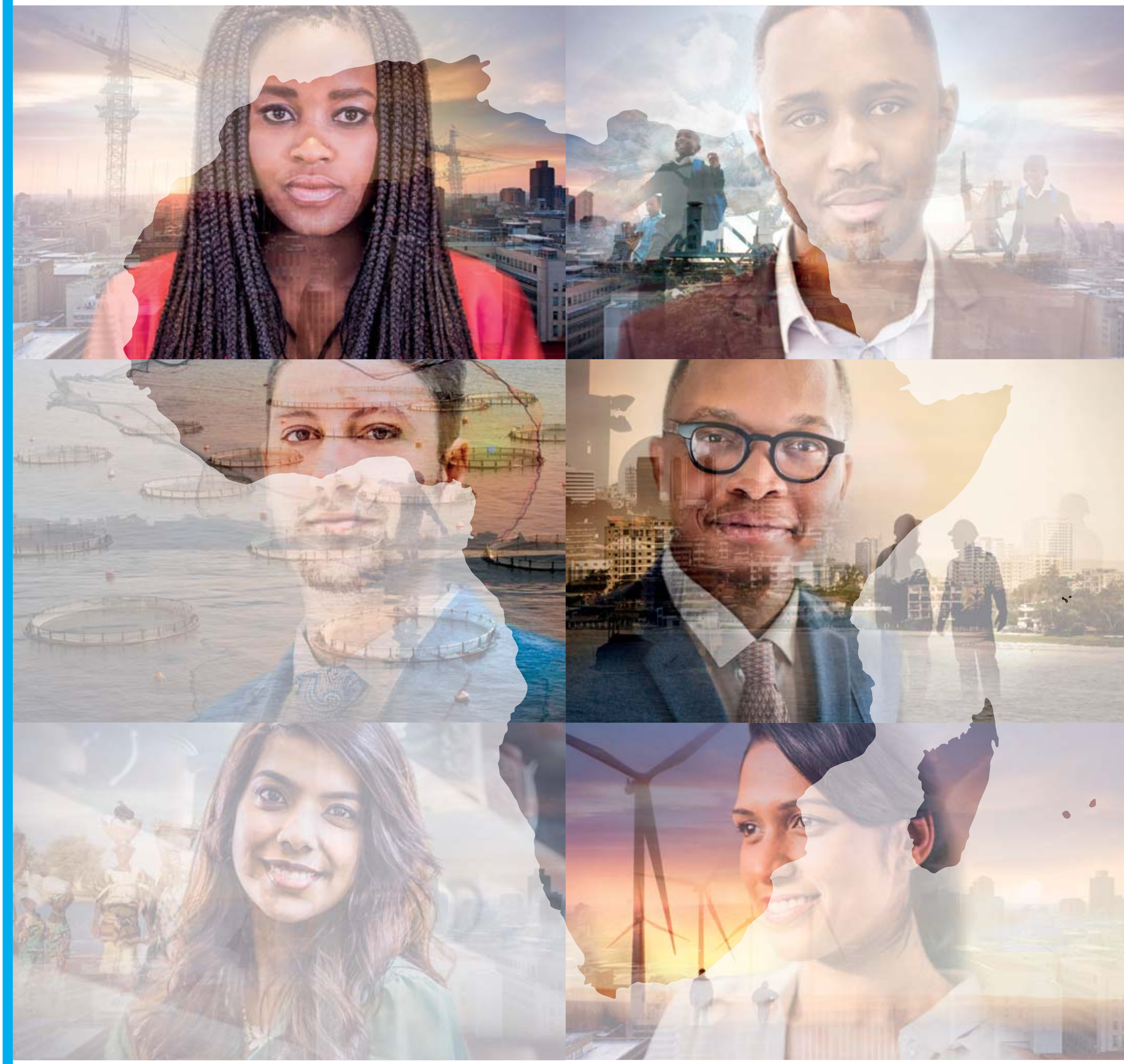
BARCLAYS



Barclays Africa Group Limited

Interim financial results

for the reporting period ended 30 June 2016

Group performance	3
Segment performance	50
Risk management	121
Appendices	140

Report overview

This interim financial results booklet for the reporting period ended 30 June 2016 is one of the publications released at the time of the Barclays Africa Group Limited (Barclays Africa Group or the Group) interim financial results announcement made on 29 July 2016. It is supplemented with additional disclosures including the Group's JSE SENS announcement and the interim financial results presentation to shareholders and other stakeholders.

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

The following changes have impacted the financial results for the comparative periods ended 30 June 2015 and/or 31 December 2015:

1. Internal reclassifications

In terms of the Group's policy, financial assets with a maturity of less than three months should be reported as "Cash, cash balances and balances with central banks", while financial assets with a maturity of longer than three months are reported as "Investment securities". Based on an analysis performed on the maturity periods of treasury bills in Rest of Africa, it was established that some treasury bills' maturity period extended beyond three months and had been reported as "Cash, cash balances and balances with the central banks". These items are now being reported as "Investment securities". This resulted in a restatement from cash, cash balances and balances to central banks to investment securities of R9bn for the reporting period ended 30 June 2015.

2. 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.
- South African Reserve Bank (SARB) cash and central exchange balances were moved from Corporate and Investment Banking (CIB) to Head Office, Treasury and other operations.
- Interest rates on internal cash balances were aligned to market-related rates, resulting in the restatement of interest between 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 and cheque income and associated costs were moved from CIB to RBB to better align the ownership of the products and the management thereof.

