **R3 543m** (2015: R3 372m), driven by fair value adjustments within the Equities portfolio and a 3% growth from the transactional portfolio. Enhanced digital functionalities continue to provide customers with alternative ways to transact, thereby strengthening the electronic customer value proposition. While this has impacted on transactional revenue growth, the migration of transactions to more affordable and convenient channels has resulted in cost-efficiencies in traditional channels.

The portfolio benefited from the following initiatives landed in the reporting period:

- Improved customer onboarding processes to ensure a seamless new product experience;
- Introduced end-to-end cash device offer that solutions a customer's insurance, withdrawal and deposit transactions holistically;
- Product simplification and rationalisation; and
- New transactional product offerings for start-ups, self-employed and part-time business owners.

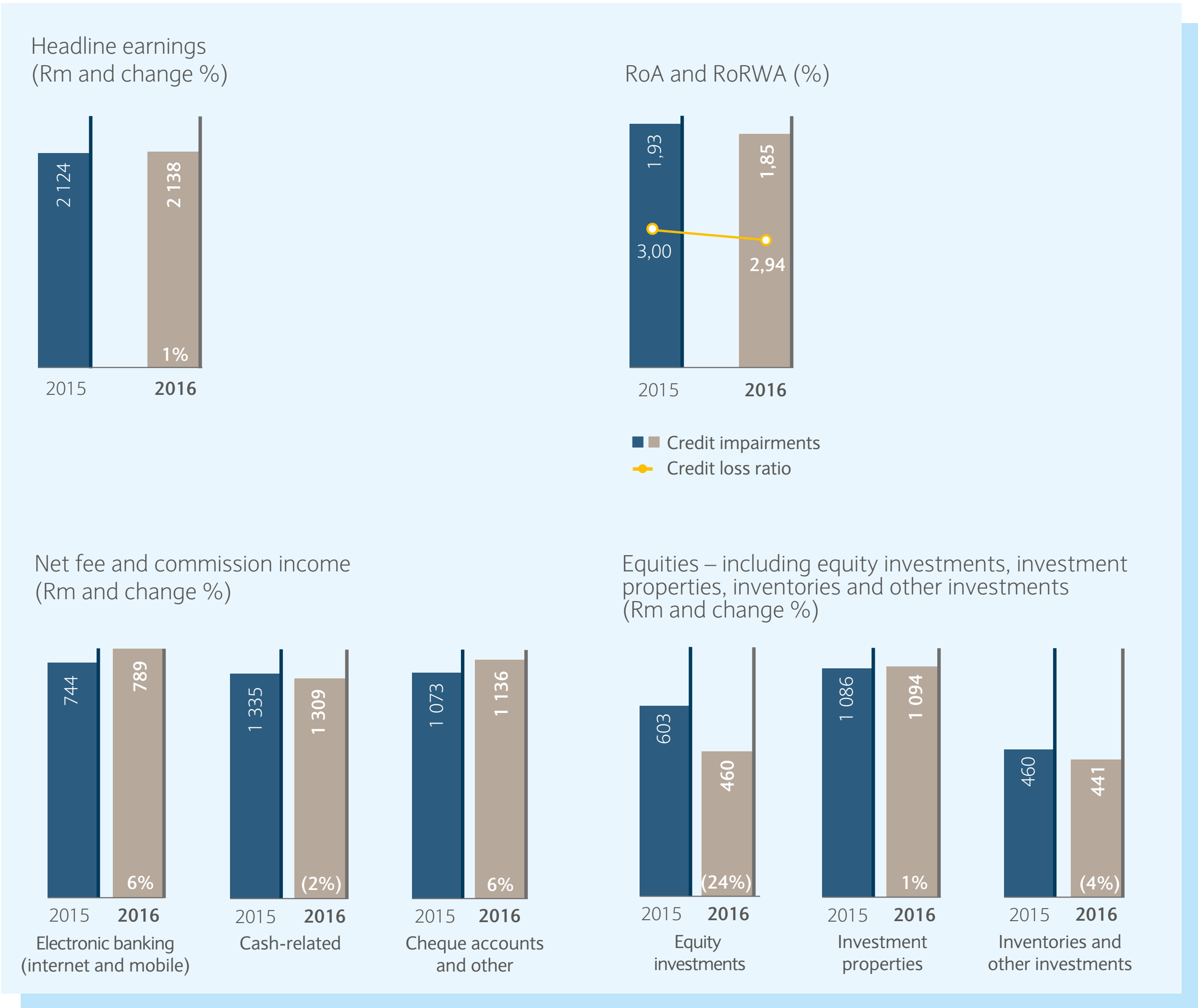
Impairments increased to **R581m** (2015: R545m) largely driven by the enterprise and other strategic portfolios. The credit loss ratio increased by 1 bps to **0,86%** (2015: 0,85%), which was a strong performance result given the current macroeconomic climate.

The long-term orderly reduction of the Equity portfolio continued to progress through planned realisations. The overall portfolio size decreased by 7% to **R1 995m** (2015: R2 148m) in line with the long-term reduction strategy.

Business unit performance *(continued)*

Business Banking's ambition is to place world class banking solutions within reach of every business in its targeted market. In support of this aim the following initiatives are in place:

- Customer value proposition:
  - Enhancement to the customer value proposition for segments such as Wholesale and Retail, Franchise, Professional Markets, Primary Agri, as well as start-ups; and
  - Continuous development of other key value propositions for targeted segments including International Banking and Trade Finance.
- Focus on customer engagement:
  - Increased focus on holistic customer solutions;
  - Regulatory remediation efforts, including a risk-based approach; and
  - Upskilling staff through ever improving curriculum development and targeted courses.
- Achieving operational efficiencies:
  - Delivering the full ambit of onboarding workflow tool to all remaining products and services; and
  - Building out and improving the customer and colleague experience around onboarding.



RBB – Retail and Business Banking South Africa

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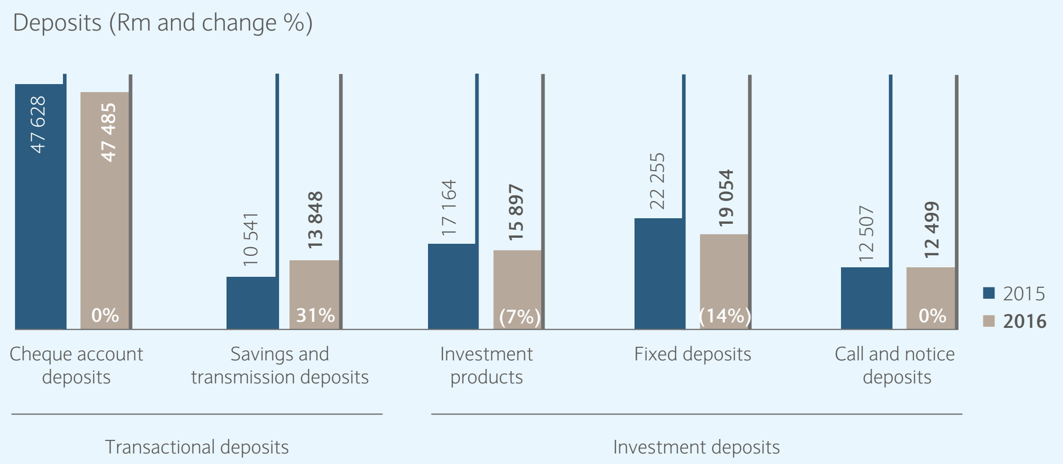
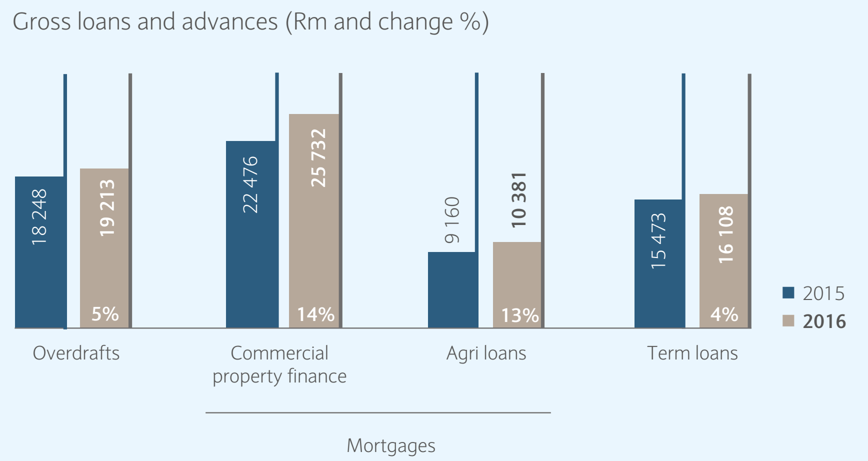
Business unit performance *(continued)*





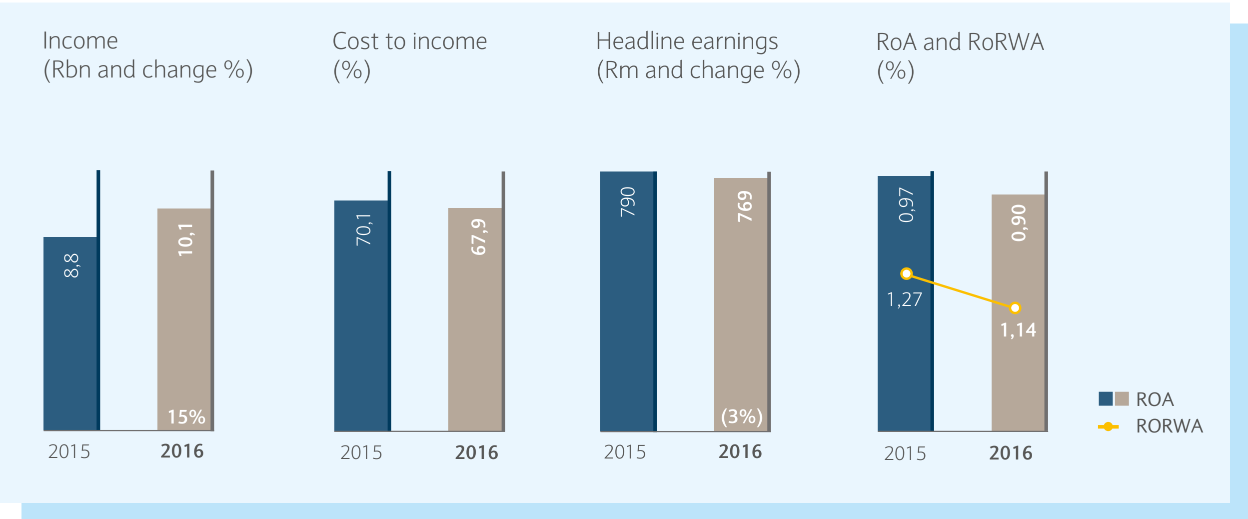
Other

Other headline earnings loss reduced by 1% to **R747m** (2015: R751m), achieved through cost management efforts reflected by a 4% decline in operating expenses.

RBB – Rest of Africa
for the reporting period ended 31 December

RBB Rest of Africa's strategic goals remain intact, with consistent performance reflective of a business that is well positioned to achieve its long-term targets. Key performance highlights for the reporting period include:

- Net interest income growth of **19%** (CCY 12%) and non-interest income growth of **6%** (CCY 2%) despite economic headwinds.
- Improved cost-to-income ratio of **67,9%** (2015: 70,1%) and positive Jaws of **4%** (CCY 2%) through focused cost initiatives.
- The Asian Banker named NBC the 'Best Retail Bank in Tanzania' and Barclays Bank of Kenya the 'Best Retail Bank in Kenya'. VISA named Barclays Bank of Tanzania and Barclays Bank Mauritius the best card acquiring businesses in Tanzania and Mauritius respectively. The Lafferty Global Awards named Barclays Africa the winner in the 'Excellence in Retail Banking' category for our customer service innovation.
- Launch of Agency banking in Kenya, deployment of prepaid cards in Zambia, Botswana, Kenya and Uganda and the launch of China Union Pay across our markets.
- Continued investment in IT infrastructure has resulted in improved productivity at branch level and improved customer service levels.
- Commercial and SME advances increased by 12% and the deposit base has shown growth of 4% despite increased competition for liquidity.
- RoRWA declined 0,13% to **1,14%** (2015: 1,27%) and RoA decreased 0,07% to **0,09%** (2015: 0,97%).
- Decline in Headline earnings of **3%** (CCY 15%) to R769m on the back of a deterioration in impairment performance and challenging operating environments; including but not limited to foreign currency shortages in some markets and an introduction of an interest rate cap on lending of 14% and an interest rate floor on deposits of 7% by the Central Bank of Kenya.
- Impairment losses on loans and advances increased by **73%** (CCY 66%), resulting in an increase in the credit loss ratio to **2,96%** (2015: 1,93%) predominantly due to higher NPLs in Personal loans.
- The increased competition for liquidity in some markets has resulted in increased rates being paid to attract customer deposits.



Salient features	2016	2015[1]	C%	FX%	Change %
Income (Rm)	**10 051**	8 761	9	6	15
Attributable earnings (Rm)	**773**	790	(14)	12	(2)
Headline earnings (Rm)	**769**	790	(15)	12	(3)
Credit loss ratio (%)	**2,96**	1,93			
Cost-to-income ratio (%)	**67,9**	70,1			
RoRWA (%)	**1,14**	1,27			
RoA (%)	**0,90**	0,97			

Note

[1] These numbers have been restated, refer to the reporting changes overview on the inside front cover.

RBB – Rest of Africa

for the reporting period ended 31 December

	Total RBB Rest of Africa				
	2016	2015[1]	C%	FX%	Change %
Statement of comprehensive income (Rm)					
Net interest income	**7 279**	6 141	12	7	19
Non-interest income	**2 772**	2 620	2	4	6
Total income	**10 051**	8 761	9	6	15
Impairment losses on loans and advances	**(1 348)**	(777)	66	7	73
Operating expenses	**(6 824)**	(6 142)	7	4	11
Other operating expenses	**(131)**	(112)	16	1	17
Operating profit before income tax	**1 748**	1 730	(9)	10	1
Taxation expense	**(715)**	(615)	8	8	16
Profit for the reporting period	**1 033**	1 115	(18)	11	(7)
Profit attributable to:					
Ordinary equity holders	**773**	790	(14)	12	(2)
Non-controlling interest – ordinary shares	**260**	325	(27)	7	(20)
	1 033	1 115	(18)	11	(7)
Headline earnings	**769**	790	(15)	12	(3)
Operating performance (%)					
Net interest margin on average interest-bearing assets	**9,06**	8,25			
Credit loss ratio[2]	**2,96**	1,93			
Non-interest income as percentage of income	**27,6**	29,9			
Income growth	**15**	12			
Operating expenses growth	**11**	7			
Cost-to-income ratio	**67,9**	70,1			
Statement of financial position (Rm)					
Loans and advances to customers	**40 037**	45 213	2	(13)	(11)
Investment securities	**6**	5	86	(66)	20
Other assets	**39 214**	47 565	(4)	(14)	(18)
Total assets	**79 257**	92 783	(1)	(14)	(15)
Deposits due to customers	**60 678**	68 736	2	(14)	(12)
Other liabilities	**19 471**	19 645	12	(13)	(1)
Total liabilities	**80 149**	88 381	4	(13)	(9)

Notes

1 These numbers have been restated, refer to the reporting changes overview on the inside front cover.

2 The calculation of the credit loss ratio was amended to include impairment losses on loans and advances for the reporting period and dividing it by total gross loans and advances to customers and banks (calculated on a daily weighted average), resulting in a restatement of comparatives credit loss ratio.

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 customers' transactional, borrowing, savings, protection and payments needs. This is facilitated through branch and self-service terminal networks, electronic and mobile telephone channels, a dedicated relationship-based model, and a well-defined coverage model based on specific customer value propositions. These businesses operate under the Barclays brand, except for National Bank of Commerce (Tanzania) and the Absa Representative Office in Namibia.

Key product/segment areas

- **Premier banking:** Represents the affluent retail customer sector bespoke to each market. They are offered exclusive banking with tailor-made solutions through dedicated relationship managers and Premier suites.
- **Prestige banking:** Represents the emerging affluent retail customer sector bespoke to each market. They are serviced through dedicated banking teams, affordable products and express service.
- **Personal banking**: Represents the middle-market sector bespoke to each market. They are serviced through convenient banking solutions.
- **Small and Medium** Enterprise banking (SME): Represents business clients with an annual turnover of up to R50m. They are serviced using a direct coverage model with a predominantly branch-based interface.
- **Commercial banking**: Represents business clients with an annual turnover of between R50m and R250m. They are serviced using a relationship-based model, where dedicated sales and service teams provide customised solutions. Commercial and SME banking includes sector overlays focusing on the primary sectors of agriculture, construction, manufacturing, transport and logistics, retail, franchising and other market-specific significant sectors.

Key business areas

A range of products including secured loans, unsecured loans and customer deposits are offered to customers, who are served by the following businesses:

- 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

Operating environment

GDP growth in sub-Saharan Africa slowed to its lowest level in 20 years over the reporting period. Weaker global demand and lower commodity prices have exerted downward pressure on economic activity and average growth for 2016 is projected by the International Monetary Fund to decline significantly to 3,9%, excluding South Africa and Nigeria. Economic performance across the continent is, however, not homogenous and the current climate has resulted in a dichotomy between resource intensive and non-resource intensive countries. While commodity exporting countries, approximately half of the region, have experienced a contraction in GDP, growth continues for non-resource reliant economies which have benefited from lower energy prices and continued infrastructure investment.

The following changes to the operating environment have influenced performance:

- Lower levels of growth in most commodity economies coupled with monetary policy tightening, specifically in Zambia and Ghana have resulted in a decline in household purchasing power, reduced enterprise profitability, rising inflation, and foreign exchange and liquidity constraints;
- Adverse macroeconomic conditions impacting credit performance, resulting in a cautious lending approach;
- Drought conditions across Southern and Eastern Africa have further placed consumers and agricultural businesses under strain;
- Inflationary pressures in Ghana, Mozambique and Zambia and power shortages, most notably in Botswana and Zambia; and
- Higher levels of competition from local and international banks, and Mobile Network Operators (MNOs) in certain markets.

RBB – Rest of Africa
for the reporting period ended 31 December

Financial performance

Headline earnings decreased by **3%** (CCY 15%) to **R769m** (2015: R790m), largely due to higher credit impairments resulting from deterioration in the personal loans portfolio. Despite challenging operating environments, income increased by **15%** (CCY 9%) to **R10 051m** (2015: R8 761m) and contained operating cost growth of **11%** (CCY 7%) resulted in positive Jaws of **4%** (CCY 2%). This was achieved mainly on the back of:

- Increased efficiency achieved by focusing on branch optimisation and paperless banking being implemented in most markets;
- Increased focus on customers through the Customer Lifecycle Management framework;
- An improved suite of product and service offerings focused on specific sectors;
- Greater usage of digital channels;
- Continued successes in the commercial sector; and
- A streamlining of processes designed to improve turnaround time.

Net interest income was **19%** (CCY 12%) higher at **R7 279m** (2015: R6 141m) predominantly due to improved margins as a result of a focus shift from expensive deposits to transactional accounts and a 12% increase in Business Banking lending most notably in Trade and Debt products which saw a 32% increase in customer numbers.

Non-interest income was **6%** (CCY 2%) higher at **R2 772m** (2015: R2 620m) largely due to an increase in account transaction fees through a larger active client base, combined with a 34% increase in card acquiring and a 39% increase in Bancassurance due to the diversification of customer solutions. The Card acquiring business increased the number of active merchants by 10% driving a 22% increase in acquiring turnover. There was an improvement in Point of Sale (POS) and Mobile point of sale (MPOS) activity, with average sales doubling over the period. Greater collaboration between our Retail business and Commercial business has directly resulted in a 29% improvement in adoption of our POS devices across our Commercial customer portfolio in addition the strategic partnership with China UnionPay, the world's largest card issuer, went live in several markets.

The challenging economic climate has resulted in increased stress being felt in the Consumer portfolio, specifically within personal loans, and in Business Banking. As a result, impairment losses on loans and advances grew by **73%** (CCY 66%) to **R1 348m** (2015: R777m) leading to an increased credit loss ratio to **2,96%** (2015: 1,93%). Management continues to focus on increased collection activities and recovery strategies.

Sub-inflationary operating expenses growth of **11%** (CCY 7%) to **R6 824m** (2015: R6 142m) is as a result of cost containment initiatives despite high inflationary pressures being faced in Zambia, Mozambique and Ghana.

Balance sheet growth was muted in response to difficult trading environments. Multiple markets experienced substantial interest rate increases; such as Mozambique and Zambia coupled with high inflationary pressures and lower customer spending power.

Loans and advances to customers declined by **11%** (CCY 2% growth) to **R40bn** (2015: R45,2bn). Loan growth was impacted by adverse market conditions that resulted in the business tightening the lending criteria most notably in the personal lending space. Key asset balance sheet growth highlights include:

- Personal loans saw a slowdown in the second half of the year in line with the strategy to selectively lend in certain markets due to liquidity constraints and impairment pressures. In addition, a 600 bps increase in interest rates in Mozambique resulted in a sharp decline in lending in that market.
- Good momentum was achieved in Mortgage Loans (CCY 7%) driven by the establishment of mortgage centres and the implementation of targeted client-segment strategies in selected markets where loan size and risk levels are acceptable.
- Commercial loans exhibited strong growth (CCY 12%) as a result of increased focus on trade and working capital products as well as targeted activity in the agricultural sector.

Deposits due to customers declined **12%** (CCY 2% growth) to **R60,7bn** (2015: R68,7bn), largely driven by a reduction in long-term interest-bearing deposits combined with market liquidity challenges being faced in a number of our markets. Current account origination volumes remained a pivotal strategy for attracting primary banked clients to the business while further improving the range of customer services. On average the business attracted more than 14 000 new-to-bank current account customers per month.