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

Unaudited interim financial results for the reporting period ended 30 June 2016

Date of publication: 29 July 2016

This report is printed on recycled paper that is 100% postconsumer waste sourced from either office or printing waste with no harmful chemicals used during the bleaching process. The byproducts of production of the paper are recycled into fertiliser, building materials and heat.

Dividend per share

Interim	460 cents

Key dates

Interim dividend payment	12 September 2016
Financial year-end	31 December 2016

Shareholder communications

Shareholder information	page 143
Contact details	page IBC

Icons used with this report

Positive

Negative

Remains the same

Increase/ decrease

Contents

Report overview IFC

Group performance 2

- Group performance overview 3
- About Barclays Africa 4
- Consolidated salient features 6
- Consolidated salient features by segment 7
- Profit and dividend announcement 8
- Condensed consolidated statement of comprehensive income 15
- Condensed consolidated statement of financial position 17
- Condensed consolidated statement of changes in equity 18
- Condensed consolidated statement of cash flows 22
- Performance indicators and condensed notes to the consolidated financial statements 23

Segment performance 49

- Segment performance overview 50
- Segment report per market segment 54
- Segment report per geographical segment 56
- Segment report per market and geographical segment 58
- RBB 61
- CIB 93
- WIMI 101

Risk management 119

- Risk management overview 120
- Capital management 128

Appendices 139

- Transition to Barclays Africa Group Limited 140
- Share performance 142
- Shareholder information and diary 143
- Glossary 144
- Abbreviations and acronyms 152
- Contact details IBC

Group performance

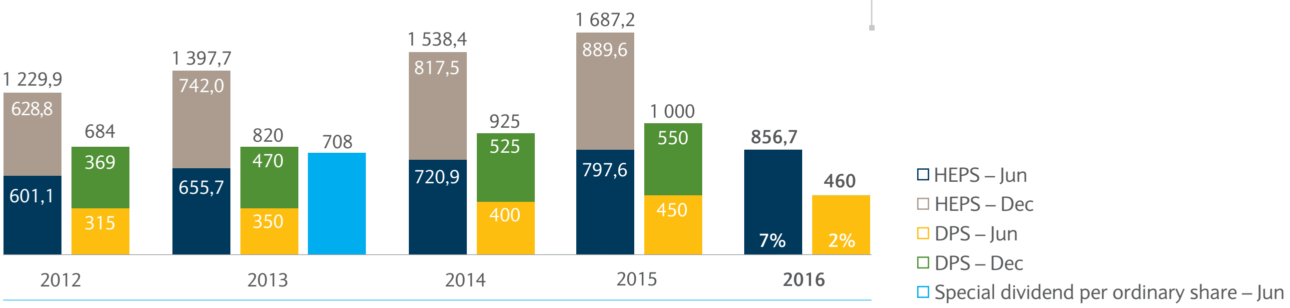
Group performance overview	3
About Barclays Africa	4
Consolidated salient features	6
Consolidated salient features by segment	7
Profit and dividend announcement	8
Condensed consolidated statement of comprehensive income	15
Condensed consolidated statement of financial position	17
Condensed consolidated statement of changes in equity	18
Condensed consolidated statement of cash flows	22
Performance indicators and condensed notes to the consolidated financial statements	23

Group performance overview

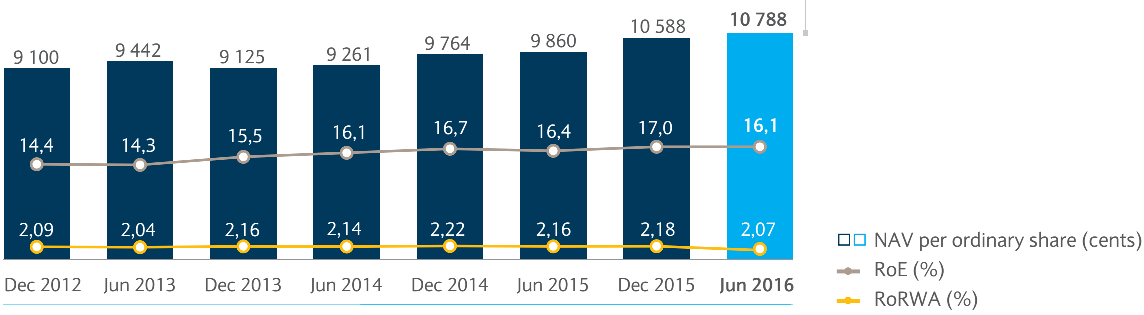
> "Our strategy continues to deliver strong results and is proving resilient in a challenging economic environment. Ours is a proudly African bank deeply committed to Shared Growth across our continent."
>
> **Maria Ramos,** *Chief Executive Officer*

- ▲ Net interest margin widened to 4,97% from 4,70%.
- ▼ Cost-to-income ratio improved to 53,4% from 55,9% resulting in a positive Jaws of 5,11%.
- ▲ Pre-provision profit increased by 19% to R17 021m.
- ▲ Common Equity Tier 1 (CET1) capital ratio strong at 12,1%.
- ▲ Rest of Africa headline earnings grew 33% to R1 328m.
- ▼ Decrease in CIB return on average risk-weighted assets (RoRWA) to 1,73%.
- ▲ Credit loss ratio deteriorated from 0,97% to 1,29%.

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 %)



Overview 3
Salient features 6
Profit and dividend announcement 8
Financials 15
Notes to the financials 23

A strong African franchise delivering shareholder returns and positively impacting society.