RBB – Rest of Africa

for the reporting period ended 31 December

Business performance

Significant progress has been made towards the strategic priorities of enhancing our customer service model, optimising the cost-to-serve and ultimately improving customer experience. Some key highlights include:

- Continued optimisation of the branch network to serve customers more economically and efficiently, 23 branches were closed and 10 new branches were opened;
- Nester Square branch in Accra was our first model branch in Africa which offered the Universal Banker service framework and recorded a 100% NPS;
- Continued focus on our digital strategy through the increased promotion of our internet banking and other digital solutions which added to the efficient use of existing channels and provided customers with more convenient banking capabilities;
- Increased merchant adoption and usage in POS and MPOS devices;
- Improved focus on the collaboration with WIMI to leverage our customer base as well as increased customer retention through the provision of integrated financial services tailored to the lifecycle of our customers;
- Digital onboarding of current and savings account customers on iPads reducing the onboarding turn-around time substantially and provided a superior customer experience;
- Continued delivery of 'Paperless Banking' across our branch network has improved levels of digitisation with safer methods of customer identification and verification with greater efficiency, speed and an enhanced customer experience;
- Increased deployment of i-ATMs (ATMs with increased functionalities such as Cash Acceptance, Bill Payments and Cash Send) in key locations across our markets, leading to increased customer adoption of ATMs as a channel;
- Increased focus on our active customer base with the reactivation or closure of dormant accounts. Continued development of client value propositions through delivery and enhancement of tailor-made solutions for customers, including:
  - Migration of all customers onto a single credit and debit card platform for all markets resulted in easier customer onboarding;
  - Unsecured foreign currency lending was launched in Uganda;
  - A lending policy for self-employed entrepreneurs and professionals was implemented in Uganda and Kenya;
  - Enhancement of deposit products by launching Unfixed Deposits, Group Save, Ignition Transact and Retrenchment cover in some markets;
  - Channel diversification through the launch of Agency Banking in Kenya in affiliation with the Kenyan post office, which opens up more than 200 access points for our customers to perform basic banking transactions; and
  - Continued client engagement initiative which has seen colleagues across Business Banking mobilised to spend time with clients at their offices, has resulted in improved service levels, enhanced customer relationships, greater levels of market engagement, and increased growth in pipeline opportunities and new customer acquisitions.

Looking ahead, we continue to see great potential to extract value from our existing franchise in the Rest of Africa. Economic growth within sub-Saharan Africa is forecast to rebound modestly from the lows experienced during the current reporting period. However, the economies remain fragile with considerable downside risk in some prominent markets. Tight monetary policy, weak fiscal positions, a slow recovery in commodity prices and tepid global growth remain a drag on the overall outlook.

RBB Rest of Africa's focus remains on embedding customer centricity; delivering value propositions that serve business and personal needs and enhancing the customer's Omni-channel experience. The strategy focuses on:

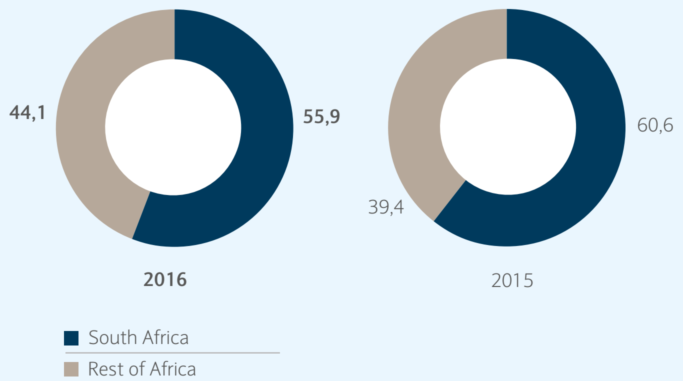
- Customer Lifecycle Management to further improve the quality of new-to-franchise customer acquisition and deepen the relationship with existing customers through enhanced digital solutions with a focus on mobile and internet banking solutions;
- Optimised branch operating model to build fit-for-purpose branches, ensuring that we are optimally positioned to serve our customers and reduce service costs;
- Rolling out the Universal Banker Concept to ensure our front-line colleagues have the capability and skills to service both Retail and Business Banking customers;
- Delivering a multi-channel franchise through the launch of digital products;
- Continuing to embed and enhance the sector-focused approach in Commercial and Small and Medium Enterprise Banking;
- Continuing to drive retail segment focus on the affluent customers with the implementation of Young Professionals, Self-Employed, Prestige as well as revised Premier propositions;
- Continued expansion through new channels, products and partners; and
- Continuing to focus on the collaboration with WIMI to leverage our customer base as well as increase customer retention through the provision of integrated financial services tailored to the lifecycle of our customers.

CIB

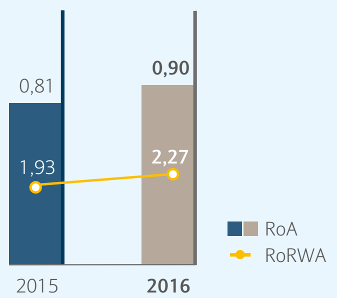
for the reporting period ended 31 December

- ▲ Fourth successive year of double digit revenue growth in Corporate SA (up 13%). Corporate ROA also grew revenues strongly (up 24%).
- ▲ Strong Markets performance across SA and ROA, increasing revenue by 25% and 26% respectively.
- ▲ Client revenues increased 12% in SA, with a number of client additions in the Mid Corporate segment.
- ▲ Cost to Income ratio improved from 53,7% to 47,0%.
- ▲ The Rest of Africa business grew earnings 43% and now accounts for 44% of overall CIB performance (2015: 39%).
- ▲ Continued momentum in advances with growth of 7% to R229bn, and new business written at a higher quality than the existing book.
- ▲ Return on regulatory capital improved from 17,4% to 19,9%.
- ▼ Banking revenues down 3% due to suspension of interest on an exposure in the consumer segment and lower fee income.
- ▼ Transactional revenues increased only 4% despite this being a focus area. This is an opportunity for future growth.
- ▲ Impairments increased by R610m to R1,4bn, mostly in the first half of the year.
- ▼ Deposits down 7%, widening the gap between customer deposits and customer advances.

Headline earnings contribution (%)



RoA and RoRWA (%)



Salient features	2016	2015[1]	Change %
Income (Rm)	**16 054**	13 741	17
Headline earnings (Rm)	**5 098**	3 999	27
Pre-provision profit	**8 507**	6 368	34
Cost-to-income ratio (%)	**47,0**	53,7	
Credit loss ratio	**0,53**	0,37	
RoRC (%)	**19,9**	17,4	
RoRWA[1] (%)	**2,27**	1,93	
RoA (%)	**0,90**	0,81	

Note
[1] These numbers have been restated, refer to the reporting changes overview on the inside front cover.

CIB

for the reporting period ended 31 December

	Corporate		
	2016	2015[1]	Change %
Statement of comprehensive income (Rm)			
Net interest income	6 814	5 631	21
Non-interest income	1 849	1 724	7
Total income	8 663	7 355	18
Impairment losses on loans and advances	(468)	(508)	(8)
Operating expenses	(4 265)	(4 034)	6
Other operating expenses	(51)	(41)	24
Operating profit before income tax	3 879	2 772	40
Taxation expense	(975)	(729)	34
Profit for the reporting period	2 904	2 043	42
Profit attributable to:			
Ordinary equity holders	2 672	1 859	44
Non-controlling interest – ordinary shares	190	143	33
Non-controlling interest – preference shares	42	41	2
	2 904	2 043	42
Headline earnings	2 672	1 859	44
Operating performance (%)			
Net interest margin on average interest-bearing assets	3,23	2,80	
Credit loss ratio	0,40	0,52	
Non-interest income as percentage of income	21,3	23,4	
Income growth	18	11	
Operating expenses growth	6	4	
Cost-to-income ratio	49,2	54,8	
Statement of financial position (Rm)			
Loans and advances to customers	114 738	109 844	4
Loans and advances to banks	1 110	1 511	(27)
Investment securities	5 966	4 262	40
Other assets	98 625	116 634	(15)
Total assets	220 439	232 251	(5)
Deposits due to customers	199 785	212 254	(6)
Debt securities in issue	5	10	(50)
Other liabilities	17 927	16 912	6
Total liabilities	217 717	229 176	(5)
Financial performance (%)			
RoRWA	2,53	2,00	
RoA	1,23	0,89	

Note

[1] These numbers have been restated, refer to the reporting changes overview on the inside front cover.

CIB

for the reporting period ended 31 December

Investment Bank			Total CIB		
2016	2015[1]	Change %	**2016**	2015[1]	Change %
2 561	2 220	15	**9 375**	7 851	19
4 830	4 166	16	**6 679**	5 890	13
7 391	6 386	16	**16 054**	13 741	17
(935)	(285)	>100	**(1 403)**	(793)	77
(3 282)	(3 339)	(2)	**(7 547)**	(7 373)	2
(138)	(107)	29	**(189)**	(148)	28
3 036	2 655	14	**6 915**	5 427	27
(479)	(397)	21	**(1 454)**	(1 126)	29
2 557	2 258	13	**5 461**	4 301	27
2 393	2 140	12	**5 065**	3 999	27
90	52	73	**280**	195	44
74	66	12	**116**	107	8
2 557	2 258	13	**5 461**	4 301	27
2 426	2 140	13	**5 098**	3 999	27
1,55	1,72		**2,49**	2,38	
0,63	0,24		**0,53**	0,37	
65,3	65,2		**41,6**	42,9	
16	3		**17**	8	
(2)	15		**2**	9	
44,4	52,3		**47,0**	53,7	
114 694	103 781	11	**229 432**	213 625	7
33 012	42 476	(22)	**34 122**	43 987	(22)
19 465	15 864	23	**25 431**	20 126	26
165 004	180 343	(9)	**263 629**	296 977	(11)
332 175	342 464	(3)	**552 614**	574 715	(4)
25 631	29 435	(13)	**225 416**	241 689	(7)
14 321	16 391	(13)	**14 326**	16 401	(13)
287 999	291 087	(1)	**305 926**	307 999	(1)
327 951	336 913	(3)	**545 668**	566 089	(4)
2,04	1,87		**2,27**	1,93	
0,70	0,75		**0,90**	0,81	

CIB

for the reporting period ended 31 December

Business profile

CIB provides innovative solutions to meet clients' needs by delivering specialist investment banking, corporate banking, financing, risk management and advisory solutions. A variety of clients across various industry sectors such as corporates, financial institutions and public sector bodies are serviced by combining our in-depth product knowledge with regional expertise and an extensive, well-established local presence. CIB's goal is to build a sustainable, trustworthy business that helps clients achieve their ambitions in the right way and by executing on this we will create shared growth for clients, colleagues and communities.

Key business areas

Client Engagement integrates client coverage across Africa to provide holistic solutions to clients through end-to-end relationship management and origination activities, leveraging the deep segment and sector specialisation within CIB, across the following business areas:

- **Investment Bank comprising:**
  - **Markets** – engages in trading, sales and research activities across all major asset classes and products in Africa, delivering pricing, hedging and risk management capabilities to both corporate and institutional clients;
  - **Banking** – structures innovative solutions delivering to meet clients' strategic advisory, financing and risk management requirements across industry sectors; and
  - **Infrastructure Investments and private Equity** – Infrastructure Investments acts as a principal by investing in equity to entities focused on infrastructure development in sub-Saharan Africa. Private Equity traditionally acted as a principal by investing in unlisted equity exposures. This portfolio continues to be reduced in line with the Group's strategy to exit non-core businesses.
- **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 and solutions. These services are provided across our combined Pan-African institutional and corporate client base.

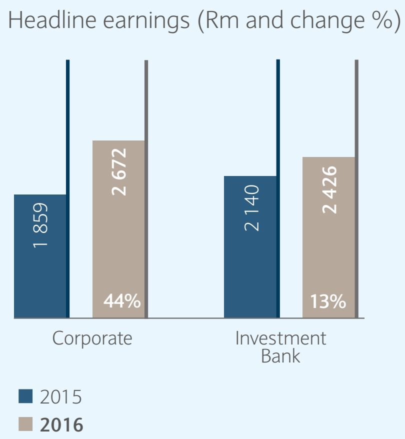
Financial performance

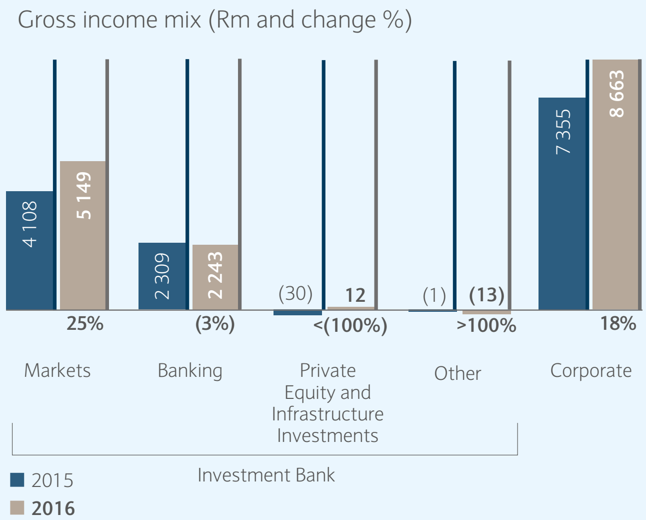
Headline earnings increased by 27% to **R5 098m** (2015: R3 999m), Rest of Africa increased by 43% to **R2 248m** (2015: R1 576m) and South Africa increased by 18% to **R2 850m** (2015: R2 423m).

CIB net income increased by 13% to **R14 651m** (2015: R12 948m), excluding impairments, total income was up 17%. Markets SA increased income by 25% underpinned by increased client activity, opportunities created by market volatility and risk management. Markets Rest of Africa increased income by **26%** (CCY 25%) benefiting from increased client flow, improved synergies and the launch of new products in key countries. The Corporate SA business increased income by 13% supported by an increase in new-to-bank clients in the Mid Corporate segment and improved margins in short- term lending. Corporate Rest of Africa income increased by **24%** (CCY 19%) underpinned by balance sheet growth, margin improvement and higher fee income driven by increased transactional volumes. Banking income decreased by 3% adversely impacted by suspension of interest on an exposure in the consumer segment and lower fee income.

Impairments increased by 77% to **R1 403m** (2015: R793m) due to specific impairments in the first half of the year and increased portfolio provisions.

Operating expenses increased by 2% to **R7 547m** (2015: R7 373m) while continuing to invest in systems and technology as IT costs increased by 18%. Loans and advances to customers increased by 7% to **R229bn** (2015: R214bn), with long-term advances up 11% and short-term advances down 5%. Deposits due to customers decreased by 7% to **R225bn** (2015: R242bn) as Rest of Africa balances were impacted by currency translation and lower inflows. South Africa balances decreased by 2% as a result of an outflow of lower margin deposits, offset somewhat by an inflow of higher margin deposits.





Financial performance *(continued)*

Operating environment

Global economic growth was relatively unchanged at an estimated 3,1% in 2016, as growth slowed in emerging markets while advanced economies showed stronger growth. Domestically, economic growth looks to have slowed markedly to 0,4% in 2016, marking the slowest outcome since the recession. Business confidence was very weak during the year as various industries faced a challenging combination of constrained demand, and heightened policy and regulatory uncertainty. This, in turn, contributed to very weak private sector fixed investment and employment growth. Heightened political uncertainty, both domestically and abroad, contributed to significant financial market volatility. Foreign purchases of SA bonds were substantial during 2016 (+R95bn) and helped offset the significant outflows from the equity market (-R122bn). The rand strengthened by 11% against the US dollar during 2016 supported by appetite for SA bonds, improved trade position and record cross-border transactions. Against a backdrop of rising headline inflation, the SARB hiked the repo rate by 75 bps in the first half of 2016 to 7,0%, which we see as a peak in the interest rate hiking cycle. Looking ahead into 2017, we expect growth to show a modest uptick to 1,0% but the tight credit market, low employment and weak confidence will remain constraints.

Business performance

Overview

CIB has made good progress in a challenging local and global economic environment. The business celebrated its 10th anniversary during the financial year and it was commemorated with several key achievements. Continued focus on our clients yielded great success resulting in double digit income growth across the targeted client segments. The earnings from the African operations now contribute 44% of total earnings (2015: 39%) demonstrating the progress made on our African strategy.

The business continued to build on its ability to deliver sustainable value into the future by: enhancing the customer value proposition, channel experience, core product modules and data analytics. The market's reaction to these developments has been favourable which is evident in the numerous accolades received in 2016.

First half of the current reporting period:

- Africa Deal of the year, PFI Awards
- Oil Deal of the year, PFI Awards
- Solar Deal of the year, PFI Awards
- Wind Deal of the year, PFI Awards
- Best natural resources deal, EMEA Finance Awards
- Barclays Bank of Kenya – Best Bank in Corporate Banking 2016, Think Business
- Best corporate cash manager in Botswana, Ghana, Uganda, Zambia and Euromoney
- 1st place Fixed Interest Securities Dealing, Financial Mail

Second half of the current reporting period:

- Overall Best Fixed Income & Currencies House in SA, JSE Spire Awards
- Best Bond House, JSE Spire Awards
- Best Research Team: Credit, Fixed Income and Economics, JSE Spire Awards
- Best ETF House, Africa Structured Products & Alternative Investments conference Awards
- Best House: Equities, Africa Structured Products & Alternative Investments conference Awards
- Best Distributor of Yield Enhancement Products in Africa, Africa Structured Products & Alternative Investments conference Awards
- Best Foreign Investment Bank in Africa, EMEA Finance African Banking Awards

CIB
for the reporting period ended 31 December

Business performance *(continued)*

Investment Bank

Markets

Markets income increased by 25% to **R5 149m** (2015: R4 108m); Rest of Africa income increased by **26%** (CCY 25%) to **R1 787m** (2015: R1 423m) and South Africa income increased by 25% to **R3 362m** (2015: R2 685m).

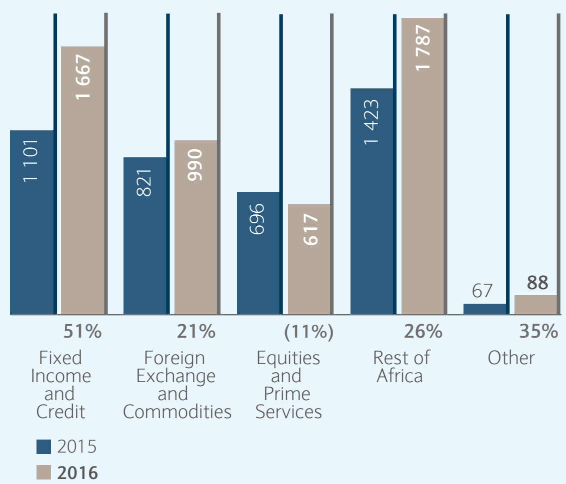
The South African business performance was supported by:

- Fixed income and credit income which increased by 51% to **R1 667m** (2015: R1 101m) due to increased opportunities for structured client trades off the back of market volatility, and an uptick in activity for more liquid products and financing offerings.
- Foreign exchange and commodities income increased by 21% to **R990m** (2015: R821m) driven by an increase in corporate and institutional client flow and focused risk management despite the depressed economic environment. The commodity business saw persistent increased investment flow off the back of increased volatility driven by events such as Brexit and the US elections.
- Equities and Prime income decreased by 11% to **R617m** (2015: R696m) in a competitive market. However, there was an improved performance in the cash equities and options business. The performance was slightly offset by an increase in the Prime business from strong client acquisition, growth in existing client AUM and increased trading revenues as a result of market volatility.

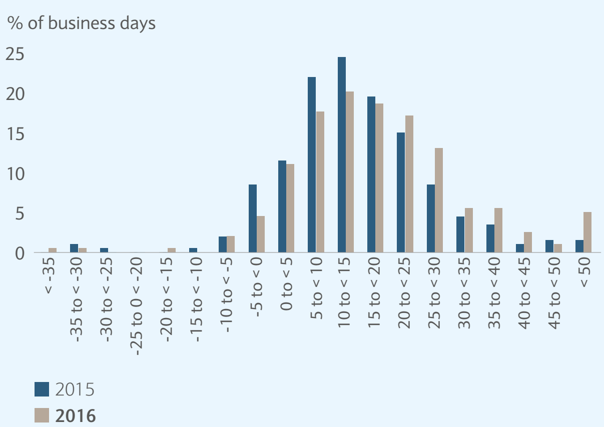
In the Rest of Africa, income increased by 26% to **R1 787m** (2015: R1 423m). The growth was supported by:

- Increased client activity, effective risk management, improved efficiencies and an expanded product offering in key countries, as well as enhanced synergies resulting in conversion of cross-sell opportunities.
- Factors such as global risk aversion, intermittent low foreign currency liquidity, increased Central Bank interventions as well as elections in many of our markets have led to mixed market operating conditions. The business stayed focused on efficiently and effectively servicing its clients and their changing needs in the face of an ever-changing market environment.

Markets gross income split (Rm and change %)



Daily markets income distribution (Rm)



Business performance *(continued)*

Investment Bank (continued)

Banking

Banking Gross income decreased by 3% to **R2 243m** (2015: R2 309m) adversely impacted by the suspension of interest on an exposure in the consumer segment. Excluding this, income increased by 7%.

The Margin Business grew income by 1% to **R1 937m** (2015: R1 927m) relative to average loans and advances growth of 31%. Excluding the suspension of interest, the margin business showed strong growth of 12%. Furthermore margin compression was mainly attributed to an improvement in the quality of the asset book, with new lending to investment grade clients across a diversified range of sectors with shorter average maturities.

Income in the Fee Business decreased by 20% to **R306m** (2015: R382m) due to subdued primary market fee activity.

Impairments increased by more than 100% to **R880m** (2015: R283m) due to increased specific and portfolio provisions.