About Barclays Africa

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

We are 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 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.

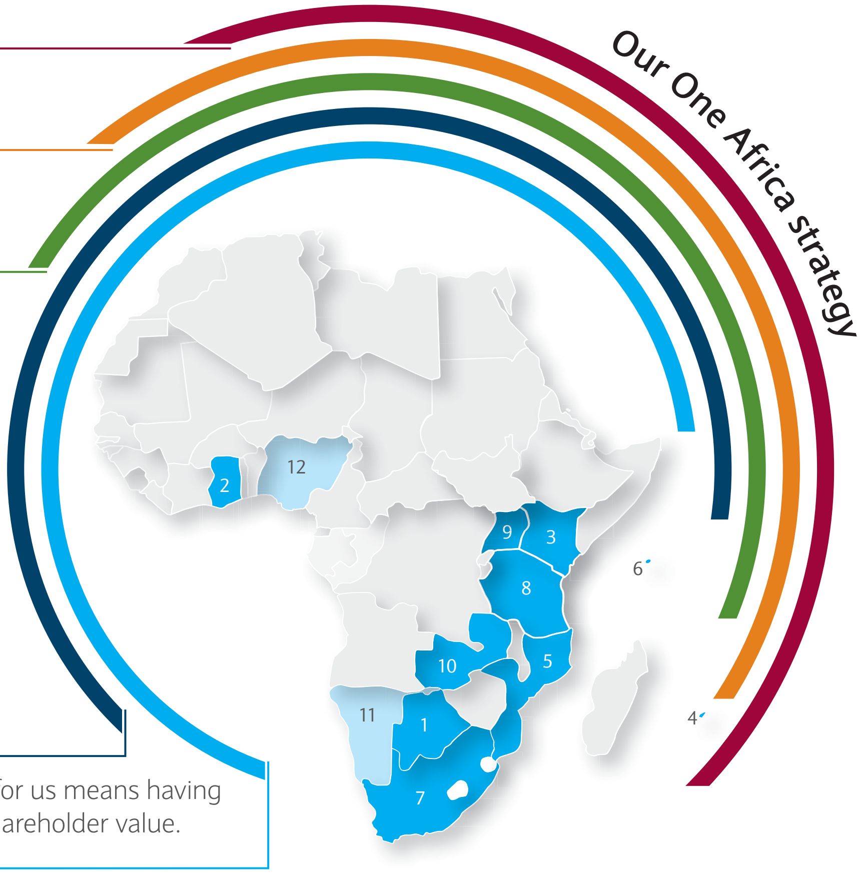
Service We put our customers and clients at the centre of what we do.

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	37	115	249k	1 173
2	Ghana	66	162	516k	1 119
3	Kenya	121	215	798k	2 887[2]
4	Mauritius	19	39	78k	786
5	Mozambique	49	107	277k	944
6	Seychelles	7	17	30k	198
7	South Africa	782	9 153	9 498k	30 631
8	Tanzania BBT	19	48	41k	503
8	Tanzania NBC	51	238	660k	1 190
9	Uganda	40	70	137k	848
10	Zambia	47	135	228k	968

Representative offices
11 Namibia
12 Nigeria

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

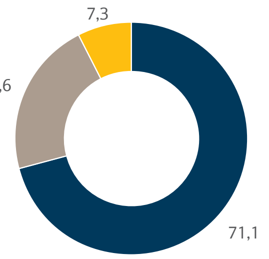
12,5m
customers

1 238
branches

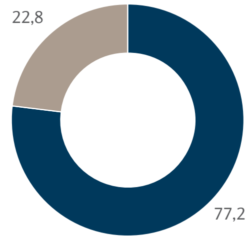
10 299
ATMs

41 247
employees

Income by segment[1]



Income by geography



We continue on our journey to distinguish ourselves 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.

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

By focusing on…

Our Retail and Business Banking turnaround
Regaining our leading market position in South Africa and driving the build-out across the continent.

Investing in Corporate Banking growth
Invest in our people and systems to allow us to develop our expertise and product portfolio.

Growing Wealth, Investment Management and Insurance
Realise synergies and build on the platform to expand into new African capital markets.

Developing and investing in talent and our people
Deliver on our diversity agenda, invest in skills and leadership development.

Driving change through the four strategic themes…

African opportunity
Invest in the greatest growth opportunities and connect Africa to international capital markets.

Customer and client experience
Make our customers' and clients' lives easier and help them to prosper.

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

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

Aiming to deliver on our medium-term targets…

- **A return on equity** in the range of 18 – 20%
- **Top three by revenue position** in our five key markets (Botswana, Ghana, Kenya, South Africa and Zambia)
- **An income share** of 20 – 25% from outside South Africa
- **A cost-to-income ratio** in the low 50s

While building the bank of the future…

We recognise that, with the pace of change, the environment in which we operate will look very different in the future.

While we remain focused on our strategic priorities, we ensure that we keep evolving and building the capabilities required in the future through programmes and partnerships such as:

- Rise Africa, which is part of an international community for open innovation, designed to pioneer the future of financial services; and
- We became the first bank in Africa to join the global R3 Blockchain Consortium.

2014 → 2015 – 2016 →

[1] Excludes Head Office, Treasury and other operations.