Salient features	2016	2015[1]	Change %
Gross income (Rm)	**2 243**	2 309	(3)
Margin business (Rm)	**1 937**	1 927	1
Fee business (Rm)	**306**	382	(20)
Credit impairment (Rm)	**(880)**	(283)	>100
Net income (Rm)	**1 363**	2 026	(33)
Average loans and advances to customers (Rbn)	**87,0**	66,6	31

Private Equity and Infrastructure Investments

Non-core Private Equity and Infrastructure Investments reported income of **R12m** (2015: R30m negative income) as a result of lower negative revaluations compared to the previous reporting period and reduced funding costs from a smaller portfolio. The portfolio size reduced to **R2,2bn** (2015: R2,4bn), as we continue to look for opportunities to disinvest at fair market value.

Salient features	2016	2015	Change %
Revaluations (Rm)	**(71)**	(202)	(65)
Realisations, dividends, interest and fees (Rm)	**103**	200	(49)
Funding (Rm)	**(20)**	(28)	(29)
Net income (Rm)	**12**	(30)	<(100)
Total portfolio size (Rbn)	**2,2**	2,4	(8)

Note

[1] These numbers have been restated, refer to the reporting changes overview on the inside front cover.

CIB
for the reporting period ended 31 December

Business performance *(continued)*

Corporate

Corporate income increased by 18% to **R8 663m** (2015: R 7 355m) supported by strong growth in average loans and advances of 19% to **R114bn** (2015: R95bn) as well as improved fee income in Rest of Africa.

In South Africa, income increased by 13% to **R4 477m** (2015: R3 969m) as a result of:

- Strong balance sheet growth in Debt finance supported by growth in Mid Corporate clients and Trade loans underpinned by strong growth in Receivables & Supplier Finance and Structured Commodity Finance.
- Improved margins in the Working Capital business and cheque deposits, despite subdued cheque deposit growth.
- Slightly offset by muted transactional banking and documentary product growth.

Impairments in South Africa increased by 20%, mainly as a result of increased portfolio provisions.

In Rest of Africa, income increased by **24%** (CCY 19%) underpinned by:

- Solid margin income growth as a result of strong average loans and advances growth and improved margins.
- Fee income benefiting from increased transactional banking volumes and cross sell.

Impairments in Rest of Africa decreased by 12% despite strong balance sheet growth, mainly as a result of a large single name provision raised in 2015.

	2016			2015[1]			
Salient features	**South Africa**	**Rest of Africa**	**Total**	South Africa	Rest of Africa	Total	Change %
Gross income (Rm)	**4 477**	**4 186**	**8 663**	3 969	3 386	7 355	18
Credit impairments (Rm)	**(85)**	**(383)**	**(468)**	(71)	(437)	(508)	(8)
Net income (Rm)	**4 392**	**3 803**	**8 195**	3 898	2 949	6 847	20
Average loans and advances to customers (Rbn)	**73,4**	**40,1**	**113,5**	61,3	33,8	95,1	19
Average deposits due to customers (Rbn)	**146,2**	**56,5**	**202,7**	143,9	49,7	193,6	5

Looking ahead

Our strategy has been further refined to centre on meeting the needs of clients. There will be a relentless focus to ensure that the business fundamentals are operating effectively while continuing to expand the range of solutions for our clients through the use of innovative technology and digital interfaces. Data analytics will be leveraged by colleagues to provide additional insights for our clients. The following themes will be prioritised in order to achieve the firm's objectives:

- Continued investment in building deep client relationships, and providing quality advice leveraging our Africa expertise and wide local and global networks;
- Providing a compelling value proposition to our clients that includes a client centred business culture and effective product solutions delivered through collaboration across RBB & CIB;
- Offering a seamless, consistent and superior client experience enabled through innovative, robust and efficient digital and technology solutions;
- Continuing to offer a compelling value proposition for employees that allows us to attract and retain the right talent and skills;
- Data-driven insights that enable colleagues to deliver to clients; and
- Superior risk management capability that protects and enables ambitions of clients and the bank.

Note

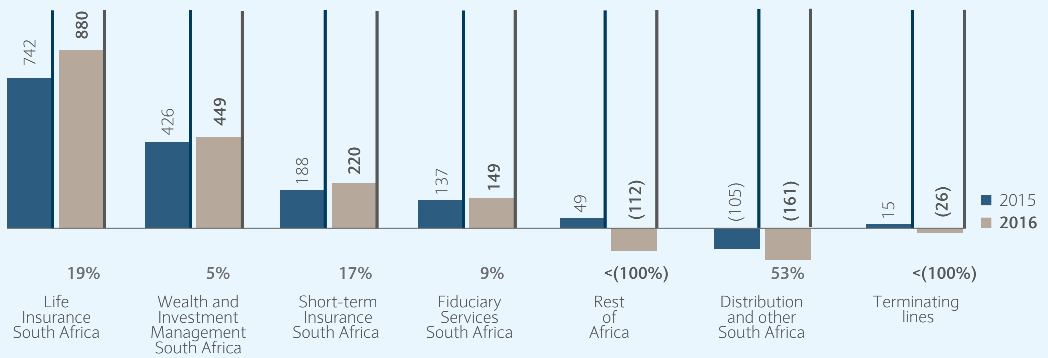
[1] These numbers have been restated, refer to the reporting changes overview on the inside front cover.

WIMI

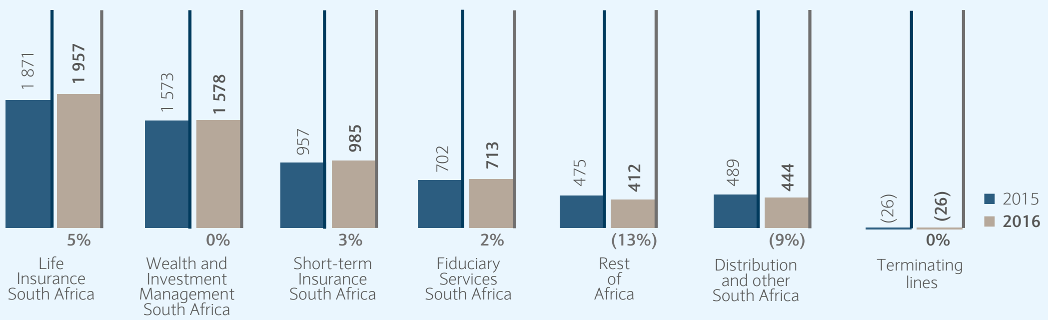
for the reporting period ended 31 December

- ▲ Life embedded value of new business up 21%
- ▲ Assets under management increased by R14bn
- ▲ Net premiums increased by 11%
- ▲ Strong growth in earnings in Life SA of 19%
- ▲ Successfully acquired Instant Life to support our digital ambitions
- ▲ Sale of Intermediated Commercial line completed
- ▼ Earnings growth in SA fully offset by decline in Rest of Africa
- ▼ Rest of Africa earnings impacted by change in the liability valuation methodology, worsening claim experience and the tough macroeconomic environment
- ▼ Higher levels of claim estimates contributed to deteriorating underwriting margins
- ▼ Growth in operating expenses 11% impacted by expansion strategy in Africa

Headline earnings (Rm and change %)



Gross operating income (Rm and change %)



Salient features	2016	2015[1]	Change %
Gross operating income (Rm)	**6 063**	6 041	0
Headline earnings (Rm)	**1 399**	1 452	(4)
Headline earnings (Rm) (Continuing lines of business)	**1 425**	1 437	(1)
Cost-efficiency ratio (Rm)	**31,4**	28,9	
Combined ratio (%) (including terminating lines)	**100,7**	94,7	
Assets under management and administration (Rbn)	**288**	274	5
Embedded value of new business (EVNB) (Rm)	**547**	452	21
Return on embedded value (%)	**33,4**	22,7	
Return on embedded value (excluding impact of acquired business) (%)	**26,8**	22,7	
RoE (%)	**23,9**	24,7	

Note

[1] These numbers have been restated, refer to the reporting changes overview on the inside front cover.

WIMI

for the reporting period ended 31 December

	Continuing Business Lines		
	2016 Rm	2015[1] Rm	Change %
Statement of comprehensive income			
Net insurance premium income	**6 717**	6 101	10
Net insurance claims and benefits paid	**(3 629)**	(3 152)	15
Investment income			—
Policyholder investment contracts	**354**	384	(8)
Policyholder insurance contracts	**200**	84	>100
Changes in investment and insurance contract liabilities			—
Policyholder investment contracts	**(365)**	(288)	27
Policyholder insurance contracts	**(134)**	72	<(100)
Other income	**2 946**	2 866	3
Gross operating income	**6 089**	6 067	0
Net commission paid by insurance companies	**(1 180)**	(1 085)	9
Operating expenses	**(3 215)**	(2 886)	11
Other	**(171)**	(204)	(16)
Net operating income	**1 523**	1 892	(20)
Investment income on shareholder funds	**330**	230	43
Shareholder expenses	**(131)**	(119)	10
Taxation expense	**(346)**	(603)	(43)
Profit for the period	**1 376**	1 400	(2)
Headline earnings	**1 425**	1 437	(1)

	2016 Rm	2015 Rm	Change %
Note (Rm)			
Investment income			
Policyholder investment contracts	**354**	384	(8)
Net interest income	**721**	413	75
Dividend income	**273**	267	2
Fair value gains	**(640)**	(296)	>100
Policyholder insurance contracts	**200**	84	>100
Net interest income	**157**	152	3
Dividend income	**19**	21	(10)
Fair value gains	**24**	(89)	<(100)
Shareholder funds	**330**	230	43
Net interest income	**294**	125	>100
Dividend income	**33**	24	38
Fair value gains	**3**	81	(96)
Total	**884**	698	27
Net interest income	**1 172**	690	70
Dividend income	**325**	312	4
Fair value losses	**(613)**	(304)	>100

Note

[1] These numbers have been restated, refer to the reporting changes overview on the inside front cover.

Terminating Business Lines			Total WIMI		
2016 Rm	2015 Rm	Change %	**2016 Rm**	2015[1] Rm	Change %
(16)	(79)	(80)	**6 701**	6 022	11
(10)	47	<(100)	**(3 639)**	(3 105)	17
		—			—
—	—	—	**354**	384	(8)
1	1	—	**201**	85	>100
		—			—
—	—	—	**(365)**	(288)	27
—	—	—	**(134)**	72	<(100)
(1)	5	<(100)	**2 945**	2 871	3
(26)	(26)	—	**6 063**	6 041	0
—	54	(100)	**(1 180)**	(1 031)	14
—	(13)	(100)	**(3 215)**	(2 899)	11
—	—	—	**(171)**	(204)	(16)
(26)	15	<(100)	**1 497**	1 907	(21)
—	—	—	**330**	230	43
—	—	—	**(131)**	(119)	10
—	—	—	**(346)**	(603)	(43)
(26)	15	<(100)	**1 350**	1 415	(5)
(26)	15	<(100)	**1 399**	1 452	(4)

2016 Rm	2015 Rm	Change %	**2016 Rm**	2015 Rm	Change %
—	—	—	**354**	384	(8)
—	—	—	**721**	413	75
—	—	—	**273**	267	2
—	—	—	**(640)**	(296)	>100
1	1	—	**201**	85	>100
1	1	—	**158**	153	3
—	—	—	**19**	21	(10)
—	—	—	**24**	(89)	<(100)
—	—	—	**330**	230	43
—	—	—	**294**	125	>100
—	—	—	**33**	24	38
—	—	—	**3**	81	(96)
1	1	—	**885**	699	27
1	1	—	**1 173**	691	70
—	—	—	**325**	312	4
—	—	—	**(613)**	(304)	>100

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WIMI

for the reporting period ended 31 December

	Life Insurance		
	2016 Rm	2015[1] Rm	Change %
Statement of comprehensive income			
Net insurance premium income	**3 141**	2 851	10
Net insurance claims and benefits paid	**(1 039)**	(937)	11
Investment income			
Policyholder investment contracts	**316**	734	(57)
Policyholder insurance contracts	**144**	27	>100
Changes in investment contracts and insurance contract liabilities			
Policyholder investment contracts	**(327)**	(638)	(49)
Policyholder insurance contracts	**(134)**	64	<(100)
Other income[2]	**66**	25	>100
Gross operating income	**2 167**	2 126	2
Net commission paid by insurance companies[2]	**(661)**	(547)	21
Operating expenses	**(538)**	(424)	27
Other	**(90)**	(97)	(7)
Net operating income	**878**	1 058	(17)
Investment income on shareholder funds	**80**	56	43
Shareholder expenses	**—**	—	—
Taxation expense	**(129)**	(319)	(60)
Profit for the period	**829**	795	4
Headline earnings	**848**	794	7
Note (Rm)			
Investment income			
Policyholder investment contracts	**316**	734	(57)
Net interest income	**712**	407	75
Dividend income	**206**	175	18
Fair value gains	**(602)**	152	<(100)
Policyholder insurance contracts	**144**	27	>100
Net interest income	**101**	95	6
Dividend income	**19**	21	(10)
Fair value gains	**24**	(89)	<(100)
Shareholder funds	**80**	56	43
Net interest income	**57**	35	63
Dividend income	**23**	14	64
Fair value gains/(losses)	**—**	7	(100)
Total	**540**	817	(34)
Net interest income	**870**	537	62
Dividend income	**248**	210	18
Fair value gains/(losses)	**(578)**	70	<(100)

Net fee and commission income (Rm)	**2016 Rm**	2015[1] Rm	Change %
Employee benefit-related fees	**375**	387	(3)
Investment management and related fees	**1 275**	1 222	4
Net commission from distribution business	**392**	426	(8)
Net commission paid by insurance companies[3]	**(1 180)**	(1 031)	14
Trust and estate income	**335**	318	5
Other	**70**	53	32
Total	**1 267**	1 375	(8)

Notes

[1] These numbers have been restated, refer to the reporting changes overview on the inside front cover.

[2] Includes impairment losses on loans and advances.

[3] Includes internal commission, eliminated on consolidation.

Wealth and Investment Management			Short-term Insurance			Fiduciary Services		
2016 Rm	2015[1] Rm	Change %	**2016 Rm**	2015 Rm	Change %	**2016 Rm**	2015 Rm	Change %
—	—	—	**3 576**	3 246	10	**—**	4	(100)
—	—	—	**(2 590)**	(2 214)	17	**—**	(1)	(100)
—	—	—	**—**	—	—	**—**	—	—
—	—	—	**56**	57	(2)	**—**	—	—
—	—	—	**—**	—	—	**—**	—	—
—	—	—	**—**	—	—	**—**	—	—
1 578	1 573	0	**152**	73	>100	**713**	706	1
1 578	1 573	0	**1 194**	1 162	3	**713**	709	1
—	—	—	**(519)**	(538)	(4)	**—**	—	—
(991)	(957)	4	**(489)**	(349)	40	**(532)**	(528)	1
(8)	(10)	(20)	**(57)**	(74)	(23)	**4**	(11)	<(100)
579	606	(4)	**129**	201	(36)	**185**	170	9
48	(3)	<(100)	**126**	76	66	**22**	20	10
—	—	—	**—**	—	—	**—**	—	—
(173)	(171)	1	**(60)**	(83)	(28)	**(58)**	(54)	7
454	432	5	**195**	194	1	**149**	136	10
449	426	5	**224**	237	(5)	**149**	137	9
—	—	—	**—**	—	—	**—**	—	—
—	—	—	**—**	—	—	**—**	—	—
—	—	—	**—**	—	—	**—**	—	—
—	—	—	**—**	—	—	**—**	—	—
—	—	—	**56**	57	(2)	**—**	—	—
—	—	—	**56**	57	(2)	**—**	—	—
—	—	—	**—**	—	—	**—**	—	—
—	—	—	**—**	—	—	**—**	—	—
48	(3)	<(100)	**126**	76	66	**22**	20	10
46	(7)	<(100)	**90**	80	13	**6**	4	50
—	—	—	**10**	10	—	**—**	—	—
2	4	(50)	**26**	(14)	<(100)	**16**	16	—
48	(3)	<(100)	**182**	133	37	**22**	20	10
46	(7)	<(100)	**146**	137	7	**6**	4	50
—	—	—	**10**	10	—	**—**	—	—
2	4	(50)	**26**	(14)	<(100)	**16**	16	—

Segment report per geographical segment	South Africa			Rest of Africa		
	2016 Rm	2015[1] Rm	Change %	**2016 Rm**	2015 Rm	Change %
Statement of comprehensive income (Rm)						
Net insurance premium income	**5 619**	5 326	6	**1 098**	775	42
Net insurance claims and benefits paid	**(2 942)**	(2 813)	5	**(687)**	(339)	>100
Gross operating income	**5 677**	5 592	2	**412**	475	(13)
Operating expenses	**(2 832)**	(2 661)	6	**(383)**	(225)	70
Net operating income	**1 708**	1 787	(4)	**(185)**	105	<(100)
Profit for the reporting period	**1 545**	1 347	15	**(169)**	53	<(100)
Headline earnings	**1 537**	1 388	11	**(112)**	49	<(100)

Distribution			Other			Total Continuing Business Lines		
2016 Rm	2015 Rm	Change %	**2016 Rm**	2015 Rm	Change %	**2016 Rm**	2015[1] Rm	Change %
—	—	—	**—**	—	—	**6 717**	6 101	10
—	—	—	**—**	—	—	**(3 629)**	(3 152)	15
—	—	—	**38**	(350)	<(100)	**354**	384	(8)
—	—	—	**—**	—	—	**200**	84	>100
—	—	—	**(38)**	350	<(100)	**(365)**	(288)	27
—	—	—	**—**	8	(100)	**(134)**	72	<(100)
434	487	(11)	**3**	2	50	**2 946**	2 866	3
434	487	(11)	**3**	10	(70)	**6 089**	6 067	0
—	—	—	**—**	—	—	**(1 180)**	(1 085)	9
(457)	(475)	(4)	**(208)**	(153)	36	**(3 215)**	(2 886)	11
(16)	(9)	78	**(4)**	(3)	33	**(171)**	(204)	(16)
(39)	3	<(100)	**(209)**	(146)	43	**1 523**	1 892	(20)
85	6	>100	**(31)**	75	<(100)	**330**	230	43
—	—	—	**(131)**	(119)	10	**(131)**	(119)	10
—	—	—	**74**	24	>100	**(346)**	(603)	(43)
46	9	>100	**(297)**	(166)	79	**1 376**	1 400	(2)
52	9	>100	**(297)**	(166)	79	**1 425**	1 437	(1)
—	—	—	**38**	(350)	<(100)	**354**	384	(8)
—	—	—	**9**	6	50	**721**	413	75
—	—	—	**67**	92	(27)	**273**	267	2
—	—	—	**(38)**	(448)	(92)	**(640)**	(296)	>100
—	—	—	**—**	—	—	**200**	84	>100
—	—	—	**—**	—	—	**157**	152	3
—	—	—	**—**	—	—	**19**	21	(10)
—	—	—	**—**	—	—	**24**	(89)	<(100)
85	6	>100	**(31)**	75	<(100)	**330**	230	43
85	—	100	**10**	13	(23)	**294**	125	>100
—	—	—	**—**	—	—	**33**	24	38
—	6	(100)	**(41)**	62	<(100)	**3**	81	(96)
85	6	>100	**7**	(275)	<(100)	**884**	698	27
85	—	100	**19**	19	—	**1 172**	690	70
—	—	—	**67**	92	(27)	**325**	312	4
—	6	(100)	**(79)**	(386)	(80)	**(613)**	(304)	>100

Total Continuing Business Lines		
2016 Rm	2015[1] Rm	Change %
6 717	6 101	10
(3 629)	(3 152)	15
6 089	6 067	0
(3 215)	(2 886)	11
1 523	1 892	(20)
1 376	1 400	(2)
1 425	1 437	(1)

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for the reporting period ended 31 December

	2016 Rm	2015[1] Rm	Change %
Statement of financial position			
Assets			
Cash balances and loans and advances to banks[2]	2 662	1 729	54
Non-current assets held for sale	—	244	(100)
Investment securities[2]	394	336	17
Financial assets backing investment and insurance liabilities			
Policyholder investment contracts	29 167	24 283	20
Cash balances and loans and advances to banks	1 663	800	>100
Investment securities	27 504	23 483	17
Policyholder insurance contracts	3 633	3 602	1
Cash balances and loans and advances to banks	849	764	11
Investment securities	1 834	2 257	(19)
Reinsurance assets	950	581	64
Shareholder funds	4 512	4 332	4
Cash balances and loans and advances to banks	2 053	2 283	(10)
Investment securities	2 459	2 049	20
Other assets[3]	10 553	9 047	17
Property and equipment	281	325	(14)
Total assets	51 202	43 898	17
Liabilities			
Non-current liabilities held for sale	—	233	(100)
Liabilities under investment contracts	29 213	24 225	21
Policyholder liabilities under insurance contracts	4 451	4 323	3
Other liabilities	12 015	9 574	25
Other liabilities[3]	11 888	9 479	25
Other liabilities relating to investment contracts	127	95	34
Deferred tax liabilities	67	31	>100
Total liabilities	45 746	38 386	19
Equity			
Capital and reserves	5 288	5 317	(1)
Non-controlling interest	168	195	(14)
Total equity	5 456	5 512	(1)
Total liabilities and equity	51 202	43 898	17

Reconciliation with Group	2016 WIMI Rm	Inter-segment elimination Rm	Other[4] Rm	Group Rm
Statement of financial position (Rm)[5]				
Investment securities	27 504	(8 688)	—	18 816
Investments linked to investment contracts	4 451	(73)	91	4 469
Policyholder liabilities under insurance contract				
Statement of comprehensive income (Rm)[5]				
Net insurance premium income	6 701	(15)	300	6 986
Net insurance claims and benefits paid	(3 639)	—	(52)	(3 691)
Gains and losses from investment activities – net gains on investments from insurance activities – policyholder investment contracts	354	(799)	—	(445)

Notes

1 These numbers have been restated, refer to the reporting changes overview on the inside front cover.
2 Non-insurance-related balances.
3 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.
4 Consists of Absa Manx Insurance Company and Woolworths Financial Services.
5 Debit amounts are disclosed as positive, credit amounts are disclosed as negative.