Consolidated salient features

	30 June 2016	30 June 2015	Change %	31 December 2015
Statement of comprehensive income (Rm)				
Income	**36 508**	32 423	13	67 198
Operating expenses	**19 487**	18 129	7	37 661
Profit attributable to ordinary equity holders	**7 019**	6 770	4	14 331
Headline earnings	**7 252**	6 755	7	14 287
Statement of financial position				
Loans and advances to customers (Rm)	**715 209**	657 412	9	703 359
Total assets (Rm)	**1 142 469**	1 038 945	10	1 144 604
Deposits due to customers (Rm)	**676 968**	649 226	4	688 419
Loans to deposits and debt securities ratio (%)	**87,1**	85,5		86,1
Financial performance (%)				
Return on Equity (RoE)	**16,1**	16,4		17,0
Return on Average Assets (RoA)	**1,29**	1,33		1,37
Return on risk-weighted assets (RoRWA)	**2,08**	2,16		2,18
Non-performing loans (NPLs) ratio on gross loans and advances[1]	**3,84**	3,49		3,47
Operating performance (%)				
Net interest margin on average interest-bearing assets	**4,97**	4,70		4,81
Credit loss ratio on gross loans and advances to customers and banks	**1,29**	0,97		0,92
Credit loss ratio on net loans and advances to customers	**1,48**	1,11		1,05
Non-interest income as percentage of total income	**42,2**	43,1		42,8
Cost-to-income ratio	**53,4**	55,9		56,0
Jaws	**5,11**	0,86		1,39
Effective tax rate	**28,3**	28,6		27,7
Share statistics (million)				
Number of ordinary shares in issue	**847,8**	847,8		847,8
Number of ordinary shares in issue (excluding treasury shares)	**846,9**	846,9		845,7
Weighted average number of ordinary shares in issue	**846,5**	846,9		846,8
Diluted weighted average number of ordinary shares in issue	**846,5**	847,6		847,3
Share statistics (cents)				
Headline earnings per ordinary share	**856,7**	797,6	7	1 687,2
Diluted headline earnings per ordinary share	**856,7**	797,0	7	1 686,2
Basic earnings per ordinary share	**829,2**	799,4	4	1 692,4
Diluted basic earnings per ordinary share	**829,2**	798,7	4	1 691,4
Dividend per ordinary share relating to income for the reporting period	**460**	450	2	1 000
Dividend cover (times)	**1,9**	1,8		1,7
NAV per ordinary share	**10 788**	9 860	9	10 558
Tangible NAV per ordinary share	**10 359**	9 495	9	10 112
Capital adequacy (%)				
Barclays Africa Group Limited	**14,6**	14,1		14,5
Absa Bank Limited	**14,0**	13,0		13,6
Common Equity Tier 1 (%)				
Barclays Africa Group Limited	**12,1**	11,7		11,9
Absa Bank Limited	**10,8**	10,0		10,3

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 **4,28%** (30 June 2015: 3,97%; 31 December 2015: 3,88%).

Consolidated salient features by segment

	30 June 2016	30 June 2015[1]	Change %	31 December 2015[1]
Headline earnings (Rm)				
RBB	**4 911**	4 459	10	9 661
Retail Banking South Africa	**3 402**	3 157	8	6 694
Business Banking South Africa	**1 070**	1 033	4	2 124
RBB Rest of Africa	**439**	269	63	843
CIB	**1 992**	1 857	7	3 999
WIMI	**691**	748	(8)	1 452
Head Office, Treasury and other operations	**(342)**	(309)	11	(825)
Return on average risk-weighted assets (%)				
RBB	**2,34**	2,27		2,39
Retail Banking South Africa	**2,77**	2,66		2,75
Business Banking South Africa	**2,99**	3,05		3,00
RBB Rest of Africa	**0,86**	0,62		0,93
CIB	**1,73**	1,93		1,93
Return on average regulatory capital (%)				
RBB	**21,1**	20,3		21,3
CIB	**15,9**	17,4		17,4
WIMI[2]	**23,2**	25,5		24,7
Credit loss ratio (%)[3]				
RBB	**1,48**	1,27		1,19
Retail Banking South Africa	**1,48**	1,33		1,23
Business Banking South Africa	**0,99**	0,79		0,85
RBB Rest of Africa	**1,98**	1,41		1,29
CIB	**1,05**	0,23		0,37
WIMI	**(0,05)**	0,08		(0,07)
Loans and advances to customers (Rm)				
RBB	**483 466**	471 603	3	483 755
Retail Banking South Africa	**374 753**	371 890	1	374 997
Business Banking South Africa	**66 615**	63 353	5	63 545
RBB Rest of Africa	**42 098**	36 360	16	45 213
CIB	**224 777**	177 881	26	213 625
WIMI	**5 895**	5 117	15	5 350
Head Office, Treasury and other operations	**1 071**	2 811	(62)	629
Deposits due to customers (Rm)				
RBB	**341 276**	313 546	9	344 847
Retail Banking South Africa	**169 746**	155 952	9	166 015
Business Banking South Africa	**105 891**	101 670	4	110 096
RBB Rest of Africa	**65 639**	55 924	17	68 736
CIB	**234 425**	233 571	0	241 689
WIMI	**4 925**	5 182	(5)	5 160
Head Office, Treasury and other operations	**96 342**	96 927	(1)	96 723
Off-statement of financial position (Rbn)				
Assets under management and administration	**284**	274	4	274
Exchange-traded funds	**36**	32	13	31
Money market	**59**	53	11	55
Non-money market	**197**	197	—	196
Intra-segment eliminations	**(8)**	(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 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 comparatives credit loss ratios.

Profit and dividend announcement

Salient features

- Diluted HEPS increased 7% to 856,7 cents.
- Declared a 2% higher interim DPS of 460 cents.
- Headline earnings in South Africa grew 3% to R5,9bn and rest of Africa rose 33% to R1,3bn.
- RoE declined to 16,1% from 16,4%.
- Pre-provision profit increased 19,1% to R17,0bn.
- Revenue grew 13% to R36,5bn, as net interest income increased 14% and non-interest income rose 10%, while operating expenditure grew 7% to R19,5bn.
- Credit impairments increased 46% to R5,2bn resulting in a 1,29% credit loss ratio from 0,97%.
- Barclays Africa Group Limited's core equity tier 1 (CET1) ratio of 12,1% remains above regulatory requirements and our board target range.

Overview of results

Barclays Africa Group Limited's headline earnings increased 7% to R7 252m from R6 755m. Diluted HEPS also grew 7% to 856,7 cents from 797,0 cents. The Group's RoE decreased to 16,1% from 16,4%, primarily because of higher credit impairments, and its return on assets declined to 1,29% from 1,33%. The Group declared a 2% higher ordinary DPS of 460 cents. Its NAV increased 9% to 10 788 cents.

Pre-provision profit increased 19,1% to R17,0bn, which drove earnings growth. Non-interest income grew 10% and net interest income 14%, as the Group's net interest margin (on average interest-bearing assets) improved to 4,97% from 4,70%. Loans and advances to customers grew 9% to R715bn, while deposits due to customers increased 4% to R677bn. The Group's cost-to-income ratio improved to 53,4% from 55,9% as operating expenses rose 7%. Rand weakness added 3% to the Group's revenue, cost and headline earnings growth. Credit impairments grew 46%, largely due to higher charges in Home Loans, CIB and RBB Rest of Africa. The NPLs ratio rose to 3,8% from 3,5%, while portfolio provisions increased to 72 basis points (bps) of performing loans from 65 bps.

RBB's headline earnings increased 10% to R4 911m, as revenue grew 10% and costs rose 8%. Retail Banking South Africa grew headline earnings 8%, while Business Banking South Africa and RBB Rest of Africa increased 4% and 63% respectively. WIMI's headline earnings decreased 8% to R691m, despite 13% growth in Life Insurance in South Africa, while CIB grew 7% to R1 992m, as 41% higher Corporate earnings offset 20% lower Investment Bank earnings.

Revenue from the rest of Africa grew 27% and headline earnings rose 33% to R1 326m, to contribute 23% and 18% of the Group respectively.

Operating environment

The global economy and markets were volatile in the first half, with wide swings in risk sentiment and asset prices, and big quarterly variations in the growth of many large economies. Advanced economy growth slipped to an estimated 1,6% in the half, while emerging markets grew 4,4%. Soft demand depressed prices for many commodities, while evolving views on the outlook for US monetary policy impacted global markets more broadly.

South Africa's economy shrank 1,2% on an annualised basis in the first quarter, given drought conditions and poor mining output. A poor job market, weak consumer confidence, rising rates and higher inflation placed greater strain on households. For the business sector, low confidence coincided with reduced investment spending. Despite low levels of economic activity, inflation rose beyond the Reserve Bank's 6% upper target, prompting a further 75 bps increase in rates. Growth in the Group's presence markets in the rest of Africa moderated further, due to lower commodity prices, the adverse external environment and fiscal consolidation efforts in some markets.

Group performance

Statement of financial position

Total assets increased 10% to R1 142bn at 30 June 2016, predominantly due to 9% higher loans and advances to customers and 25% growth in trading portfolio assets.

Loans and advances to customers

Loans and advances to customers increased 9% to R715bn, or 7% excluding rand depreciation. Retail Banking South Africa's loans rose 1% to R375bn, reflecting 3% growth in Vehicle and Asset Finance (VAF) and 14% higher Personal Loans, while Home Loans declined 1% and Card 2%. Business Banking South Africa's loans rose 5% to R67bn, including 6% growth in mortgages. RBB Rest of Africa's loans increased 16% to R42bn, or 3% in constant currency (CCY). CIB's loans grew 26% to R225bn, largely due to 32% higher term loans.

Funding

The Group's liquidity position remains strong. Deposits due to customers grew 4% to R677bn, which increased its loans to deposit and debt securities ratio to 87,1% from 85,5%. Deposits due to customers constituted 75% of total funding from 79%. Retail Banking South Africa maintained its leading market share and increased deposits 9% to R170bn. Business Banking South Africa's deposits grew 4% to R106bn, with 3% higher cheque account deposits. CIB's deposits were flat at R234bn, as 6% lower cheque account deposits offset 10% higher fixed deposits.

Net asset value

The Group's NAV per share grew 9% to 10 788 cents from June 2015. During the half it generated profits of R7,0bn, from which it paid R4,6bn in dividends. Its foreign currency translation reserve reduced by R2,1bn to R4,3bn.

Capital to risk-weighted assets

Group risk-weighted assets (RWAs) increased 8% to R699bn at 30 June 2016, in line with its asset growth. However, RWAs decreased 1% year to date due to rand depreciation. The Group remains well capitalised, comfortably above minimum regulatory requirements. The Group's CET1 and Tier 1 capital adequacy ratios were 12,1% and 12,6% respectively (from 11,7% and 12,3%). The Group generated 1,1% of CET1 capital internally during the period. Its total capital adequacy ratio was 14,6%. The dividend of 460 cents per share on a dividend cover of 1,9 times recognises the internal capital generation capability, our strategy, and growth plans while having regard to the difficult and volatile macro economy.