WIMI

for the reporting period ended 31 December

Reconciliation with Group	2015 WIMI Rm	Inter-segment eliminations Rm	Other[1] Rm	Group Rm
Statement of financial position (Rm)[2]				
Investment securities				
Investments linked to investment contracts	23 483	(3 966)	—	19 517
Policyholder liabilities under insurance contract	4 323	(1)	18	4 340
Statement of comprehensive income (Rm)[2]				
Net insurance premium income	6 022	—	281	6 303
Net insurance claims and benefits paid	(3 105)	(6)	(34)	(3 145)
Gains and losses from investment activities – net gains on investments from insurance activities – policyholder investment contracts	384	(47)	—	337

Cost-efficiency ratio – WIMI	2016 Rm	2015[3] Rm	Change %	Where included in Group's statement of comprehensive income
Income	**10 641**	10 447	2	Net fee and commission income; other operating income; net interest income
Gross premium income	**7 771**	7 688	1	Net insurance premium income
Net commission from distribution business	**381**	420	(9)	Net fee and commission income
Non-insurance-related income[4]	**1 723**	1 688	2	Net fee and commission income
Banking-related income	**291**	277	5	Net fee and commission income
Other income	**475**	374	27	Net fee and commission income; other operating income; net interest income
Operating expenses	**3 346**	3 018	11	Operating expenses
Cost-efficiency ratio (%)	**31,4**	28,9	9	

Reconciliation of WIMI non-interest income to Group	2016 Rm	2015[3] Rm	Change %	Where included in Group's statement of comprehensive income
Aforementioned income	**10 641**	10 447	2	
Net commission paid by insurance companies	**(1 180)**	(1 031)	14	Net fee and commission income
Reinsurance premiums	**(1 070)**	(1 666)	(36)	Net insurance premium income
Net insurance claims and benefits paid	**(3 639)**	(3 105)	17	Net claims and benefits paid on insurance contracts
Changes in investment and insurance contract liabilities	**(499)**	(216)	>100	Changes in investment and insurance contract liabilities
Gains and losses from investment activities	**885**	698	27	Gains and losses from investment activities
Other income	**1**	112	(99)	Other operating income
Banking-related income	**(291)**	(277)	5	Net interest income
Non-interest income	**4 848**	4 962	(2)	

Business profile

WIMI is the integrated non-banking financial services provider to Barclays Africa and other partners across the continent, including life insurance, non-life insurance, investment management, retirement services and fiduciary. It provides advice-led investment, credit and banking solutions to high-net-worth clients, retail solutions to individual bank clients and institutional propositions to corporate and business clients. WIMI's well established partnership model with the bank is based on close collaboration and integration, delivering broad-based financial solutions for Barclays Africa Group Limited customers.

Notes

[1] Consists of Absa Manx Insurance Company and Woolworths Financial Services.
[2] Debit amounts are disclosed as positive, credit amounts are disclosed as negative.
[3] These numbers have been restated, refer to the reporting changes overview on the inside front cover.
[4] Fee income relating to employee benefits, trust, estate and portfolio management fees.

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for the reporting period ended 31 December

Business profile *(continued)*

Key business areas

- **Life Insurance** – offers life insurance, covering death, disability and retrenchment, as well as funeral and investment products.
- **Wealth and Investments** – consists of two business clusters, which operate on a collaborative basis to offer individual and institutional clients access to high quality wealth and investment products and solutions.
  - **Investment cluster** offers investment management, multi-management, unit trusts and linked investment products and solutions to individual and institutional clients.
  - **Wealth management cluster** provides advice-led private client asset management, risk management, structured lending and stock broking solutions to the wealth segment of the market.
- **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 benefit businesses. The employee benefit business offers individual retirement fund administration, healthcare consulting and actuarial services. Absa Trust administers deceased estates and provides trustee services for personal, family, charitable and employee benefit trusts.
- **Distribution** – one of the larger 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 other product providers.
- **Other** – includes WIMI's head office shareholder investment portfolios, consolidation entries, holding companies as well as allocated shareholder overhead expenses.

Operating environment

South Africa's economy has grown approximately 0,4% in 2016, the weakest annual outcome since the 2009 recession. The slow uptick in growth amidst uncertainty around a sovereign downgrade if economic conditions do not improve, remains relevant. A potential downgrade will impact returns on investment assets held by WIMI and could result in currency volatility.

Interest rates seen on hold (anticipated) as the South African rand remains a risk to outlook. The risk of rate hikes rides on any sharp weakness in the Rand and deterioration in expectations and wages. The subdued pace of credit growth impacts WIMI's new business volume growth for credit related lines of business and linked to the bank's overall home loan and vehicle finance growth. Household finances remained under pressure with rising interest and higher indebtedness. Market volatility directly impacted the WIMI business, leaving a constrained environment for revenue growth. Performance was further impacted by slowing RBB volumes on the back of a weakening economic environment, coupled with operating environment challenges in rest of Africa.

South Africa's growth has been adversely impacted by electricity shortages and severe drought, although these have now started to ease.

Consumer demand, which is a prominent determinant of growth momentum, remains weak. Unemployment reached a 13-year high and rose to 27,1% at the end of the third quarter in 2016. This suggests household consumption expenditure will remain subdued in the near future, potentially adversely impacting WIMI's new business.

Fiscal policies remain under pressure from the risk of a ratings downgrade. Due to the continued increase of government debt and higher borrowing rates in the context of persistent low growth, South Africa has limited fiscal space. Changing regulatory environment continues to drive the market towards refocusing its distribution models and building alternative distribution channels, e.g. Retail Distribution Review (RDR). This impact was anticipated and the WIMI Distribution Advisory model adjusted accordingly. However, we will continue to evolve as further regulatory changes become effective.

Although WIMI has shown double digit revenue growth over the year under review, revenue expectations remain muted for the South African market. Heightened rest of Africa in-country competition is expected, as market share rather than top-line growth becomes the focus. WIMI and competitor strategic focus areas are similar, therefore pace and quality of execution remains a key differentiator.

Sub-Saharan Africa (SSA) also witnessed a weaker economic environment in 2016, with growth expected to be just 1,6% in 2016, barely half of the 2015 outcome and the weakest performance since the 1990s. Country-specific outcomes varied widely, however, with the regional aggregate being particularly impacted by the difficult environment faced in the two largest countries, South Africa and Nigeria. Excluding these two, average growth in the remaining sub-Saharan countries was just below 4%. Even that reflected a slowing from recent years, however, as economies faced a variety of headwinds including drought, weak commodity prices, FX shortages, and heightened policy uncertainty.

Exogenous factors such as weather related events, potential health related events (e.g. pandemic) as well as investment market returns and interest rates could impact WIMI returns. The last year has been difficult for many markets in SSA. Dramatic currency fluctuations, depressed commodity prices and sluggish demands from Africa's largest trade partners (Europe and China) have placed pressure on the region's economies. Mozambique faced an economic slowdown, downgrade in credit ratings, suspension of International Monetary Fund (IMF) emergency aid and sharp depreciation in their currency with uncertainty over the ability to honour its short-term repayment obligations. Kenya was faced with political tensions around the general elections. Zambia and Botswana's macroeconomic environments were impacted by commodity prices and increased inflation which adversely impacted credit lending.

Operating environment *(continued)*

In the long term, the continent remains an attractive destination for local and foreign investment, while infrastructure requirements and economic instability continues to inhibit short-term growth. Pressure on short-term growth will require continued adaptation of focus areas to withstand slower and more variable growth across SSA.

The local Collective Investment Schemes (CIS) industry doubled its Assets under Management to a record R2 trillion at the end of September 2016 in just over four years. The inflows experienced in the past year indicate that investors and their advisers are not too unsettled by recent political and economic events. Absa remained ranked in 8th position (including Money Market Fund assets) in the third quarter of 2016, with 4,8% market share and represents an opportunity for further growth.

Customers and clients are increasingly requiring more choice and are setting higher demands for financial services companies to deliver real-time interaction and solutions. These solutions need to cater to the real-time, ever evolving needs of the customer and client. Our banking partnership provides us with real-time and relevant customer and client engagement opportunities, which enables us to offer customer value when combined with quality advice and customer-led analytics capabilities.

Business performance

Our ambition is to be the leading provider of integrated non-banking financial services across Africa, delivering profitable growth, while partnering with Barclays Africa Group Limited and other partners on the continent. Our main effort remains gathering assets under management, growing premium income and protecting client assets enabled by a simple and efficient business.

We continue to make progress to execute against these areas, with key highlights being:

- As an important centre of excellence for non-banking financial services, we have capitalised on the **partnership with our main bancassurance partner, Retail and Business Bank,** while reaping various achievements:
  - RBB distribution leads improved with significant year-on-year growth;
  - Branch sales increasing considerably from the previous year; and
  - Higher delivery of integrated customer value proposition from standalone branch sales and the increased value per policy sold, resulted in an increase in Embedded Value of New Business.
- Our **Rest of Africa growth** ambition remains imperative for us. We have concluded the acquisition of First Assurance in Kenya and progressed with alignment of the Conduct, Risk and Control environments. Due to the continuation of the constrained economic climate, our expansion strategy is focused on opportunities that will maximise value, and deepening our presence while extracting value from our existing footprint. We have refocused our Africa strategy with the following key priorities: Enhanced claims control in short-term insurance businesses, exiting low scale unprofitable products, re-pricing unprofitable products where scale opportunities exist and exiting high cost channels by refocusing on bancassurance channels;
- In our Wealth Management business, we implemented a number of servicing initiatives that contributed to improved client engagement and this resulted in much improved interactions with our clients – the House-view solution funds experienced strong **Assets under Management growth**. The Investment Cluster has been able to be a net gainer of Assets under Management in an extremely volatile market environment. Most notably, there has been stronger collaboration with our Fiduciary business, facilitating the flow of assets, which demonstrates the strength of our business model;
- **Absa Life** had a successful year, with the Value of New Business increasing 21%. We successfully integrated Instant Life which provides us with enhanced online sales and underwriting capabilities. The business benefited from the significant increase in Branch sales reported;
- Our **South Africa Short-term Insurance business** officially concluded the sale of the Intermediated Commercial Lines operations a third party in Q4 2016. As part of our Citizenship drive, we provided R47m worth of Short-term Insurance claims to registered small and medium enterprises (SME) and coordinated several workshops towards SME financial management skills;
- Our **Fiduciary Services business** delivered solid earnings growth from a continued focus on executing on its core capabilities and received the highest NPS of 45% for the Trust business reflected a significant improvement from historical levels;
- We initiated and embedded a **customer-centric approach** to how we operate and have seen progress in our NPS improving from 28,4% to 30,7%. We ensured that our tailored marketing campaigns (including addressing 'Customer Lifestage Moments') profiled our products and services across the WIMI business and raised awareness of our overall offering;
- We continued to invest in our **data enablement and digital capabilities**. We delivered the WIMI One View Programme which will enable us to have a single view of the customer and improve our ability to engage and extract cross-sell opportunities. We have also launched a digital advice platform capability called Sky Agent Contact Centre, which will enable customers to interact virtually with us at their convenience. Furthermore, a digital geyser claims processing application was introduced on Absa On-line and mobile devices to facilitate the ease of customer processes. We will continue to innovate and invest in these capabilities to enable us to maximize value from our data assets and providing customer ease and effectiveness from digitization;

WIMI
for the reporting period ended 31 December

Business performance *(continued)*

- We are pleased to have been awarded with the following accolades during 2016:
  - Wealth Advisory Euromoney Survey 2016:
    - Ranked number 2 for Family Office Services; and
    - Ranked number 3 for Best Private Banking services for high net worth individuals (up from a previous ranking of number 6);
  - Barclays Life Botswana celebrated its five-year anniversary in Botswana and also became the third largest insurer in Botswana;
  - Instant Life awarded the Frost & Sullivan 2016 South-African Life Insurance Customer Value Leadership Award;
  - Absa Stockbrokers improved by six rankings in South Africa's Top Stockbroker of the Year Survey;
  - The Investment Management marketing advert was nominated as one of the hundred 'Most Influential Global Marketing Leaders listings';
  - The Investment Cluster awarded two Raging Bull Awards, with the Absa Property Equity Fund and Absa Multi-Managed Bond Fund taking top honours in their respective categories;
  - Absa Insurance Company awarded the Household Content Insurance Award at the prestigious Ask Africa Icon Brands Survey for 2016/17;
  - National Business Awards: Absa Life awarded the 2016 Certificate of Excellence for the second consecutive year in this category – Innovation through Technology Award;
  - Absa Consultants and Actuaries (ACA) received the PMR.Africa Silver Arrow Award in the category Consulting and Actuarial Firm and the Leader and Achiever category for large Pension Fund Administrators and Consultants; and
  - Our Multi Management Team was awarded the Morningstar for the best bond fund for the second year in a row.

Financial performance

Pressure on economic growth in South Africa and a slowdown in growth on the African continent outside South Africa continued to persist. WIMI's headline earnings declined by 4% to **R1,399m** (2015: R1,452m), mainly impacted by higher levels of reserving, expansion costs in Kenya, termination of the Agricultural Crop business and higher claims ratios. Excluding the impact of the Agricultural crop business, **headline earnings** for our **continued lines of business declined by 1%**.

Despite tough operating conditions WIMI recorded strong growth with net premium increasing by 11% and investment income from shareholder funds increasing by 43%. The growth in premiums and investment income were offset by an increase in policyholder liabilities attributable to increased new business strain, changes in valuation methodology in Kenya and Mozambique and increased unit cost assumptions in Botswana.

Key features impacting our **continued lines of business** include the following:

- We have made progress to **improve sales** between RBB and WIMI with particularly strong growth reported for insurance policies sold though the Branch channel. Increased Branch volumes combined with pricing increases and our focus on improving penetration into the core middle market (higher value) Bank customer base has resulted in an increase in the average embedded value per policy generated. **Embedded value of new business increased by 21%** in the period under review;
- **Life insurance South Africa** achieved strong headline earnings growth of 19% on the back of a 10% net premium income growth and a deferred tax asset of R55m (net impact) being recognised due to the change in the insurance tax legislation. The results also include the performance and associated integration costs of Instant Life which was consolidated from 1 April 2016;
- We have delivered benefits from building out our investment management capabilities by **growing assets under management and administration** by R14bn to **R288bn** (2015: R274bn). The growth in assets under management was driven mainly by net institutional flows of R7bn, money market net flows of R9bn and market appreciation of R1bn partially offset by retail outflows of R3bn;
- Building out our **bancassurance competencies on the African continent** has contributed to a 42% growth in net premium income. Headline earnings declined by 329% to a **R112m loss** (2015: R49m profit), largely due to higher levels of actuarial reserving in Mozambique and Barclays Life Kenya (associated with a change in valuation methodology) and higher new business strain. Barclays Life Botswana, Barclays Life Zambia and Mozambique earnings declined due to continued strain on credit lending by the respective RBB partner banks and lower Group Life profitability. However, growth in standalone insurance sales continued to gain momentum with the addition of the 3rd party sales channels and better productivity from the Bank branch kiosk sales;
- Headline earnings for the **South African Short-term Insurance (continuing business lines)** increased by 17% to **R220m** (2015: R188m) with an underwriting margin of **4,3%** (2015: 4,6%). Net insurance premium income increased by 2%, offset by higher claims experience compared to 2015 from Personal lines and Direct lines of business. Earnings growth was assisted by an increase in investment returns on shareholder assets due to favourable bond yield movements. In line with our strategic intent, we concluded the sale of our commercial intermediated business, the effective date of transfer of this business was 1 November 2016;
- **Other** includes WIMI shareholder investment portfolios which were adversely impacted by currency and market movements (R106m) specifically on the Africa Equity Fund;

Financial performance *(continued)*

- Overall operating expenses increased by 11% to **R3,215m** (2015: R2,899m). Operating expenses for **South Africa** being contained at a 6% growth, while operations in the Rest of Africa recorded an increase of 70% to **R383m** (2015: R225m). This was mainly due to investments undertaken to implement our African expansion strategy and costs associated with integrating First Assurance operations. Excluding the impact of foreign exchange translations (9%) operating expenses for rest of Africa increased by 61%; and
- **Income from shareholder funds** increased by 43% to **R330m** (2015: R230m). This was mainly driven by strong growth in Life SA and the Investment cluster which were assisted by fixed income returns.

Life insurance

Pan African Life insurance headline earnings increased by 7% to **R848m** (2015: R794m), while net premium income increased by 10% to **R3,141m** (2015: R2,851m). Strong earnings growth in South Africa was partially offset by the decline in earnings in Rest of Africa which were negatively impacted by the alignment of reserves in Kenya, higher unit costs in Botswana and the impact of increased new business strain.

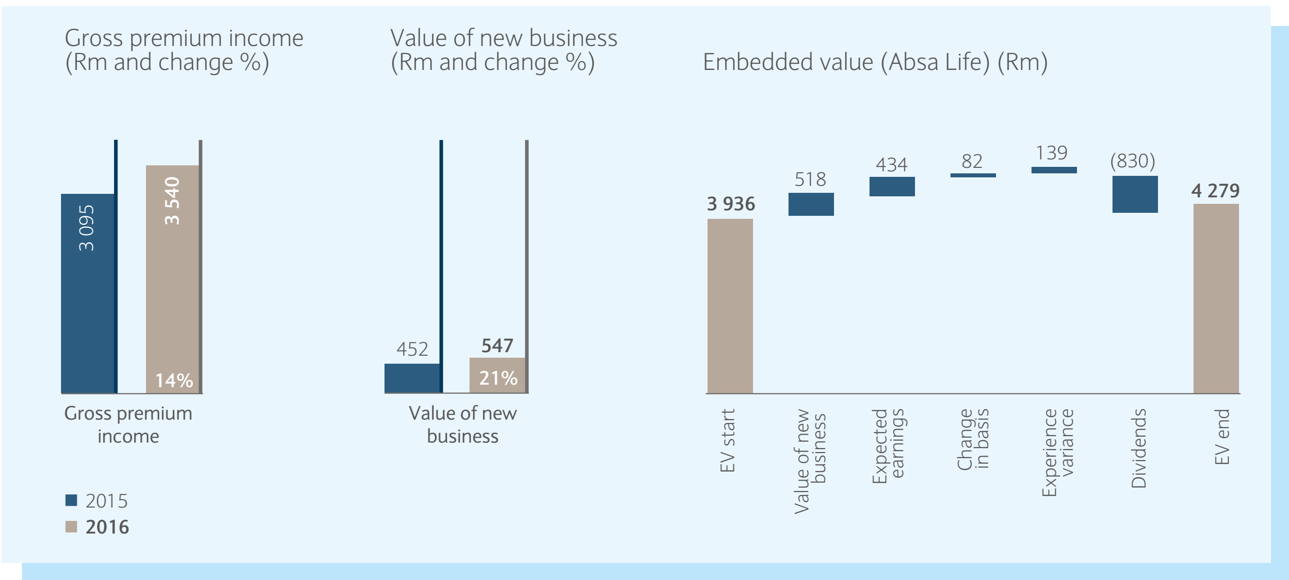
EVNB increased by 21% mainly due to growth in insurance sales from RBB branches, an increase in the value per policy for unsecured credit protection and higher demand for guaranteed investment products. Further improvement in sales of standalone policies remained the focus taking into account the expected slowdown of lending momentum in South Africa.

Operating expenses increased by 27% to **R538m** (2015: R424m), mainly attributed to costs associated with the acquisition and integration of Instant Life and our expansion into Kenya (R16m).

Headline Earnings for the **South African business** increased by 19%. Net premium income increased by 10% to **R2,679m** (2015: R2,442m), mainly attributed to increased Group Scheme business, improved premium collection on the funeral product and significant growth in branch funeral sales. Income tax expenses were favourably impacted by an increase in deferred tax assets in response to forecasted increased utilisation of the deferred tax asset in future periods.

Income from shareholder funds increased by 43% to **R80m** (2015: R56m) as a result of the improved performance in the bond markets in 2016. Operating expenses increased by 18% to **R407m** (2015: R345m) due to the acquisition and inclusion of Instant Life's operating expenses (included from April 2016).

Rest of Africa reported a loss in Headline earnings for the current reporting period at **R32m** (2015: R52m profit). Changes in valuation methodologies were required in the first half of the year to align to changes in regulation and Group-wide valuation practices. The change in methodology, higher unit costs and increased new business strain has resulted in a transfer of **R70m** for the current reporting period (2015: R0m). Revenue in the Rest of Africa continued to show growth for the period with an increase in net premium income of 13% to **R462m** (2015: R409m). This is largely due to the inclusion of Barclays Life Assurance Kenya, a greenfield start up entity which commenced operations in May 2015. Barclays Life Botswana and Barclays Life Zambia reported lower levels of premium year on year due to the continued strain on credit lending by the respective RBB partner banks and lower Group Life uptake. Growth in standalone insurance sales continues to gain momentum with the addition of the 3rd party sales channels and better productivity from the Bank branch kiosk sales.



WIMI
for the reporting period ended 31 December

Business performance *(continued)*

Life insurance (continued)

Salient features	2016	2015	Change %
Shareholders' net assets (Rm)	**1 369**	1 402	(2)
Cost of solvency capital (Rm)	**(283)**	(218)	30
Value of business in force (Rm)	**3 763**	3 158	19
Embedded value (Rm)	**4 850**	4 342	12
Embedded value earnings (Rm)	**1 450**	923	57
Return on embedded value (%)	**33,4**	22,7	
Return on embedded value (excluding impact of acquired earnings) (%)	**26,8**	22,7	
EVNB (Rm)	**547**	452	21
Value of new business as a percentage of the present value of future premiums (%) (gross)	**5,0**	5,9	

Wealth and Investments

Wealth and Investments achieved satisfactory results with headline earnings increasing by 5% to **R449m** (2015: R426m). Wealth and Investments comprises the Investment cluster (Asset Management, Investment Management Services, Multi Manager, Fund Managers and Alternative Asset Management) and Wealth Management cluster (Wealth Advisory and Stock Portfolio Management).

Investment Cluster

The **Investment** cluster achieved solid growth in assets under management of 5% (R14bn). The increase to **R288bn** (2015: R274bn) was driven by growth in net institutional flows of R7bn and money market flows of R9bn partly offset by retail outflows of R3bn. Headline Earnings increased by 9% to **R384m** (2015: R353m), a 7% growth in revenue was partially offset by a 7% increase in costs, from the annualised impact of senior hires recruited in the latter part of 2015.

The Investment Cluster won two Raging Bull Awards, with the Absa Property Equity Fund and Absa Multi-Managed Bond Fund taking top honours in their respective categories

Salient features – Investments cluster	2016	2015[1]	Change %
Headline earnings (Rm)	**384**	353	9
Net flows (Rbn)	**13**	5	>100
Money market	**9**	2	>100
Non-money market – retail	**(3)**	(7)	(57)
Non-money market – institutional	**7**	10	(30)
Net assets under management and administration (Rbn)	**288**	274	5

Salient features	2016	2015	Change %
Assets under management and administration (Rbn)	**288**	274	5
Exchange Traded Funds (ETF)	**28**	31	(10)
Money market	**64**	55	16
Non-money market	**204**	196	4
Intra-segment eliminations	**(8)**	(8)	—
Alternative asset management and exchange-traded funds (Rbn)	**75**	90	(17)
Deceased estates	**3**	2	50
Other	**25**	13	92
Portfolio management	**32**	39	(18)
Trusts	**4**	3	33
Unit trusts	**149**	127	17
Total	**288**	274	5

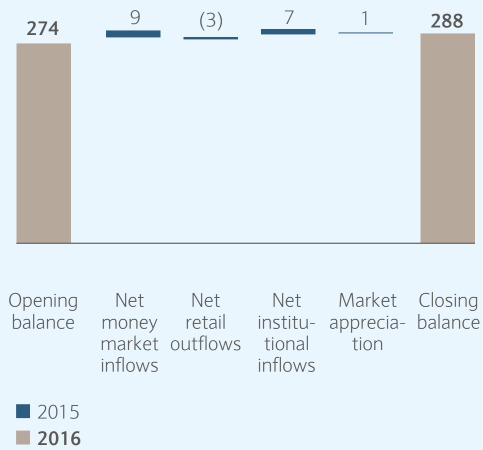
Note

[1] These numbers have been restated, refer to the reporting changes overview on the inside front cover.

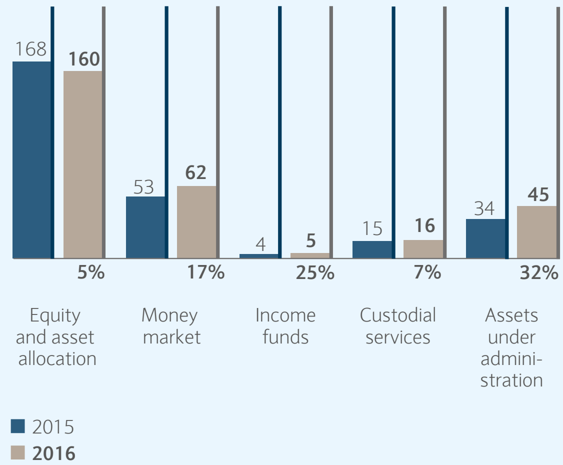
Business performance *(continued)*

Wealth and Investments (continued)

Movement in assets under management and administration (Rbn)



Composition of assets under management and administration (Rbn and change %)



Wealth Management

Headline earnings for the **Wealth Management** cluster declined by 11% to **R65m** (2015: R73m), as a result of a 2% decline in revenue and higher impairments relative to prior year. Costs were well contained for the year remaining in line with the prior year. Net interest income increased by 5% relative to the prior year. The decrease in revenue is attributable to the decline of 10% in non-interest income from lower transactional activity as a result of the difficult economic climate in 2016.

The Wealth Family Office came 2nd in the Intellidex SA's Top Private Bank Award in the categories of 'Services to Internationally Wealthy Families' and 'Wealthy Executives'.

Salient features – Wealth management cluster	2016	2015	Change %
Headline earnings (Rm)	**65**	73	(11)
Gross operating income (Rm)	**522**	534	(2)
Net interest income	**291**	272	5
Non-interest revenue	**231**	261	(10)
Credit impairments (Rm)	**(10)**	5	<(100)
Average loans and advances to customers (Rbn)	**5,7**	5,4	6
Client assets (Rbn)	**5,1**	5,2	(2)

Short-term Insurance

Pan Africa Short-term Insurance achieved headlines earnings of **R224m** (2015: R237m), a decline of 5% on the previous reporting period. Net insurance premium income increased by 10%, while underwriting margin declined to **0,1%** (2015: 4,9%), mainly due to a deterioration in the loss ratio to **71,9%** (2015: 67,8%).

Higher levels of claims were experienced in South Africa, while the rest of Africa operations were impacted by higher levels of claims estimates (R30m) in Mozambique due to change in methodology and higher claims experienced across the medical and motor portfolios. The personal lines underwriting surplus decreased to **R657m** (2015: R684m) due to higher than expected claims experience of **70,9%** (2015: 56,9%), while the commercial claims ratio deteriorated to **76,2%** (2015: 70,1%).

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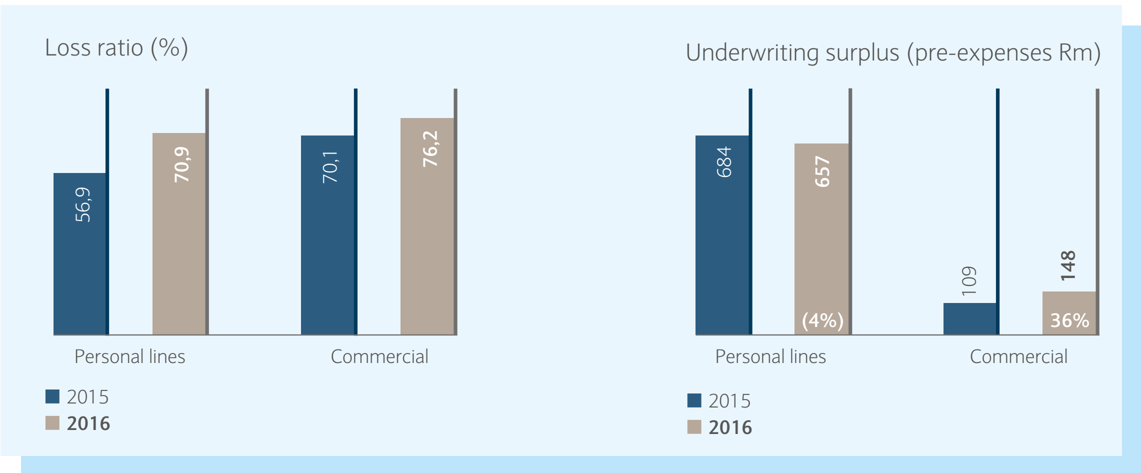
Business performance *(continued)*

Short-term Insurance (continued)

Headline earnings for the **South African continuing lines of business** increased by 17% to **R220m** (2015: R188m) with an underwriting margin of **4,3%** (2015: 4,6%). Net insurance premium income increased by 2% to **R2,940m** (2015: R2,884m). The business renewed its strategic focus on the bancassurance business which resulted in an improvement in the bancassurance premium growth. We are in the process of developing new Commercial Bancassurance products to support our growth and improve the value proposition to the customer base within business banking segment. The growth in premium has, however, been offset by higher claims experience compared to 2015 from Personal lines and Direct lines of business. The industry experienced a number of weather related catastrophe events this year, the impact of which was well contained due to the relief received from the reinsurance program. Initiatives to mitigate the impact of claims losses are underway in the business. We were successful in efficiently managing our cost base which increased marginally when compared to the previous reporting period, but was well below inflation. As part of our strategic intent to focus on core bancassurance products, we concluded the sale of our commercial intermediated business. This business has historically been a poor performing line of business, mainly as a result of high competition in the market, and resultant pressure on annual premium price increases, lack of scale to absorb large claims and a high cost of capital. The effective date of transfer of this business was 1 November 2016.

Operations in the **rest of Africa** reported a 92% decline in headline earnings to **R4m** (2015: R49m). The decline in headline earnings was mainly attributed to a deterioration in the claims ratio across the rest of Africa to **82%** (2015: 59%). The claims ratio deterioration was driven by the medical book in Kenya and the motor book across the rest of Africa. In addition to this, the alignment of the reserving methodology in Mozambique negatively impacted the loss ratio by 5%. The rest of Africa operations achieved strong net premium income growth of 76% year on year primarily due to the annualisation impact of the First Assurance acquisition in November 2015.

Salient features	**2016**	2015	Change %
Headline earnings (Rm)	**224**	237	(5)
Net premium income (Rm)	**3 576**	3 246	10
Underwriting surplus (Rm)	**494**	511	(3)
Underwriting margin (%)[1]	**0,1**	4,9	
Loss ratio (%)	**71,9**	67,8	
Solvency margin (%)	**43,8**	51,2	
NAV (Rm)	**1 566**	1 662	(5)



Fiduciary Services

Headline earnings increased by 9% to **R149m** (2015: R137m).

Absa Trust continued to be a significant cash-generating business and reported a 13% increase in headline earnings to **R97m** (2015: R86m). A return on equity of 115% was achieved and the business delivered attractive returns in line with our target range. The business showed strong growth in new wills written in the high-net-worth segment and achieved flows of R12bn in Trust assets under management. Revenue from the Trust division increased by 11% while the Estate revenue increased 1% compared to the prior year as a result of new business inflows and additional estate distributions. Expenditure had a growth rate of only 3% against the prior year.

Employee Benefits' headline earnings increased by 2% to **R52m** (2015: R51m) due to the streamlining of business processes and the implementation of best practices. The business received the PMR Africa Silver Arrow award in the category Consulting and Actuarial firm as well as the PMR Africa Leaders and Achievers Silver Arrow award for Large Pension Fund Administrators and Consultants. The business continued to deliver strong returns achieving a return on average equity of 38%. New business of R18m was secured for the reporting period under review.

Note

[1] Underwriting margin is reported before adjusting for the once-off systems impairments and excludes agricultural crop business reported under 'Terminating lines of business'.

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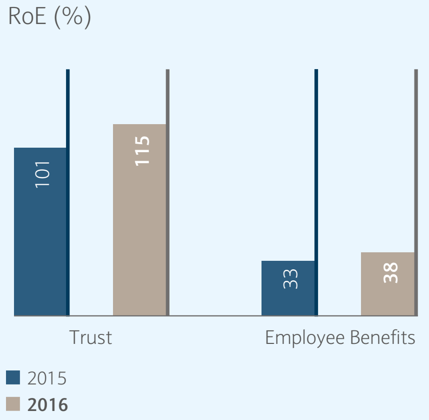
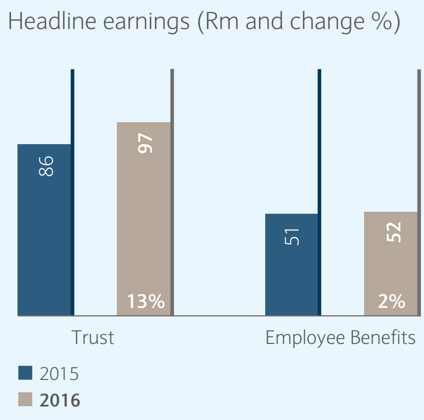
The focus of Fiduciary Services has shifted to maximise its contribution to the Group through executing cross-sell opportunities and enhancing Group value created from customer/client relationships. The business continued to deliver annuity revenue and generated net new assets under management from cross-sell opportunities of R443m and R1bn respectively. The total assets under management book contribution to the Group amounts to R25bn.





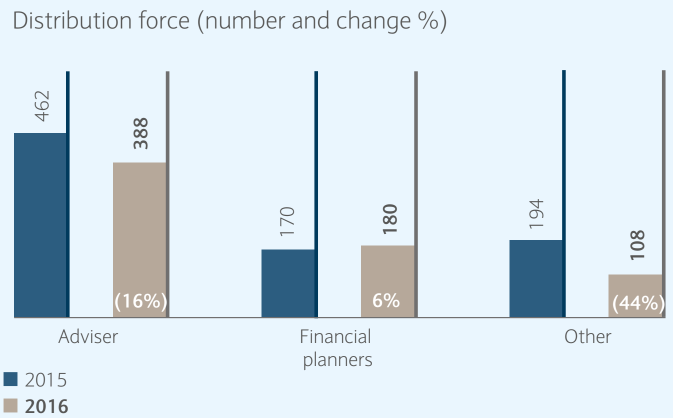
Salient features	2016	2015	Change %
Headline earnings (Rm)	**149**	137	9
Average value of estates distributed (R'000)	**1,483**	1 410	5
Net assets under management (Rbn)	**12,1**	13,4	(10)
Third party	**3,7**	5,1	(27)
Investments	**8,4**	8,3	1

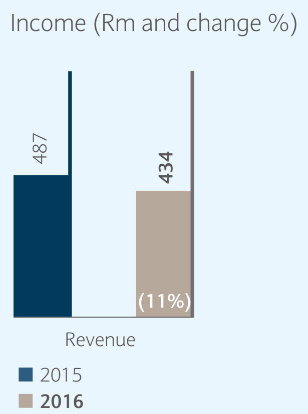
Distribution

In spite of challenging economic conditions and further adviser attrition, Distribution generated value to our product houses in the form of R200m net asset flows into Wealth and Investment Management funds, R120m of embedded value to Life Insurance from new policies and R907m premium income from Short-term Insurance business placed by advisers. Distributions' **net revenue declined by 11%** mainly due to a declining adviser footprint. Advisers remaining in the business achieved year on year growth of 10% showing strong productivity. Total net revenue was, however, supported by continuing growth delivered in our direct distribution business.

Remuneration paid to our sales force as a percentage of gross revenue **decreased by 2%** to **58%** (2015: 59%). Operating expenses declined by 4% to **R457m** (2015: R475m) due to a continued focus to rationalise costs post-implementation of the revised operating model. The net impact of savings made in operating expenses and commission expenses, combined with muted sales volumes, resulted in **headline earnings** of **R52m** (2015: R9m) for the reporting period.

We are focusing on developing our Digital distribution capability, further embedding system capabilities to ensure a seamless front-end experience for our adviser force and strengthening our regional leadership capability through focused programmes. We also anticipate further business changes to be required to ensure complete alignment with the latest RDR developments.





WIMI
for the reporting period ended 31 December

Other

Salient features	2016	2015	Change %
Headline earnings (Rm)	**(297)**	(166)	79
Consolidation entries	**(7)**	18	(139)
Shareholder expenses	**(131)**	(119)	10
Shareholder investment returns	**(233)**	(89)	162
Taxation	**74**	24	208

Other includes WIMI's head office, consolidation entries, shareholder expenses and shareholder investment portfolios.

Headline earnings declined by 79% to a loss of **R297m** (2015: R166 loss). This was mainly due to a 10% increase in shareholder expenses allocated from Group and a decline in returns from our shareholder investment portfolio which were adversely impacted by currency and market movements (R106m) specifically from Africa Equity Investments.

Terminating lines of business

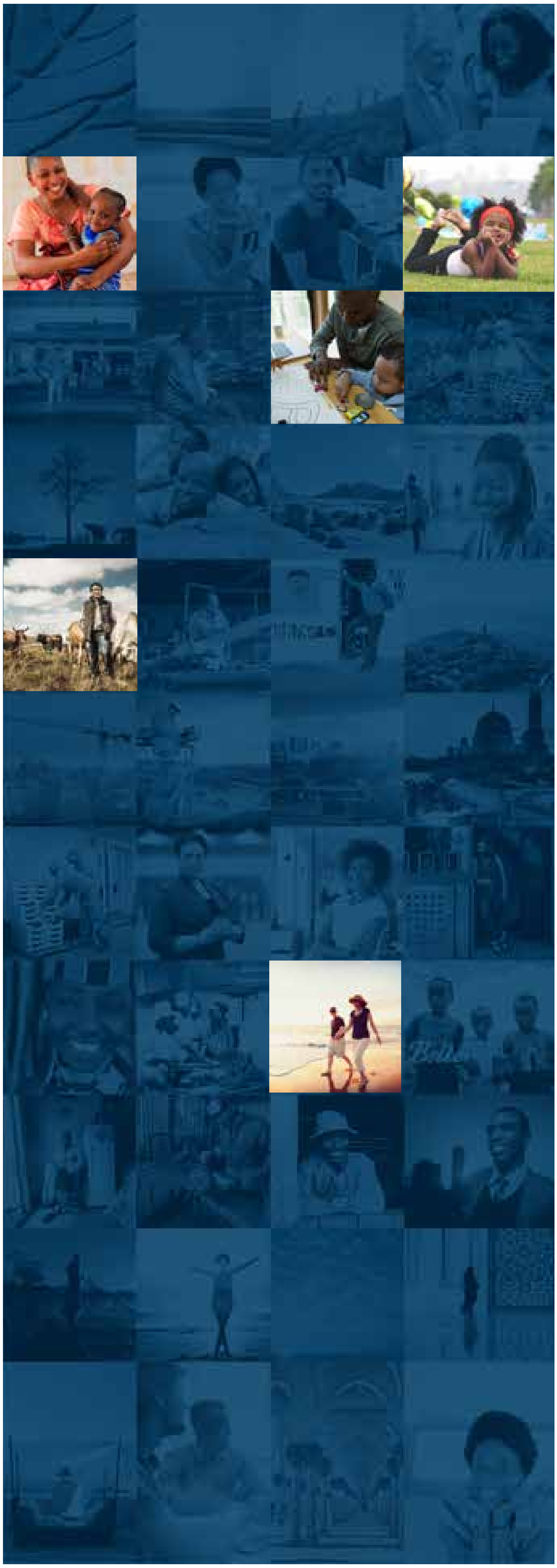
The exit of the Agricultural Crop business during 2015 was successfully implemented assisting with the reduction in the claims volatility. For the 2015/2016 season, all policies were underwritten by the acquirer. The erstwhile Absa Insurance crop team formed an independent Underwriting Management Agency and continues to offer their services to Absa clients and the crop insurance market in general.

Salient features	2016	2015	Change %
Net premium income (Rm)	**(16)**	(79)	(80)
Headline earnings (Rm)	**(26)**	15	<(100)
Underwriting surplus (Rm)	**(26)**	21	<(100)
Loss ratio (%)	**(60,1)**	59,0	
Solvency margin (%)	**(234,0)**	81,3	
NAV (Rm)	**38,3**	64,5	(41)

Looking ahead

In driving our main effort of gathering Assets under Management, growing premium income through protection of client assets, enabled by a simple and efficient business, we will continue to focus on the following strategic priorities:

- Build on **Retail and Business Banking (RBB) integration** successes and accelerate progress to deliver seamless customer engagement and enablement through customer value propositions in response to customer lifestage journeys;
- Consolidate **Rest of Africa growth** by focusing on extracting greater value from the existing footprint while simplifying and ensuring greater empowerment within the business model. Align closer with Bank partners on the continent to maximise the bancassurance model;
- Continue to grow and retain **premium flows** (risk) and **Assets under Management** (investments);
- Leverage **internal and external distribution channels** to maximise new business and flows;
- Increase investment in capabilities **(Customer, Digital, Data)** to support competitive market positioning and achieve targeted growth;
- Optimise **technology to drive operational efficiencies and automation** through the use of Robotics and upgrading of core platform environments;
- Improve **market visibility** to build awareness of our wider range of offering (Bank • Invest • Insure) to attract new customers with WIMI products;
- Attract and retain **top talent as a high performance organisation**, living the **WIMI culture** of 'owning it', 'doing it' and 'taking account'; and
- Embed a robust **risk and control environment**.



Risk management

Risk management overview
for the reporting period ended 31 December

Effective risk management and control is essential for sustainable and profitable growth

The role of risk management is to evaluate, respond to, and monitor risks in the execution of the Group's strategy. It is essential that the business growth strategy is supported by an effective Enterprise Risk Management Framework (ERMF). Business culture is closely aligned to that of risk. The Risk Function retains independence in analysis and decision-making.

The approach to managing risk is outlined in the ERMF. It provides the basis for setting policies and standards, and establishing the appropriate risk 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 identified and managed. It also ensures that appropriate responses are in place to protect the Group and its stakeholders.

The ERMF includes those risks taken by the Group that are foreseeable and material enough to merit establishing specific group-wide control frameworks. These are known as key risks and are grouped into five principal risks.

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:

- Originate and own risk, and implement controls (first line);
- Oversee and challenge the first line, providing independent risk management activity and controls (second line); and
- Provide assurance that 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, whilst promoting collaboration and the flow of information between all areas.

The ERMF is reviewed and approved annually by the Board, on recommendation after detailed scrutiny of it by the GRCMC.

Current reporting period review

Overall performance continued to be sound with all risk and capital measures remaining within the Board-approved risk appetite. Key highlights included:

- The bank is operating in a challenging macroeconomic environment which is continuing to put pressure on consumers and businesses.
- Gross loans and advances to customers increased by 2,7% year on year, reflecting challenging economic conditions. There was good growth in South African Wholesale portfolios, while South African Retail portfolios were flat, to a large extent due to a small decline in the mortgage portfolio. There was a decline in the Rest of Africa portfolios, due to foreign currency movements (2,7% increase excluding forex).
- The credit loss ratio increased to 108 basis points (December 2015: 92 basis points) and impairment charges increased to R8,8bn (December 2015: R6,9bn). Increased impairment charges are due to deterioration across most retail portfolios in South Africa and Rest of Africa, as well as some single name defaults in wholesale banking. Additional macroeconomic provisions (R283m) raised due to the increasingly challenging macroeconomic environment also contributed to the increase.
- Non-performing loans as a percentage of loans and advances to banks and customers increased to 3,9% (December 2015: 3,5%). NPL coverage improved to 44,2% (December 2015: 43,2%).
- Overall coverage on performing loans increased to 79 basis points (December 2015: 65 basis points).
- Market risk exposures remained within overall risk appetite.
- Total operational risk losses were higher than in 2015. As anticipated, the main contributors to operational risk losses were transaction processing and payment related issues as well as fraud, comprising 49% and 37% respectively.
- The Group's capital and liquidity positions remained above the minimum regulatory limit and the Board-approved Common Equity Tier 1 (CET1) target range.
- Short and long-term insurance risk was managed within approved risk appetite levels.
- The Group implemented and embedded an approach to the management of conduct risk.