Statement of comprehensive income

Net interest income

Net interest income increased 14% to R21 093m from R18 463m, with average interest-bearing assets growing 8%. The Group's net interest margin improved to 4,97% from 4,70%.

Loan pricing had a 5 bps positive impact, as improved pricing in Home Loans offset compression in Vehicle and Asset Finance. A lower proportion of mortgages had a positive composition impact, partly offset by CIB's growth.

The Group's deposit margin increased, 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 contribution on deposits and equity of 6 bps. Despite releasing R224m to the income statement, the benefit from structural hedging declined 10 bps. Rest of Africa added 13 bps to the Group margin, as its margin improved by 35 bps and its weighting in the overall composition increased. The basis reset benefit from prime increasing relative to JIBAR in South Africa added another 6 bps.

Profit and dividend announcement

Group performance *(continued)*

Statement of comprehensive income *(continued)*

Non-interest income

Non-interest income increased 10% to R15 415m from R13 960m accounting for 42% of total revenue. Rest of Africa grew 22% to R2 794m, or (CCY 9%), while South Africa increased 8% to R12 621m. Net fee and commission income rose 5% to R10 305m, with growth in credit cards and electronic banking of 27% and 6% respectively.

RBB's non-interest income grew 7% to R9 483m, 62% of the Group total. Retail Banking South Africa increased 5% to R6 252m with customer growth and sub-inflation fee increases dampened by continued migration to bundled products and electronic channels. Card non-interest income increased 13%, with 14% growth in acquiring volumes. Business Banking's non-interest income grew 6% to R1 769m, largely due to fair value adjustments in its equity portfolio and 6% growth in electronic banking income. RBB Rest of Africa's 22% higher non-interest income of R 1 462m reflects rand depreciation and increased transaction volumes, particularly in card and foreign exchange.

WIMI's non-interest income was flat at R2 502m, as South Africa grew 2% and the Rest of Africa declined 21% due to revised reserving requirements, lower investment returns and new business strain. However, net insurance premiums income grew 16% on continuing lines.

CIB's non-interest income increased 18% to R3 282m, largely due to improved trading. Its overall Markets revenue rose 31% to R2 725m as rest of Africa grew 26% and South Africa 33%, with Fixed Income and Credit up 57% and Foreign Exchange and Commodities increasing 28%.

Impairment losses on loans and advances

Credit impairments increased 46% to R5 197m from R3 550m, resulting in a 1,29% credit loss ratio from 0,97%. 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 1,48% from 1,11%. Group NPLs increased 17% to R31,4bn, or 3,8% of gross loans and advances from 3,5%. Total NPL coverage was flat at 44%. Balance sheet portfolio impairments increased 18,2% to R5,7bn, or 0,72% of total performing loans from 0,65%. This includes 41% higher macroeconomic impairments of R1,3bn.

RBB's credit impairments grew 21% to R3,9bn, a 1,48% credit loss ratio from 1,27%. Retail Banking South Africa's charge increased 13% to R2,9bn.

Home Loans' charge grew 77% to R505m, a 0,44% credit loss ratio from 0,25%, with NPLs rising 4% year to date. VAF's credit loss ratio rose to 1,13% from 1,09%, as its retail charge increased due to growth in debt counselling and legal. Commercial asset finance's credit loss ratio improved due to low new defaults. Card credit impairments decreased 3% to R1 297m, a 5,95% credit loss ratio from 6,21%, despite increased delinquencies and debt counselling inflows in Absa Card and Woolworths Financial Services. Personal Loans credit impairments increased 22%, largely reflecting book growth and a present value adjustment in the second half of the prior reporting period. Its credit loss ratio rose to 5,85% from 5,43%.

Business Banking South Africa's credit impairments grew 32% to R332m, resulting in a 0,99% credit loss ratio from 0,79%. Its NPLs were flat at R3,2bn. RBB Rest of Africa's credit impairments rose 58% to R646m, increasing its credit loss ratio to 1,98% from 1,41%. Its NPLs increased 19% to R3,4bn, while performing loan cover increased to 1,76% from 1,08%. CIB's credit impairments increased significantly to R1,4bn, largely due to specific impairments in the consumer and resources sector, resulting in a 1,05% credit loss ratio from 0,23%. Its portfolio provisions increased to 0,43% of performing loans.

Group performance *(continued)*

Statement of comprehensive income *(continued)*

Operating expenses

Operating expenses grew 7% to R19 487m from R18 129m. South Africa's 5% growth in operating expenses was below inflation, while Rest of Africa costs rose 17%, or 6% in constant currency. Staff costs grew 8% and accounted for 56% of total expenses. Salaries rose 9% due to higher wage increases for entry level employees and hiring in specialist staff. Incentives were flat, as bonuses rose 6% and share-based payments fell 12%.

Non-staff costs grew 7%, as structural cost programmes produced efficiency gains that enabled continued investment in growth initiatives. Property-related costs grew 1%, reflecting continued portfolio optimisation. Total IT-related costs increased 17% and constituted 19% of overall costs. Depreciation rose 8% and amortisation of intangible assets increased 37% due to investment in new channels. Marketing costs fell 16% after some sponsorships were terminated. Professional fees increased 14% to assist with group projects and implementing regulatory changes.