Future priorities

- Continue to monitor the effect of the separation from Barclays PLC on BAGL's risk profile, evident through elevations in some operational risks.
- Continue to monitor the global economy and the effects of socio-economic challenges in key markets (e.g. South Africa, Ghana and Mozambique).
- Continue to monitor material changes in developed markets (e.g. Brexit and US policy changes).
- Regularly review and alter risk appetite (where appropriate or necessary) to take account of global and local macroeconomic conditions.
- Continue to focus on technology risk, fraud risk (including cybercrime) and anti-money laundering.
- Enhance conduct risk management controls, tools and reporting.
- Increase focus on data and model initiatives arising from regulations (e.g. BCBS 239, and IFRS 9).
- Continue to enhance our scenario development and stress testing processes.
- Meet the insurance regulatory Solvency Assessment Management requirements (Pillars 1, 2 and 3).

Future priorities *(continued)*

- Balance exposure between, and within, life and short-term insurance to allow for better diversification and optimal risk-adjusted returns.
- Embed enhanced Risk Measurement tools and models to optimise extensive use of Economic Capital metrics.
- Insurance risk will be elevated from a key risk under market risk to a principal risk under the ERMF in Q1 2017.
- Embed insurance risk as a principal risk, and implement appropriate controls in the Rest of Africa insurance entities.
- The Own Risk and Solvency Assessment (ORSA) report under the Solvency Assessment and Management (SAM) comprehensive parallel run will be submitted to the Financial Services Board in Q2 2017.

Risk appetite

Risk appetite and stress testing are key components of the Group's management of risk and are embedded as part of the strategic planning process. The risk appetite statement describes and measures the amount and types of risk that the Group is prepared to take in executing its strategy. The Group's risk appetite framework combines a top-down view of capacity to take risk with a bottom-up view of the risk profile associated with each business area's plans.

Risk appetite key indicators and triggers

The Group manages its risk profile in a forward-looking manner through a trigger and management action framework, which has been reviewed and strengthened. Key indicators and triggers have been developed to serve as an early warning system. The indicators include, *inter alia*, economic indices directly correlated with risk measures and key financial indicators. The indicators and triggers have been implemented at Group, Business Unit, country, and product levels, and are regularly monitored by management and reported to the GRCMC on a quarterly basis.

Risk trigger and management framework

Indicators

- Credit loss ratio (%)
- Impairment charge (Rm)
- Profit before tax (Rbn)
- Risk-weighted assets (%)
- Return on risk-weighted assets (%)
- Common Equity Tier 1 ratio (%)
- Return on equity (%)
- Loans and advances growth (%)
- Insurance short-term loss ratio (%)
- Life insurance new business margin (%)

Risk budget ie planned risk appetite used based on budget.

Risk triggers ie early warning system measuring increased use of risk appetite and triggers management action.

Risk appetite ie maximum value placed at risk in pursuit of business objectives.

Stress testing

Stress testing is a key element of the Group's integrated planning and risk management processes. Through the use of stress testing and scenario analysis, the Group is able to assess the performance of the Group's portfolios in the expected economic environment and also evaluate the impact of adverse economic conditions.

Actual market stresses, which have been experienced throughout the financial system in recent years, have been used to inform the Group's capital planning process and enhance the stress scenarios employed. The Group takes into account the results of all such stress testing when assessing its internal and regulatory capital requirements including the setting of capital and liquidity buffers.

The GRCMC exercises governance oversight and approval authority over stress testing results.

Risk management overview
for the reporting period ended 31 December

Risk appetite *(continued)*

Three lines of defence

BAGL applies a 'three lines of defence' model to govern risk across all segments and functions. The ERMF establishes segregated responsibilities to each line of defence.

› **First line:** process and control owners in customer and client-facing business segments and select Group functions. They are responsible for managing risk and control in their processes on an end-to-end basis.

› **Second line:** independent risk, compliance, legal and control functions which formulate the policies and standards for managing risk and control and ensure, through reviews, that the first line meets the requirements of the policies and standards.

› **Third line:** internal and external audit functions that confirm, through control testing and other reviews, that the first and second lines execute their responsibilities in an effective and consistent manner.

All employees take responsibility for their role in risk management, regardless of position, function or location. They are required to be familiar with risk management policies relevant to their activities, must know how to escalate actual or potential risk issues, and have a role-appropriate level of awareness of the ERMF, risk management process and governance arrangements.

Evaluate, respond and monitor

This is a structured, practical and easy-to-understand risk management approach for management to identify and assess the risk, determine the appropriate response, and then monitor the effectiveness of the response and the changes to the risk profile.

› **Evaluate:** Individuals, teams and departments, including those responsible for delivering the objective under review, identify and assess the potential risks.

› **Respond:** The appropriate risk response ensures that risks are managed within risk appetite, as follows:
- Accept the risk, but take necessary mitigating actions such as using risk controls.
- Stop an existing activity, or do not start a proposed activity.
- Continue, but transfer risks to another party e.g. insurance.

› **Monitor:** This includes ensuring risks are maintained within risk appetite and verifying that controls are functioning as intended, and remain fit for purpose. It can prompt re-evaluation of the risks and/or changes in responses.

Credit risk

The risk of suffering financial loss due to a borrower, counterparty to a derivative transaction, or an issuer of debt securities defaulting on its contractual obligations.

			2016		
	YoY trend	Group		Wholesale[1]		Retail
Growth in gross loans and advances[2] (%)	▽	2,7	▽	7,8	▽	(0,8)
Credit loss ratio (%)	△	1,08	△	0,63	△	1,54
Non-performing loans as a percentage of gross loans and advances(%)	△	3,9	△	2,8	△	5,2
Non-performing loans coverage ratio (%)	△	44,2	△	29,0	=	31,3
Performing loans coverage ratio (%)	△	0,79	△	0,61	△	1,01
Growth in EAD[3, 4] (%)		6,19		7,03		5,26
Weighted average PD (%)[4]	△	2,36	△	1,00	△	3,98
Weighted average LGD (%)[4]	▽	28,57	▽	30,58	▽	26,18
Risk-weighted assets (RWA) as a percentage of EAD (%)[4]	▽	43,53	△	46,12	▽	40,63

Notes

[1] Wholesale incorporates CIB, BB and WIMI for South Africa and Rest of Africa.
[2] Customers.
[3] Include trading book and banking book credit exposure.
[4] The percentages include only portfolios subject to the IRB approaches.

Credit risk *(continued)*

		2015	
	Group	Wholesale[1]	Retail
Growth in gross loans and advances (%)[2]	10,4	22,9	3,2
Credit loss ratio (%)	0,92	0,48	1,31
Non-performing loans as a percentage of gross loans and advances (%)	3,5	2,7	4,7
Non-performing loans coverage ratio (%)	43,2	26,9	31,3
Performing loans coverage ratio (%)	0,65	0,53	0,85
Growth in EAD[3,4] (%)	6,57	11,57	1,54
Weighted average PD (%)[4]	1,96	0,97	3,09
Weighted average LGD (%)[4]	30,49	31,17	30,58
Risk-weighted assets (RWA) as a percentage of EAD (%)[4]	44,57	45,60	43,44

- Loans and advances: Growth in gross loans and advances to customers moderated to **2,7%** (4,5% if movements in FX rates are eliminated). In South Africa, solid growth was seen in the Business Bank and Corporate and Investment Bank portfolios, while the Retail portfolio remained flat overall. Notably, the home loans portfolio decreased by 2% during the year. The growth in South African Wholesale banking was offset by a decline across the Rest of Africa businesses.
- Impairments: The credit loss ratio deteriorated to **108 bps** (December 2015: 92 bps). The retail credit impairment charge increased to **R6 590m** (December 2015: R5 451m) due to deterioration across most retail portfolios in South Africa and Rest of Africa, and additional macroeconomic provisions of R141m. The deterioration in retail credit performance in South Africa can be ascribed to increased pressure on consumers as a result of the weakening macroeconomic environment. The wholesale credit impairment charge increased to **R2 197m** (December 2015: R1 431m) mainly due to new single name impairments in CIB, Business Bank and Rest of Africa and additional macroeconomic provisions of R220m.
- Non-performing loans (NPLs): The balance of Retail NPLs increased by 9,8% due to higher roll into late arrears. The balance of Wholesale NPLs increased by 14,6% due to new defaults in the consumer sector and Rest of Africa. NPLs as a percentage of gross loans and advances increased to **3,9%** (December 2015: 3,5%) as a result of the higher NPL balances and restrained book growth. The NPL coverage ratio increased overall to **44,2%** (December 2015: 43,2%).
- Performing coverage: Performing coverage increased further to **0,79%** (December 2015: 0,65%) due to additional macroeconomic provisions of R283m raised during the year, as well as increased early arrears. This is against the backdrop of the increasingly challenging macroeconomic environment in which the bank operates.
- EAD/PD/LGD: PDs in the Retail portfolios increased, while LGDs decreased as a result of new model implementations across all Retail portfolios. EAD growth in Retail IRB portfolios is due to new EAD model implementations and reclassification of SME Corporates to SME Retail, while growth in Wholesale IRB portfolios is due to growth in Corporate and Sovereign exposures, offset by a reduction in exposure to banks.
- RWA as a percentage of EAD: The result of lower LGD levels in the Retail portfolios and continuing capital optimisation exercises resulted in lower RWA intensity levels.

Future priorities

- To continue to identify and actively manage credit risk trends and opportunities.
- Continue to refine and enhance the embedment of credit risk appetite throughout the Group to ensure continued alignment of business strategy with credit risk appetite.
- Focus on data and systems as enablers of efficient credit risk management.
- Closely monitor the macroeconomic environment and emerging risks, and implement agreed management actions when required.

Notes

[1] Wholesale incorporates CIB, BB and WIMI for South Africa and Rest of Africa.
[2] Customers.
[3] Include trading book and banking book credit exposure.
[4] The percentages include only portfolios subject to the IRB approaches.

Risk management overview
for the reporting period ended 31 December

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.

- Traded market risk: The risk of the Group being impacted by changes in the level or volatility of positions in trading books, primarily in investment banking.
- Non-traded market risk: The risk of the Group's earnings or capital being reduced due to the market risk exposure from banking book positions which may arise net of hedging activities.
- Insurance risk: Insurance risk is the risk that future claims, expenses, policyholder behaviour and investment returns may be adversely different to the allowances made in measuring policyholder liabilities and in product pricing.
- Pension risk: The risk that an adverse movement between pension assets and liabilities results in a pension deficit.

	YoY trend	2016	2015
Average traded market risk – daily value at risk (Rm)[1]	▽	26,8	27,0
Traded market risk regulatory capital (Rm)	△	2 889	2 501
Banking book annual earnings at risk for a 2% interest rate shock (% of Group net interest income)	△	<6%	<6%
Insurance short-term loss ratio (%) South Africa only	△	71,3	69,4
Life insurance new business margin (%) South Africa only	▽	5,0	5,5

- Traded market risk: Trading exposures were managed within overall risk appetite and the trading business remained resilient despite macroeconomic conditions.
- Non-traded market risk: The Group remained positively exposed to increases in interest rates after the impact of hedging. Interest rate risk management in Rest of Africa remains challenging due to the relative unavailability of appropriate derivative instruments with which to hedge.
- Insurance risk: The ORSA report under the SAM comprehensive parallel run will be submitted to the Financial Services Board in Q2 2017. As at 31 December 2016, Absa Financial Services had submitted two ORSA reports to meet the parallel run regulatory requirements.
- Pension risk: Pension plans and benefits are provided in all countries where BAGL has a footprint. The Absa Pension Fund remains the largest fund. The overall funding level of the schemes improved in the current year.

Future priorities

- Respond to regulatory and capital change, specifically preparing for the adoption of the Fundamental Review of the Trading Book (FRTB) and the Standard on Interest Rate Risk in the Banking Book (IRRBB).
- Continue to reduce margin volatility through the structural hedge programme in South Africa.
- Embed insurance risk as a principal risk.
- Continue to enhance the implementation and standardisation of the pension risk control framework across BAGL.
- Implement the pension risk setting appetite framework across all BAGL funds.

Funding risk

The risk that the Group is unable to achieve its business plans as a result of capital and liquidity 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 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, resulting in an inability to support normal business activity, and a failure to meet liquidity-related regulatory requirements.

Note

[1] DVaR for Rest of Africa is based on a historical simulation model that uses sensitivity-based inputs rather than full revaluation as is done for South Africa.

Funding risk *(continued)*

Funding risk: Capital risk

Effective capital planning and management ensure 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 regulatory and economic capital requirements; and
- Maintaining a sustainable dividend to enhance shareholder value.

	YoY trend	2016	2015
Cost of equity (%)[1]	▲	**14,75**	13,75
Total RWA (Rm)	▲	**703 785**	702 663
Common Equity Tier 1 capital adequacy ratio (%)[2]	▲	**12,1**	11,9
RoRWA (%)	▼	**2,14**	2,18
Return on average economic capital (%)	▼	**16,9**	19,0
RoE (%)	▼	**16,6**	17,0

- Cost of equity: Increased to **14,75%** with effect from 1 July 2016 (2015: 13,75%) due to a higher risk-free rate.
- Risk-weighted assets (RWA): Increased marginally (0,2%) to **R703,8bn** (31 December 2015: R702,7bn). The increase in RWAs was in line with asset growth and higher counterparty credit risk from OTC derivatives partially offset by a reduction due to Rand appreciation against most currencies.
- Capital: Remained above the minimum regulatory requirements and within the Board-approved capital target ranges.

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 growth and a sustainable dividend.
- As in the current reporting period, RWA precision, generation of equity and capital allocation will remain key focus areas for the Group.
- The Group is also focusing on developing the markets for Tier 2 capital in the African markets in which the Group operates and issuing additional Tier 1 capital in the future.

Funding risk: Liquidity risk

The liquidity risk management process includes:

- Management of the overall funding position, including development of the funding plan;
- Liquidity risk monitoring;
- Intra-day liquidity risk management;
- Contingency liquidity planning; and
- Meeting liquidity ratios required by regulators and buffer targets by the Board.

	YoY trend	2016	2015
Sources of liquidity (Rm)		**239 265**	199 024
High-quality liquid assets (Rm)	▲	**144 695**	105 332
Other liquid assets (Rm)[3]	▲	**33 201**	31 640
Other sources of liquidity (Rm)	▼	**61 369**	62 052
Long-term funding ratio (%)	▲	**21,4**	21,0
Loan-to-deposit ratio (%)	▲	**88,4**	86,1
Liquidity coverage ratio (%)[4]	▲	**95,2**	69,9

Notes

1 The CoE is based on the capital asset pricing model.
2 Board target range 9,5 – 11,5%.
3 Rest of Africa.
4 The Group LCR represents the simple average of the relevant three month-end data points. Surplus high-quality liquid asset holdings in excess of the minimum requirement of 70% have been excluded from the aggregated high-quality liquid asset number in the case of all Rest of Africa banking entities.

Funding risk *(continued)*

Funding risk: Liquidity risk (continued)

- Liquidity risk position: Remained healthy and within key limits and metrics. During 2016 the Group consistently maintained a liquidity coverage ratio (LCR) in excess of the regulatory minimum requirement of 70%. The average high-quality liquid assets (HQLA) for the quarter increased from R110,0bn at December 2015 to R142,1bn at December 2016. The Group targets an LCR above the minimum regulatory requirement. Absa Bank successfully applied for a committed liquidity facility (CLF) from the SARB, which was included in HQLA for LCR purposes from January 2016.
- Long-term funding ratio: Increased marginally to **21,4%** (2015: 21,0%) to match the growth in longer-term assets. Long-term funding was achieved through a combination of funding instruments, capital market issuances and private placements.
- Loan-to-deposit ratio: Increased 2,3% to **88,4%** (2015: 86,1%) primarily driven by growth in loans and advances to customers.
- The net stable funding ratio (NSFR): Will become effective on 1 January 2018, and it is anticipated that the minimum requirement of 100% will be met.

Future priorities

- Manage the funding and high-quality liquid asset position in line with the Board-approved liquidity risk appetite framework and regulatory requirements.
- Build and maintain adequate liquidity buffers to ensure the bank remains continuously compliant with the liquidity coverage ratio.
- Continue to grow and diversify the funding base to support asset growth and other strategic initiatives.
- Continue to work with regulatory authorities and other stakeholders on the NSFR, recovery and resolution planning, and deposit guarantee scheme.
- Enhance contingency funding planning across BAGL and subsidiaries.

Operational risk

The risk that arises when there is potential for direct and indirect loss resulting from human factors, inadequate or failed internal processes, systems or external events.

	YoY trend	**2016**	2015
Total losses as a percentage of gross income (%)	=	**0,8**	0,8
Total losses (Rm)	▲	**582**	541
Operational RWA (Rm)	▲	**100 433**	98 668

- Total operational risk losses: Were within the Group's annual appetite, but higher than 2015. As anticipated, the main contributors to operational risk losses were transaction processing and payment-related issues as well as fraud, comprising 49% and 37% respectively.
- Operational risk RWA: Higher operating income attributable by AMA entities drove an increase in the Regulatory Floor (TSA Floor on AMA entities). This contributed to an overall increase of RWA by 1,8% compared to 2015.
- Technology risk: Improvements have been made in stabilising the technology environment and payment systems. The mainframe has been migrated to a best in class data centre, and progress remains on track to migrate most of the critical services by September 2017.
- Fraud risk: Card fraud losses remain the major driver of overall net fraud losses, followed by lending fraud and payment fraud (inclusive of digital fraud). Overall fraud losses are within plan.
- Financial crime: Customer on-boarding processes have been enhanced. We continue to remediate non-compliant customers and will continue building analytical capability to detect money laundering threats and activities.
- Cyber risk: An information security transformation plan has been developed which aims to strengthen cyber defences over the next five years.

Operational risk *(continued)*

Future priorities

- Automate manual high-volume processes, particularly within the Retail Bank.
- Continue to invest in technology to improve and maintain technology resilience.
- Continue to focus on cyber risk management.
- Strengthen compliance with financial crime regulations through further investment in technology.
- Improve the Group's fraud capability with a focus on digital banking, branch network and operations in the Rest of Africa. Continue to keep ahead of best practice enhancement, by implementing fraud tools to protect customers, particularly within the Digital business.
- Manage change risk and deliver on our significant projects.
- Continue to monitor the effect of the separation from Barclays PLC on BAGL's risk profile evident through elevations in operational risks.

Conduct risk

Conduct risk is the risk that detriment is caused to our customers, clients, counterparties, markets or Barclays because of inappropriate judgement in the execution of business activities.

The Group has successfully embedded the Conduct Risk Frameworks and Tools in line with Treating Customer Fairly outcomes and principles. The progress thereof is reported in accordance with the Basel Committee of Banking Supervision (BCBS239) principles of responsible risk reporting.

The key inherent conduct risk themes for 2016 were associated with Information Technology Stability and Resilience, Product Rationalisations, Information Risk Management and Know Your Client remediation.

The Group managed a number of conduct and reputation risk issues:

- Remediation of the Naedo payments issue that occurred in our Corporate and Investment Banking operation.
- The administrative sanction which was imposed on Absa Bank in December in the form of a fine of R10m due to deficiencies identified within the Financial Crime – Transaction Monitoring process.
- Continued enhancement of regulatory controls, particularly those related to know your client, anti-money laundering, and the National Credit Act.
- In-country regulatory requirements in respect of data centres in some of our Rest of Africa operations.

Future priorities

- Align conduct risk frameworks to international best practice and provide associated training to colleagues.
- The use of data analytics and digital platforms to improve service provided to customers.
- Protection of customer information and reducing opportunities for cybercrime and fraud.
- Embedment of new regulations expected in H12017 and alignment of the Bank's governance framework.
- Managing regulatory commitments in Absa Bank, Wealth and Investment Management and Rest of Africa operations.

Capital management
for the reporting period ended 31 December

Review of 2016

- The Group maintained a strong capital adequacy position above the Board-approved CET1 target range.
- Regulated entities within the Group (including insurance entities and banking subsidiaries in the Rest of Africa) remained adequately capitalised during the period under review.
- Issuance of R2,4bn bonds qualifying as Tier 2 at holding company and Absa Bank level.
- RWA precision and capital allocation remained key focus areas for the Group.
- Strong capital generation supported dividend growth and a stable capital adequacy position.
- The 2016 Board-approved CET1 and Tier 1 capital target ranges remained unchanged from the prior year whilst the lower and upper end of the capital adequacy requirement (CAR) capital target range was increased by 50 bps as part of the annual capital buffer setting process.

Key performance indicators

Group	YoY trend	2016 %	2015 %
Common Equity Tier 1 capital adequacy ratio[1]	▲	**12,1**	11,9
Return on average RWA	▼	**2,14**	2,18
Return on average economic capital	▼	**16,9**	19,0
Cost of equity[2]	▲	**14,75**	13,75

Absa Bank Limited[3]	YoY trend	2016 %	2015[4] %
Common Equity Tier 1 capital adequacy ratio[1]	▲	**11,6**	10,5
Return on average RWA	▼	**1,96**	2,03

Future priorities

- Ensure all entities remain adequately capitalised relative to minimum regulatory requirements and Board-approved target capital ranges.
- Further improve the approach to capital management:
  - Continue to focus on RWA precision;
  - Enhance the economic capital framework;
  - Embed performance metrics such as positive net generation of equity and return on equity;
  - Maintain an optimal capital supply mix;
  - Allocate capital appropriately;
  - Issue Basel III compliant Tier 2 capital instruments to replace instruments being called.
- Continue engagement with the South African Reserve Bank (SARB) to finalise the Resolution Framework for South Africa, which includes the Total Loss-Absorbing Capacity (TLAC) requirements and the introduction of a Deposit Guarantee Scheme.
- The Group continues to monitor regulatory developments and changes that may affect its capital position. Some of these changes include the proposals published by the Basel Committee relating to the calculation of capital requirements. This includes a revision to the standardised approach for credit risk, final rules arising from the Fundamental Review of the Trading Book (FRTB) and revisions to the standardised approach for operational risk.

Strategy

The Group's capital management strategy, which is in line with and in support of the Group's strategy, is to create sustainable value for shareholders within the boundaries imposed by the Group's risk appetite and business strategy.

In order to achieve the capital management 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 regulatory capital ratios and the Board-approved target ranges;
- Maintain an adequate level of capital resources in excess of both regulatory capital and economic capital requirements;
- 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; and
- Maintain a strong credit rating.

Notes

1 Reported ratios include unappropriated profits.
2 The CoE is based on the capital asset pricing model.
3 Absa Bank Limited includes subsidiary undertakings, special-purpose entities, joint ventures, associates and offshore holdings.
4 Restated to reflect Absa Bank Limited.

Internal capital adequacy assessment process (ICAAP)

The ICAAP is a documented risk-based assessment of the capital adequacy position of BAGL and its subsidiaries' regulatory and economic capital adequacy position, on a point in time position (31 December 2016), as well as a forward looking and stressed basis over the medium-term plan (MTP) period (2017 to 2021). BAGL uses its robust and consistent ICAAP in support of meeting its capital management objectives across the Group underpinned by data, technology and model infrastructure as well as strong governance.

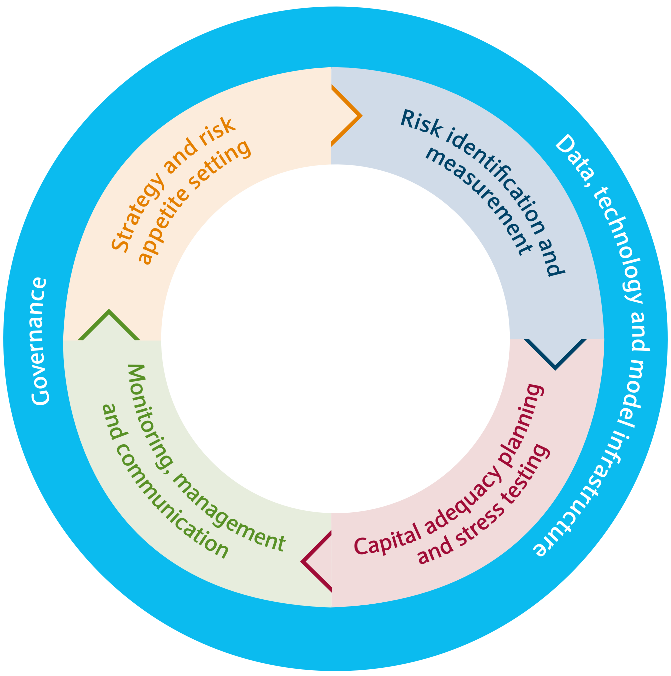
The ICAAP framework ensures that internal systems, controls and management information are in place to enable the Board and senior management to track changes in the economic environment, which may require adjustments to the business strategy in order to remain within the risk appetite. The efficient use of capital and careful deployment of capital resources is fundamental to enhance shareholder value. Furthermore, the ICAAP reflects the level of capital required to be held against identified material risks the Group is, or may become, exposed to as a result of its strategy.

Capital management is an integral part of decision making within the Group. Progress is measured against pre-determined targets in the balanced scorecard which incorporates capital metrics. Decisions on the allocation of capital resources, which are an integral part of the ICAAP and capital management process are based on a number of factors including return on RC.

The ICAAP and its key components are embedded at different levels of the Group, ensuring they form an integral part of the Group's strategy and decision-making process. The Board ensures that management achieves an appropriate balance between promoting long-term sustainable growth and delivering short-term performance.

The Group's integrated planning process is completed annually and requires collaboration from business, risk, treasury and finance to ensure a robust expectation of business growth and risk profiles over the next year. The Group's ICAAP process will continue to be based on the results of the integrated planning process.

The key components of the Group's ICAAP approach are as follows:



Strategy and risk appetite setting

The risk appetite statement describes and measures the amount and types of risk that the Group is prepared to take in executing its strategy. BAGL's risk appetite framework combines a top-down view of the willingness and ability to take risk with a bottom-up view of the risk profile associated with each business area's plans. Business plans are prepared based on strategy and within the risk appetite approved by the Board.

Risk appetite is the Group's chosen method of balancing risks and returns, recognising a range of possible outcomes as business plans are implemented.

The Group's risk appetite framework impacts:

- Strategy;
- Capital and portfolio management; and
- Day-to-day operations.

The risk appetite framework is developed using qualitative and quantitative methods based on a holistic, strategic analysis of key drivers of value creation in the Group.

The objectives of the risk appetite framework are to:

- assist in protecting the Group's financial performance;
- improve management responsiveness regarding the Group's risk profile;
- assist executive management to improve control and coordination of risk-taking across businesses; and
- assist in the identification of unused risk capacity in pursuit of profitable opportunities.

Capital management
for the reporting period ended 31 December

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

Risk identification and measurement

The Capital Risk Management Framework defines the risk management process, which is a structured, practical set of three steps – evaluate, respond and monitor (the E-R-M process). The ERMF sets out the activities, tools, techniques and organisational arrangements that enable management to identify and assess those risks, determine the appropriate risk response, and then monitor the effectiveness of the risk response and any changes to the capital risk profile. The analysis is used to promote an efficient and effective approach to capital risk management.

The Group utilises various thresholds, based on materiality, for specific risk types, i.e. each risk type must manage a risk appetite that is recommended by the risk type committee and approved by the Board on an annual basis. The materiality decision framework is designed to ensure that the Group identifies and manages all material risks without exception. The Group holds capital for those material risks for which capital is deemed an effective mitigant.

Capital adequacy planning and stress testing

Expected capital supply on both a regulatory and economic basis is compared to current and future capital needs. Risks in the plans are identified, measured and, where relevant, mitigating actions are identified. The expected levels of capital supply and demand are tested through stress testing with the output being used to reconfirm the risk appetite. Management actions are identified to mitigate risks on a timely basis.

Stress testing is fundamental in assessing appropriate levels of capital to ensure the Group can absorb stress events to protect its depositors and other stakeholders in line with the Board-approved risk appetite. The expected macroeconomic and business scenarios are used as a baseline when performing financial forecasting. Stress scenarios are overlaid on the financial forecasts in order to assess the impact on business strategy.

Management actions are identified to mitigate risks on a timely basis through early warning indicators (EWIs). Corrective action is taken when EWIs flag potential future challenges. These actions include:

- Portfolio management: Actively changing the portfolio construct in order to optimise capital through both acquisition and disposal strategies consistent with ICAAP or recovery planning;
- Risk management: In terms of risk mitigation, precision of risk assessment, and optimal structure of products;
- Cost management; and
- Dividend management: The Board considers dividend payments after careful review of business plans, capital position, growth objectives, and environmental factors.

The capital target ranges, which are derived through the stress testing process, are used in capital allocation, hurdle setting, performance measurement, risk adjusted remuneration, limit monitoring, RWA management and pricing. 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 RC and the Group's internal capital assessment, economic capital), remain appropriate. The Group believes that it is appropriately capitalised relative to its strategy, risk appetite, risk profile, business activities and the macroeconomic environment in which it operates.

Monitoring, management and communication

The capital management function within BAGL Treasury manages, monitors and reports on the capital adequacy of all regulated BAGL entities on a monthly basis. The capital management function is responsible for ensuring that monitoring and reporting of appropriate information occurs timeously, to the right people at the right time, in order to facilitate the decision-making process of senior management. The function is also responsible for timely communication of the capital plan and rationale for management actions. The capital management team manages compliance with the BAGL ERMF. Funding risk provides independent oversight and challenge to the capital management function.

The Group's Basel III capital and leverage ratios remain well in excess of the SARB's minimum requirements and are monitored continuously.

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 the ICAAP to be in line with international practice and is of the opinion that it addresses the core banking principles of Pillar 2.

Recovery and resolution planning

The SARB has called on domestic systemically important banks (D-SIBs) to identify the range of potential options available to restore their capital, liquidity and balance sheet positions during times of severe stress (recovery plans) and to enable an orderly restructure/wind down (resolution plans) if required. To this effect, the Group has a Board-approved Recovery Plan in place that is reviewed annually for relevance and appropriateness and it is submitted annually to the SARB for compliance. The BAGL recovery plan assumes no reliance on Barclays PLC for funding, capital and liquidity. In addition, the Recovery Plan is aligned to BAGL's Enterprise Risk Management Framework (ERMF).

The key objectives of the Group Recovery Plan are to:

- Provide the Group with management actions when contingency funding plan actions may be inadequate for severe stressed conditions;
- Provide the Group with a range of plausible options to ensure its viability during severely stressed conditions;
- Set consistent and objective EWIs that allow the Group to monitor its capital and liquidity position and identify when BAGL is under severe stress that could lead to the Group Recovery Plan being invoked;

Recovery and resolution planning *(continued)*

- Enable the Group to be adequately prepared to respond to severely stressed conditions in an informed, timely and effective manner. This will be done through an approved execution approach and communication plan, and identification of risks and potential impacts of the recovery options; and
- Provide the Group with an understanding of the potential effectiveness of recovery options under varying forms of severe stress, through determining estimates of the capital, liquidity and balance sheet impacts of the recovery options and by assessing their likely effectiveness under a range of severe stress scenarios.

EWIs provide a consistent forward-looking and objective approach to early identification of deviation from target capital and leverage ratios, which might negatively impact the capital plan. Statutory capital ratios are monitored against EWIs and Board target ranges, while regulatory capital ratios are monitored against regulatory minimum capital requirements. The capital EWIs form the basis of BAGL's Recovery Plan escalation and invocation process and are set at levels which provide sufficient notice to allow BAGL to take corrective action.

The main objectives of an effective resolution regime are to minimise the cost of crisis resolution to the taxpayer, reduce moral hazard in the financial system and protect financial stability. The purpose of a resolution plan is to prepare and consider actions for the resolution of the financial institution without a systemic disruption or cost to the taxpayers.

Future regulatory developments in terms of the Resolution Framework are gaining increasing significance in South Africa. In August 2015, the SARB released for comment its white paper titled 'Strengthening South Africa's Resolution Framework for Financial Institutions'. The paper includes the following key principles:

- The designation of the SARB as a resolution authority;
- The establishment of a Deposit Guarantee Scheme (DGS) in order to protect retail depositors. It will require banks to contribute to a fund which will need to be built up over a period of time;
- The introduction of Total Loss-Absorbing Capacity (TLAC) would require a further layer of funding that can be converted into capital under certain conditions;
- The introduction of the bail-in concept. Bail-in is defined as any process outside liquidation that has the effect of allocating losses to liability holders or shareholders, for the purpose of increasing the capital ratio of the institution.
- The establishment of the no-creditor-worse-off (NCWO) rule, which aims to ensure that no creditor is worse off in resolution than it would be in normal liquidation; and
- Cross-border cooperation. It is proposed in the framework that the SARB be able to share information with other regulators and enter into cross-border agreements.

The Group continues to engage with the SARB to finalise the requirements as part of the Resolution Framework for South Africa, as well as work with regulators and industry bodies in the formulation of resolution planning.

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 above, the Group is not aware of any material impediments to the prompt transfer of capital resources or repayment of intra-group capital instruments when due.

Statutory capital adequacy

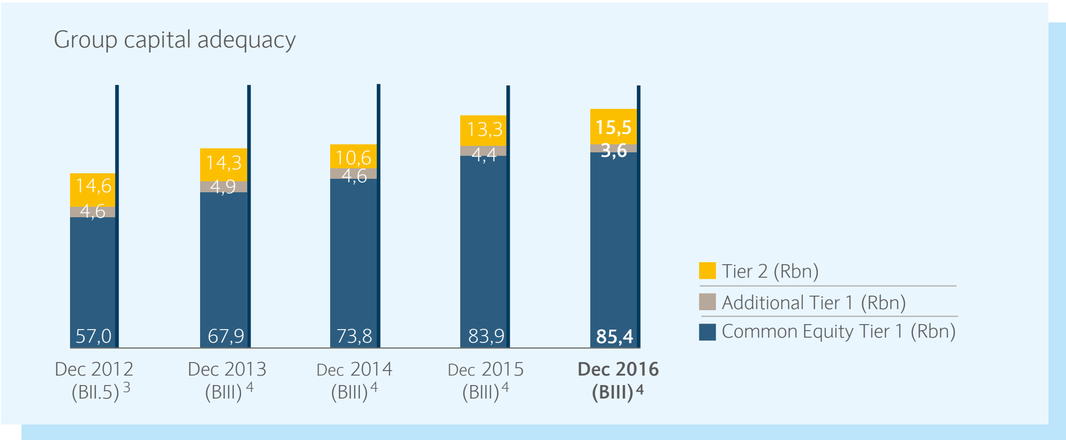
The capital management process in the Group encompasses all regulated entities within the Group (including insurance entities and banking subsidiaries in the Rest of Africa). Appropriate capital buffers, above the minimum regulatory requirements, are held at an entity level. The Group ensures that all regulated entities are adequately capitalised in terms of their respective minimum CARs. The Group's target capital ranges for the current reporting period were set after considering the following:

- Capital risk appetite;
- The preference of rating agencies for loss absorbing capital;
- Stress scenarios;
- Current and future Basel III requirements including capital conservation buffer and domestic-systemically important bank buffer; and
- Peer analysis.

Capital management
for the reporting period ended 31 December

Statutory capital adequacy *(continued)*

Group	2016 Board target ranges %	2016 Minimum regulatory capital requirements[1] %	Trend	2016	2015
Capital adequacy ratios (%)[2]					
Common Equity Tier 1	9,5 – 11,5	6,9	▲	12,1	11,9
Tier 1	10,5 – 12,5	8,1	=	12,6	12,6
Total	13,0 – 15,0	10,4	▲	14,8	14,5
Capital supply and demand for the reporting period (Rm)					
Net generated equity			▲	1 398	1 261
Qualifying capital			▲	104 486	101 628
Total RWA			▲	703 785	702 663



Dec 2012	Dec 2013	Dec 2014	Dec 2015	Dec 2016	
13,0	12,1	11,9	11,9	**12,1**	Common Equity Tier 1 ratio (%)
17,4	15,5	14,4	14,5	**14,8**	Total capital adequacy ratio (%)

Notes

[1] The 2016 minimum regulatory capital requirements include the capital conservation buffer, which is phased in between 1 January 2016 and 1 January 2019 but excludes the bank-specific individual capital requirement (Pillar 2b add-on) and the D-SIB add-on.

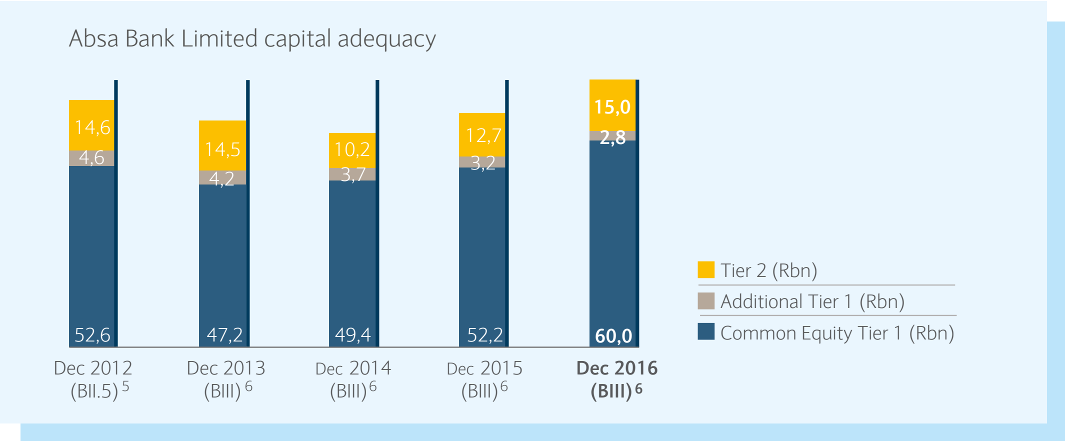
[2] Reported ratios include unappropriated profits.

[3] BII.5: Basel II.5.

[4] BIII: Basel III.

Statutory capital adequacy *(continued)*

Absa Bank Limited[2]	2016 Board target ranges %	2016 Minimum regulatory capital requirements[1] %	Trend	2016	2015[3]
Capital adequacy ratios (%)[4]					
Common Equity Tier 1	9,0 – 10,5	6,9	▲	11,6	10,5
Tier 1	10,0 – 11,5	8,1	▲	12,2	11,2
Total	12,5 – 14,0	10,4	▲	15,1	13,8
Capital supply and demand for the reporting period (Rm)					
Net generated equity			▲	5 838	(676)
Qualifying capital			▲	77 769	68 084
Total RWA			▲	515 467	494 793



Dec 2012	Dec 2013	Dec 2014	Dec 2015	Dec 2016	
13,5	11,3	10,8	10,5	**11,6**	Common Equity Tier 1 ratio (%)
18,4	15,8	13,9	13,8	**15,1**	Total capital adequacy ratio (%)

Notes
1. The 2016 minimum regulatory capital requirements of 10,375% include the capital conservation buffer which is phased in between 1 January 2016 and 1 January 2019 but excludes the bank-specific individual capital requirement (Pillar 2b add-on) and the D-SIB add-on.
2. Absa Bank Limited includes subsidiary undertakings, special-purpose entities, joint ventures, associates and offshore holdings.
3. Restated to reflect Absa Bank Limited.
4. Reported ratios include unappropriated profits.
5. BII.5: Basel II.5.
6. BIII: Basel III.

Statutory capital adequacy *(continued)*

Capital demand

Group	2016 RWA Rm	2015 RWA Rm	2016 Minimum capital requirements[1] Rm
1. Credit risk (excluding counterparty credit risk) (CCR)	522 350	536 843	41 788
2. Of which standardised approach (SA)	163 525	183 791	13 082
3. Of which internal rating-based (IRB) approach	358 825	353 052	28 706
4. Counterparty credit risk[2]	33 337	24 083	2 667
5. Of which standardised approach for counterparty credit risk (SA-CCR)	33 337	24 083	2 667
6. Of which internal model method (IMM)	—	—	—
7. Equity positions in banking book under market-based approach	9 658	9 574	773
8. Equity investments in funds – look-through approach	—	—	—
9. Equity investments in funds – mandate-based approach	—	—	—
10. Equity investments in funds – fall-back approach	—	—	—
11. Settlement risk	1 842	1 798	147
12. Securitisation exposures in banking book	576	482	46
13. Of which IRB ratings-based approach (RBA)	576	482	46
14. Of which IRB Supervisory Formula Approach (SFA)	—	—	—
15. Of which SA/simplified supervisory formula approach (SSFA)	—	—	—
16. Market risk	28 890	25 012	2 311
17. Of which standardised approach (SA)	8 447	9 232	676
18. Of which internal model approaches (IMM)	20 443	15 780	1 635
19. Operational risk	100 433	98 668	8 035
20. Of which Basic Indicator Approach	3 849	4 288	308
21. Of which Standardised Approach	25 156	26 115	2 013
22. Of which Advanced Measurement Approach	71 428	68 265	5 714
23. Amounts below the thresholds for deduction (subject to 250% risk weight)	6 699	6 203	536
24. Floor adjustment	—	—	—
25. Total (1+4+7+8+9+10+11+12+16+19+23+24)	703 785	702 663	56 303
Pillar 2a requirement (1,75%)			12 316
Capital conservation buffer (0,625%)[3]			4 399
S.A. minimum capital requirements including buffers[4]			73 018

Notes
1 The 2016 minimum regulatory capital requirements are calculated at the BIS minimum regulatory capital requirement of 8%.
2 SA-CCR amount is calculated using current exposure method.
3 The capital conservation buffer is phased in between 1 January 2016 and 1 January 2019 reaching 2,5% by 1 January 2019.
4 The 2016 SA minimum regulatory capital requirements of 10,375% include the capital conservation buffer but excludes the bank-specific individual capital requirement (Pillar 2b add-on) and the D-SIB add-on.

Capital management
for the reporting period ended 31 December

Statutory capital adequacy *(continued)*

Capital demand (continued)

Absa Bank Limited[1]	2016 RWA Rm	2015[2] RWA Rm	2016 Minimum capital requirements[3] Rm
1. Credit risk (excluding counterparty credit risk) (CCR)	383 042	376 241	30 643
2. Of which standardised approach (SA)	31 961	31 564	2 557
3. Of which internal rating-based (IRB) approach	351 081	344 677	28 086
4. Counterparty credit risk[4]	32 814	23 339	2 625
5. Of which standardised approach for counterparty credit risk (SA-CCR)	32 814	23 339	2 625
6. Of which internal model method (IMM)	—	—	—
7. Equity positions in banking book under market-based approach	2 775	3 556	222
8. Equity investments in funds – look-through approach	—	—	—
9. Equity investments in funds – mandate-based approach	—	—	—
10. Equity investments in funds – fall-back approach	—	—	—
11. Settlement risk	1 773	1 738	142
12. Securitisation exposures in banking book	576	482	46
13. Of which IRB ratings-based approach (RBA)	576	482	46
14. Of which IRB Supervisory Formula Approach (SFA)	—	—	—
15. Of which SA/simplified supervisory formula approach (SSFA)	—	—	—
16. Market risk	22 935	20 539	1 835
17. Of which standardised approach (SA)	5 314	4 759	425
18. Of which internal model approaches (IMM)	17 621	15 780	1 410
19. Operational risk	70 895	68 005	5 672
20. Of which Basic Indicator Approach	—	—	—
21. Of which Standardised Approach	3 772	4 215	302
22. Of which Advanced Measurement Approach	67 123	63 790	5 370
23. Amounts below the thresholds for deduction (subject to 250% risk weight)	657	893	52
24. Floor adjustment	—	—	—
25. Total (1+4+7+8+9+10+11+12+16+19+23+24)	515 467	494 793	41 237
Pillar 2a requirement (1,75%)			9 021
Capital conservation buffer (0,625%)[5]			3 222
SA minimum capital requirements including buffers[6]			53 480

Notes
1 Absa Bank Limited includes subsidiary undertakings, special-purpose entities, joint ventures, associates and offshore holdings.
2 Restated to reflect Absa Bank Limited,[1]
3 The 2016 minimum regulatory capital requirements are calculated at the BIS minimum regulatory capital requirement of 8%.
4 SA-CCR amount is calculated using current exposure method.
5 The capital conservation buffer is phased in between 1 January 2016 and 1 January 2019 reaching 2,5% by 1 January 2019.
6 The 2016 SA minimum regulatory capital requirements of 10,375% include the capital conservation buffer but excludes the bank-specific individual capital requirement (Pillar 2b add-on) and the D-SIB add-on.