RBB and WIMI's operating expenses increased 8% and 12% respectively. Retail Banking South Africa's operating expenses grew 6%, reflecting increased staff costs and investment in digital channels, and Business Banking South Africa's rose 6%. RBB Rest of Africa's operating expenses grew 17%, or (CCY 6%), despite inflationary pressures in some countries. CIB's costs grew 5% without reducing investment in systems.

Taxation

The Group's taxation expense increased 3% to R2 997m, slightly less than the 4% growth in pre-tax profit, resulting in a 28,3% effective tax rate from 28,6%.

Segment performance

Retail Banking South Africa

Headline earnings grew 8% to R3 402m, as 8% higher pre-provision profits offset 13% higher credit impairments. Transactional and Deposits earnings grew 14% to R1 395m, given 17% higher net interest income and 4% cost growth. Home Loans' earnings fell 7% to R825m, largely due to 77% higher credit impairments. Card earnings increased 23% to R762m, as 6% revenue growth exceeded 4% higher costs and credit impairments decreased 3%. VAF earnings declined 15% to R411m, given lower revenue and 8% higher credit impairments. Personal Loans earnings grew 81% to R199m, reflecting 17% revenue growth combined with 6% lower costs. "Other" segment grew 9% to R190m, due to increased technology, enhancement of digital channels and regulatory costs. Retail Banking South Africa accounted for 45% of total earnings, excluding the Group centre.

Business Banking South Africa

Headline earnings increased 4% to R1 070m, reflecting 4% growth in its core franchise and a 7% smaller loss in the non-core equity portfolio. Pre-provision profits grew 11% as 8% revenue growth exceeded 6% higher costs, while its credit loss ratio increased to 0,99%. Business Banking South Africa generated 14% of overall earnings excluding the Group centre.

Retail and Business Banking Rest of Africa

Headline earnings grew 63% to R439m or (CCY 17%). Revenue growth of 26% exceeded 17% higher costs to increase pre-provision profits 48% and reduce its cost to income ratio to 67,7%. Credit impairments increased 58%, resulting in a 1,98% credit loss ratio. RBB Rest of Africa contributed 6% of total earnings excluding the Group centre.

Profit and dividend announcement

Segment performance *(continued)*

Corporate and Investment Bank

Headline earnings rose 7% to R1 992m, due to 45% higher pre-provision profits and 5% lower taxation. Revenues grew 23%, with rest of Africa increasing 34% and South Africa 17%. Markets revenue rose 31%, with South Africa up 33% while Rest of Africa grew 26%. Costs rose 5%, reflecting continued investment in systems and technology. Credit impairments increased by R1 145m, due to specific impairments in the consumer and resources sector and higher portfolio provisions. Corporate earnings grew 41% to R1 172m, while the Investment Bank's fell 20% to R820m, given increased credit impairments. CIB's return on regulatory capital declined to 15,9% from 17,4%, due to higher credit impairments. It contributed 26% of total earnings excluding the Group centre.

Wealth, Investment Management and Insurance

Headline earnings fell 8% to R691m due to higher actuarial reserving in Mozambique and Kenya and reduced income on shareholder funds. Excluding these items WIMI's earnings grew 9%. Life Insurance in South Africa grew 13% on the back of 12% higher net premium income. The embedded value of new business increased 21%. Short-term insurance in South Africa grew its continuing line earnings 28%, despite higher claims. Wealth and Investment Management's earnings grew 11% given 10% revenue growth, as net assets under management increased 4% to R284bn. Fiduciary Services earnings fell 10%, while Distribution returned to profitability. Headline earnings for the Other segment declined by R82m which includes the WIMI shareholder investment portfolios which were adversely impacted by currency and market movements. Rest of Africa made a R29m loss due to revised reserving requirements methodology and lower investment returns. WIMI's RoE decreased to 23,2% from 25,4% and it generated 9% of earnings excluding the Group centre.

Prospects

The UK Brexit vote and its potential for broader implications reduced our 2016 global growth forecast to 3,1%.

We have cut our GDP growth forecast for South Africa to -0,2% in 2016. Inflation is expected to remain high in the second half, given the impact of drought on food inflation while the recent recovery in the rand has only a temporary moderating impact. We forecast inflation will average 6,7% in 2016 and we expect a further 25 bp rate increase towards the end of the year. Key risks facing South Africa include further weakness in the global economy, and the potential for its sovereign credit rating to be downgraded. The outlook is similarly challenging across our presence countries in the rest of Africa, and we expect economic growth of 4,7% for 2016, the region's lowest growth since 2002.

Against this challenging and volatile backdrop, we expect low to mid-single digit loan growth, with CIB growing faster than RBB and rest of Africa growth exceeding South Africa. The Group's net interest margin should be largely in line with 2015, despite a higher proportion of CIB lending and the National Credit Act caps. Continued focus on revenue growth and cost management should improve the Group's cost-to-income ratio. Its credit loss ratio should improve from the first half, given usual seasonality, but remain above through-the-cycle levels. As a result, the Group's RoE is likely to be slightly lower in 2016.

Following Barclays PLC's announcement on 1 March 2016, Barclays PLC continues to explore strategic and capital market options to reduce its shareholding in Barclays Africa Group to achieve regulatory deconsolidation. Barclays Africa Group continues to work with Barclays PLC, including planning for the operational separation of the two businesses in order to preserve value for all stakeholders. Barclays Africa Group and Barclays PLC continue to engage with regulators as the divestment process is subject to all relevant regulatory approvals. Shareholders will be updated in due course.