Capital management
for the reporting period ended 31 December

Statutory capital adequacy *(continued)*

Capital supply

Breakdown of qualifying capital

Group	2016 Rm	2016 %[1]	2015 Rm	2015 %[1]
Common Equity Tier 1	**80 451**	**11,4**	77 640	11,0
Ordinary share capital	**1 693**	**0,2**	1 691	0,2
Ordinary share premium	**4 468**	**0,6**	4 250	0,6
Reserves[2]	**78 546**	**11,2**	72 568	10,3
Non-controlling interest	**2 084**	**0,3**	2 556	0,4
Deductions	**(6 340)**	**(0,9)**	(3 425)	(0,5)
Goodwill	**(715)**	**(0,1)**	(783)	(0,1)
Amount by which expected loss exceeds eligible provisions	**(2 128)**	**(0,3)**	(1 176)	(0,2)
Other deductions	**(3 497)**	**(0,5)**	(1 466)	(0,2)
Additional Tier 1 capital	**3 557**	**0,5**	4 413	0,7
Tier 1 capital	**84 008**	**11,9**	82 053	11,7
Tier 2 capital	**15 495**	**2,2**	13 302	1,9
Instruments recognised as Tier 2 capital	**14 911**	**2,1**	12 760	1,8
General allowance for impairment losses on loans and advances – standardised approach	**584**	**0,1**	542	0,1
Total qualifying capital (excluding unappropriated profits)	**99 503**	**14,1**	95 355	13,6
Qualifying capital (including unappropriated profits)				
Tier 1 capital	**88 991**	**12,6**	88 326	12,6
Common Equity Tier 1 (excluding unappropriated profits)	**80 451**	**11,4**	77 640	11,0
Unappropriated profits	**4 983**	**0,7**	6 273	0,9
Additional Tier 1	**3 557**	**0,5**	4 413	0,7
Tier 2 capital	**15 495**	**2,2**	13 302	1,9
Total qualifying capital (including unappropriated profits)	**104 486**	**14,8**	101 628	14,5

Leverage

Group	2016 31 Dec	2016 30 Sep	2016 30 Jun	2016 31 Mar
Leverage ratio exposure (Rm)	**1 251 249**	1 255 335	1 336 240	1 321 314
Tier 1 capital (excluding unappropriated profits) (Rm)	**84 008**	82 210	82 962	79 844
Tier 1 capital (including unappropriated profit) (Rm)	**88 991**	86 529	88 090	85 011
Leverage ratio (excluding unappropriated profit) (%)	**6,7**	6,5	6,2	6,0
Leverage ratio (including unappropriated profit) (%)	**7,1**	6,9	6,6	6,4
Board target leverage ratio (%)	**≥4,5**	≥4,5	≥4,5	≥4,5
Minimum required leverage ratio (%)	**4,0**	4,0	4,0	4,0

Notes
[1] Percentage of capital to RWAs.
[2] Reserves exclude unappropriated profits.

Capital management
for the reporting period ended 31 December

Statutory capital adequacy *(continued)*

Capital supply (continued)

Absa Bank Limited[1]	2016 Rm	2016 %[3]	2015[2] Rm	2015[2] %[3]
Common Equity Tier 1	**54 185**	**10,5**	49 806	10,1
Ordinary share capital	**304**	**0,1**	303	0,1
Ordinary share premium	**24 964**	**4,8**	21 455	4,3
Reserves[4]	**33 705**	**6,5**	30 766	6,2
Deductions	**(4 788)**	**(0,9)**	(2 718)	(0,5)
Amount by which expected loss exceeds eligible provisions	**(1 983)**	**(0,4)**	(2 095)	(0,4)
Other deductions	**(2 805)**	**(0,5)**	(623)	(0,1)
Additional Tier 1 capital	**2 758**	**0,5**	3 234	0,6
Tier 1 capital	**56 943**	**11,0**	53 040	10,7
Tier 2 capital	**15 025**	**3,0**	12 677	2,6
Instruments recognised as Tier 2 capital	**14 881**	**2,9**	12 500	2,5
General allowance for impairment losses on loans and advances – standardised approach	**144**	**0,1**	177	0,1
Total qualifying capital (excluding unappropriated profits)	**71 968**	**14,0**	65 717	13,3
Qualifying capital (including unappropriated profits)				
Tier 1 capital	**62 744**	**12,2**	55 407	11,2
Common Equity Tier 1 (excluding unappropriated profits)	**54 185**	**10,5**	49 806	10,1
Unappropriated profits	**5 801**	**1,1**	2 367	0,4
Additional Tier 1	**2 758**	**0,6**	3 234	0,7
Tier 2 capital	**15 025**	**2,9**	12 677	2,6
Total qualifying capital (including unappropriated profits)	**77 769**	**15,1**	68 084	13,8

Leverage

Absa Bank Limited[1]	2016 31 Dec	2016 30 Sep	2016 30 Jun	2016 31 Mar
Leverage ratio exposure (Rm)	**1 088 789**	1 083 526	1 148 984	1 127 047
Tier 1 capital (excluding unappropriated profits) (Rm)	**56 943**	54 197	53 676	52 186
Tier 1 capital (including unappropriated profit) (Rm)	**62 744**	59 274	57 178	55 310
Leverage ratio (excluding unappropriated profit) (%)	**5,2**	5,0	4,7	4,6
Leverage ratio (including unappropriated profit) (%)	**5,8**	5,5	5,0	4,9
Board target leverage ratio (%)	**≥4,5**	≥4,5	≥4,5	≥4,5
Minimum required leverage ratio (%)	**4,0**	4,0	4,0	4,0

Notes

1 Absa Bank Limited includes subsidiary undertakings, special-purpose entities, joint ventures, associates and offshore holdings.
2 Restated to reflect Absa Bank Limited.
3 Percentage of capital to RWAs.
4 Reserves exclude unappropriated profits.

Capital management
for the reporting period ended 31 December

Economic capital adequacy

The economic capital (EC) framework covers Basel III Pillar 1 risks as well as additional risks such as IRRBB. Based on BAGL's current risk profile, EC is an estimate of the maximum downward deviation from expectation in the Group's equity value, measured on an economic basis over a one-year time horizon and at a 99,95% confidence level.

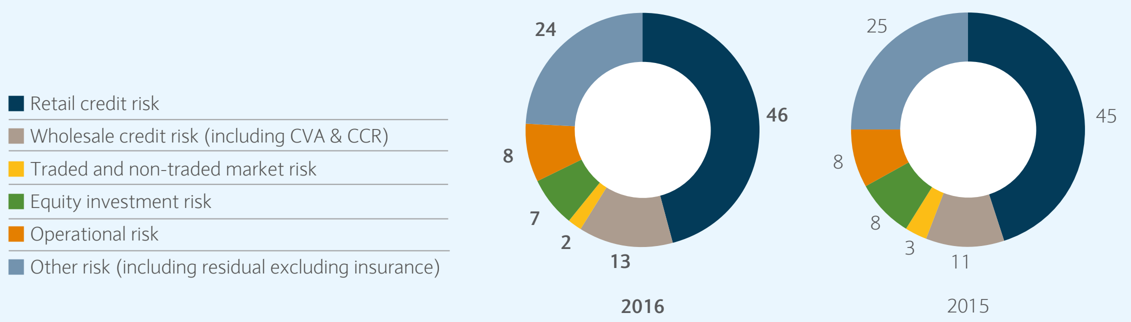
The total EC demand is determined through the use of internal risk assessment models and is compared to the available financial resources to evaluate the level of capital coverage. The Group targets a minimum coverage ratio as part of the monthly management of the EC position.

Economic capital demand

Group Economic capital demand[1]	2016 Rm	2015 Rm
Retail credit risk	20 370	18 711
Securitisation	10	47
Wholesale credit risk	39 463	33 180
Residual value risk	395	358
Operational risk	6 189	5 872
Traded market risk	2 076	1 878
Non-traded market risk	8 886	6 471
Equity investment risk	1 765	1 830
Property and equipment risk	6 628	5 626
Insurance risk	2 787	1 224
	88 569	75 197

The increase in economic capital demand from R75,2bn in December 2015 to R88,6bn in December 2016 was driven primarily by the application of new Basel and economic capital models for retail and wholesale credit risk resulting in significant changes across all credit portfolios. In addition, non-traded market risk grew as a result of refinements to the calculation of interest rate risk in the banking book. Insurance risk economic capital increased following the adoption by WIMI of the new Solvency Assessment and Management (SAM) framework in January 2016.

Economic capital demand per segment (%)



Note
[1] Represents the average required EC.

Economic capital adequacy *(continued)*

Economic capital supply

The increase in EC supply of R1,7bn from R96,7bn in December 2015 to R98,4bn in December 2016 is mainly due to capital generation through profits net of dividends of R5,7bn, partially offset by a decrease in the foreign currency translation reserve (other reserves) of c.R3,9bn due to rand strengthening.

Group Economic capital supply	2016 Rm	2015 Rm
Ordinary share capital and share premium	6 161	5 941
Preference share capital and share premium	4 644	4 644
Retained earnings	81 604	75 785
Other reserves	5 293	7 566
Non-controlling interest	4 578	4 710
Other deductions[1]	(3 905)	(1 900)
	98 375	96 746
Average capital for the reporting period	96 485	88 902

Credit ratings

	Standard and Poor's		Moody's
	Barclays Africa Group	Absa Bank Limited	Absa Bank Limited
National			
Short term	zaA-2	zaA-1	Prime-1.za
Long term	zaA	zaAA-	Aa1.za
Local currency			
Short term	—	—	Prime-2
Long term	—	—	Baa2
Outlook	—	—	Negative
Foreign currency			
Short term	—	—	Prime-2
Long term	—	—	Baa2
Outlook	—	—	Negative
Baseline credit assessment	—	—	baa3
Group credit profile	bbb-	bbb-	—
Counterparty risk	—	—	Baa2 (cr)/P-2 (cr)

Note

[1] Other deductions include goodwill, intangible assets and cash-flow hedge reserves.

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Appendices

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		
	2016 Rm	2015[2] Rm	Change %
Statement of comprehensive income			
Net interest income	**32 622**	30 579	7
Non-interest income	**25 826**	24 967	3
Total income	**58 448**	55 546	5
Impairment loss on loans and advances	**(7 199)**	(5 780)	25
Operating expenses	**(32 566)**	(31 166)	4
Other	**(1 927)**	(1 248)	54
Operating profit before tax	**16 756**	17 352	(3)
Taxation expense	**(4 370)**	(4 782)	(9)
Profit for the reporting period	**12 386**	12 570	(1)
Profit attributable to:			
Ordinary equity holders of the Group	**11 736**	11 980	(2)
Non-controlling interest – ordinary shares	**300**	269	12
Non-controlling interest – preference shares	**350**	321	9
	12 386	12 570	(1)
Headline earnings	**12 014**	11 935	1
Operating performance (%)			
Net interest margin on average interest-bearing assets	**4,40**	4,41	
Credit loss ratio[3]	**1,01**	0,87	
Non-interest income as percentage of income	**44,2**	44,9	
Income growth	**5**	5	
Cost growth	**4**	4	
Cost-to-income ratio	**55,7**	56,1	
Statement of financial position			
Loans and advances to customers	**650 888**	625 011	4
Loans and advances to banks	**23 970**	61 186	(61)
Investment securities	**94 335**	81 886	15
Other assets	**187 498**	214 634	(13)
Total assets	**956 691**	982 717	(3)
Deposits due to customers	**574 709**	571 230	1
Debt securities in issue	**139 383**	128 190	9
Other liabilities	**159 317**	204 838	(22)
Total liabilities	**873 409**	904 258	(3)
Total equity	**83 282**	78 459	6
Total liabilities and equity	**956 691**	982 717	(3)

	Barclays Africa Group Limited pre-acquisition		
	2016	2015[2,4]	Change %
RoE (%)	**16,0**	17,2	
Headline earnings per ordinary share (cents)	**1 676,0**	1 664,1	1
NAV per ordinary share (cents)	**10 688**	10 012	7
Tangible NAV per ordinary share (cents)	**10 186**	9 557	7

Notes

[1] Includes direct and indirect subsidiaries of the holding company, Barclays Africa Group Limited.

[2] These numbers have been restated, refer to the reporting changes overview on the inside front cover.

[3] The calculation of the credit loss ratio was amended to include impairment losses on loans and advances for the reporting period and dividing it by total gross loans and advances to customers and banks (calculated on a daily weighted average), resulting in a restatement of comparatives credit loss ratios.

[4] Calculated 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.

Barclays Africa acquisition and consolidation[1]			Barclays Africa Group Limited		
2016 Rm	2015 Rm	Change %	**2016 Rm**	2015 Rm	Change %
9 381	7 828	20	**42 003**	38 407	9
4 565	3 824	19	**30 391**	28 791	6
13 946	11 652	20	**72 394**	67 198	8
(1 552)	(1 140)	36	**(8 751)**	(6 920)	26
(7 390)	(6 495)	14	**(39 956)**	(37 661)	6
(78)	(66)	18	**(2 005)**	(1 314)	53
4 926	3 951	25	**21 682**	21 303	2
(1 465)	(1 117)	31	**(5 835)**	(5 899)	(1)
3 461	2 834	22	**15 847**	15 404	3
2 972	2 351	26	**14 708**	14 331	3
489	483	1	**788**	752	5
—	—	—	**351**	321	9
3 461	2 834	22	**15 847**	15 404	3
2 966	2 352	26	**14 980**	14 287	5
8,44	8,37		**4,92**	4,81	
1,62	1,25		**1,08**	0,92	
32,7	32,8		**42,0**	42,8	
20	13		**8**	6	
14	9		**6**	5	
53,0	55,7		**55,2**	56,0	
69 421	78 348	(11)	**720 309**	703 359	2
25 819	24 765	4	**49 789**	85 951	(42)
19 980	19 079	5	**114 315**	100 965	13
29 112	39 695	(27)	**216 610**	254 329	(15)
144 332	161 887	(11)	**1101 023**	1 144 604	(4)
100 156	117 189	(15)	**674 865**	688 419	(2)
331	493	(33)	**139 714**	128 683	9
24 847	24 017	3	**184 164**	228 855	(20)
125 334	141 699	(12)	**998 743**	1 045 957	(5)
18 998	20 188	(6)	**102 280**	98 647	4
144 332	161 887	(11)	**1 101 023**	1 144 604	(4)

Barclays Africa acquisition and consolidation[1]			Barclays Africa Group Limited		
2016	2015	Change %	**2016**	2015	Change %
17,5	16,0		**16,6**	17,0	
2 291,0	1 816	26	**1 769,8**	1 687,2	5
12 670	13 576	(7)	**10 991**	10 558	4
12 324	13 183	(7)	**10 513**	10 112	4

Share performance

for the reporting period ended 31 December

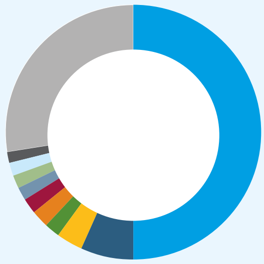
Share performance on the JSE	2016	2015	Change %
Number of shares in issue, which includes **1 075 595** (2015: 2 025 369) treasury shares	**847 750 679**	847 750 679	—
Market prices (cents per share):			
closing	**16 869**	14 349	18
high	**17 155**	20 371	(16)
low	**11 955**	10 662	12
average	**14 777**	17 786	(17)
Closing price/NAV per share (excluding preference shares) (%)	**1,54**	1,36	13
Price-to-earnings ratio (closing price/HEPS) (%)	**9,5**	8,5	12
Volume of shares traded (million)	**772,8**	334,9	>100
Value of shares traded (Rm)	**111 191,8**	58 640,7	90
Market capitalisation (Rm)	**143 007,1**	121 643,7	18
Annual total return (%)	**24,6**	(15,8)	<(100)

Shareholder information and diary

for the reporting period ended 31 December

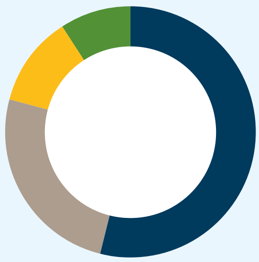
Major ordinary shareholders (%)

50,10	(62,32)	Barclays Bank PLC (UK)
6,86	(5,58)	Public Investment Corporation (SA)
3,11	(1,76)	Old Mutual Asset Managers (SA)
2,16	(1,10)	Allan Gray (SA)
2,01	(1,37)	Prudential Investment Managers (SA)
1,93	(0,01)	Schroders Plc (US)
1,69	(1,28)	Black Rock Incorporated (US)
1,66	(1,21)	The Vanguard Group incorporated (US, AU)
1,65	(1,42)	Dimensional Fund Advisors (US, UK)
1,62	(1,57)	Sanlam Investment Management (SA)
27,21	(22,36)	Other



Major shareholding split by geography (%)

54,10	(64,12)	United Kingdom
25,32	(20,67)	South Africa
11,64	(7,91)	United States and Canada
8,94	(7,30)	Other countries



Shareholder diary

Annual general meeting[1]	16 May 2017
Announcement of the 2017 interim results[1]	28 July 2017
Financial year-end	31 December 2017

Dividend	Declaration date	Last day to trade	Ex-dividend date	Record date	Payment date
Final	23 February 2017	4 April 2017	5 April 2017	7 April 2017	10 April 2017
Interim[1]	28 July 2017	5 September 2017	6 September 2017	8 September 2017	11 September 2017

Note

[1] Subject to change.

Glossary

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 consist 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 income yield

Income 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.

Glossary

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 dividend 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.

Claims ratio

Net insurance claims and benefits paid as a percentage of net premium income.

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

Constant currency

The selected line items from the Condensed consolidated statement of comprehensive income and Condensed consolidated statement of financial position for the rest of Africa market segment disclosed on pages 60 and 89, 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 income. Income 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 income. Income consists of net interest income and non-interest income.

Coverage ratio

Impairment loans on losses 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.

Distribution force

Number of active advisers.

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.

Glossary

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 transitions 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.

Glossary

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 income

Net income consists of net interest income and non-interest income, net of impairment losses on loans and advances.

Glossary

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).

NPLs' coverage ratio

Net exposure, being the outstanding NPL balance, less expected recoveries and fair value of collateral, as a percentage of the total outstanding NPL balance.

NPL ratio

NPLs as a percentage of gross loans and advances to customers.

NPL ratio on loans and advances to customers and banks

NPLs as a percentage of gross loans and advances to customers and banks.

Non-interest income as a percentage of income

Non-interest income as a percentage of income from operations. Income 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 income 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 a 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.

Glossary

Return on average risk-weighted assets

Annualised headline earnings as a proportion of average risk-weighted assets.

Income/total income

Income 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.

Tangible net asset value per share

Total equity attributable to ordinary equity holders less goodwill and intangible assets, divided by the number of shares in issue. The tangible net asset value per share figure excludes the non-cumulative, non-redeemable preference shares issued.

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
BIA Basic Indicator Approach
bp(s) basis point(s)

C

CAD(s) Cash-accepting Device(s)
CET1 Common Equity Tier 1
CIB Corporate and Investment Bank
CoE Cost of Equity
CPF Commercial Property Finance

D

DPS dividend per share

E

EC Economic Capital
Edcon portfolio Edcon Store Card Portfolio
ERMF Enterprise Risk Management framework
ETF Exchange-traded Funds
EVNB Embedded value of new business

F

FIRB foundation internal ratings-based approach

H

HEPS Headline Earnings per Share

I

IAS International Accounting Standard(s)
IAS 10 IAS 10 Events after the Reporting Period
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 28 IAS 28 Impairment of Investments in Associates and Joint Ventures
IAS 34 IAS 34 Interim Reporting
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

L

LIBOR London Interbank Offered Rate

N

NAV net asset value
NPL(s) non-performing loan(s)
NPS Net Promoter Score

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(s) Risk-weighted asset(s)

S

SARB South African Reserve Bank

T

TSA The Standard Approach

U

USA United States of America

V

VAF Vehicle and Asset Finance

W

WIMI Wealth, Investment Management and Insurance
WFS Woolworths Financial Services (Pty) Ltd

Administration and contact details

Barclays Africa Group Limited

Incorporated in the Republic of South Africa

1986/003934/06

Authorised financial services and registered credit provider (NCRCP7)

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Queries

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Please direct queries relating to your Barclays Africa Group shares to questions@computershare.co.za

Please direct other queries regarding the Group to groupsec@barclaysafrica.com

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KPMG Inc.[1]

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Lead independent sponsor

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Joint sponsor

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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	absa.co.za
Barclays Bank of Botswana Limited	barclays.co.bw
Barclays Bank of Ghana Limited	gh.barclays.com/
Barclays Bank of Kenya Limited	barclays.co.ke
Barclays Bank Mauritius Limited	barclays.mu
Barclays Bank Mozambique SA	barclays.co.mz/eng
Barclays Bank (Seychelles) Limited	barclays.sc
Barclays Bank Tanzania Limited	barclays.co.tz
Barclays Bank of Uganda Limited	barclays.co.ug
Barclays Bank Zambia plc	zm.barclays.com/
National Bank of Commerce Limited	nbctz.com

Representative offices

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Absa Capital Representative Office Nigeria Limited	cib.absa.co.za

Note

[1] KPMG Inc. will be replacing PriceWaterhouseCoopers Inc. as auditors for the reporting period starting 1 January 2017.