Basis of presentation

The Group's interim 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 audited annual consolidated financial statements.

The Group's unaudited condensed consolidated interim financial statements comply with IAS 34 – Interim Financial Reporting (IAS 34).

The preparation of financial information requires the use of estimates and assumptions about future conditions. Use of available information and application of judgement are inherent in the formation of estimates. The accounting policies that are deemed critical to the Group's results and financial position, in terms of the materiality of the items to which the 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.

Accounting policies

The accounting policies applied in preparing the condensed consolidated interim 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 on the reporting overview on the inside front cover.

Events after the reporting period

The directors are not aware of any events occurring between the reporting date of 30 June 2016 and the date of authorisation of these condensed consolidated interim 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

29 July 2016

Overview 3
Salient features 6
Profit and dividend announcement 8
Financials 15
Notes to the financials 23

Profit and dividend announcement

Declaration of interim ordinary dividend number 60

Shareholders are advised that an interim ordinary dividend of 460 cents per ordinary share was declared on 29 July 2016, for the period ended 30 June 2016. The interim ordinary dividend is payable to shareholders recorded in the register of members of the Company at the close of business on 9 September 2016. 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 (x) and 11.17 (c) of the JSE Listings Requirements, the following additional information is disclosed:

- The dividend has been declared out of income reserves.
- The local dividend tax rate is fifteen per cent (15%).
- The gross local dividend amount is 460 cents per ordinary share for shareholders exempt from the dividend tax.
- The net local dividend amount is 391 cents per ordinary share for shareholders liable to pay the dividend tax.
- Barclays Africa Group currently has 847 750 679 ordinary shares in issue (includes 878 850 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, 6 September 2016
Shares commence trading ex dividend	Wednesday, 7 September 2016
Record date	Friday, 9 September 2016
Payment date	Monday, 12 September 2016

Share certificates may not be dematerialised or rematerialised between Wednesday, 7 September 2016 and Friday, 9 September 2016, both dates inclusive. On Monday, 12 September, 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, 12 September 2016.

On behalf of the Board

N R Drutman

Group Company Secretary

Johannesburg

29 July 2016

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

	Note	30 June 2016 Rm	2015 Rm	Change %	31 December 2015 Rm
Net interest income	2	**21 093**	18 463	14	38 407
Interest and similar income		**42 559**	34 551	23	73 603
Interest expense and similar charges		**(21 466)**	(16 088)	33	(35 196)
Non-interest income	3	**15 415**	13 960	10	28 791
Net fee and commission income		**10 305**	9 845	5	20 155
Fee and commission income	3.1	**11 859**	11 285	5	23 152
Fee and commission expense	3.1	**(1 554)**	(1 440)	8	(2 997)
Net insurance premium income	3.2	**3 516**	2 981	18	6 303
Net claims and benefits incurred on insurance contracts	3.3	**(1 869)**	(1 467)	27	(3 145)
Changes in investment and insurance contract liabilities	3.4	**(422)**	(35)	>100	(214)
Gains and losses from banking and trading activities	3.5	**2 989**	1 987	50	3 933
Gains and losses from investment activities	3.6	**277**	293	(5)	786
Other operating income	3.7	**619**	356	74	973
Total income		**36 508**	32 423	13	67 198
Impairment losses on loans and advances	4	**(5 197)**	(3 550)	46	(6 920)
Operating income before operating expenditure		**31 311**	28 873	8	60 278
Operating expenditure	5	**(19 487)**	(18 129)	7	(37 661)
Other expenses		**(1 272)**	(639)	99	(1 443)
Other impairments		**(624)**	(16)	>100	(84)
Indirect taxation	6	**(648)**	(623)	4	(1 359)
Share of post-tax results of associates and joint ventures		**55**	71	(23)	129
Operating profit before income tax		**10 607**	10 176	4	21 303
Taxation expense	7	**(2 997)**	(2 907)	3	(5 899)
Profit for the reporting period		**7 610**	7 269	5	15 404
Profit attributable to:					
Ordinary equity holders		**7 019**	6 770	4	14 331
Non-controlling interest – ordinary shares		**423**	340	24	752
Non-controlling interest – preference shares		**168**	159	6	321
		7 610	7 269	5	15 404
Earnings per share:					
Basic earnings per share (cents)	1	**829,2**	799,4	4	1 692,4
Diluted basic earnings per share (cents)	1	**829,2**	798,7	4	1 691,4

Overview 3
Salient features 6
Profit and dividend announcement 8
Financials 15
Notes to the financials 23

Condensed consolidated statement of comprehensive income

for the reporting period ended

	30 June 2016 Rm	30 June 2015 Rm	Change %	31 December 2015 Rm
Profit for the reporting period	**7 610**	7 269	5	15 404
Other comprehensive income				
Items that will not be reclassified to profit or loss	**(41)**	(30)	37	(118)
Movement in retirement benefit fund assets and liabilities	**(41)**	(30)	37	(118)
(Decrease)/increase in retirement benefit surplus	**(11)**	4	<(100)	(42)
Increase in retirement benefit deficit	**(28)**	(28)	—	(72)
Deferred tax	**(2)**	(6)	(67)	(4)
Items that are or may be subsequently reclassified to profit or loss	**(641)**	(1 461)	(56)	888
Movement in foreign currency translation reserve	**(2 327)**	(938)	>100	3 428
Differences in translation of foreign operations	**(2 007)**	(848)	>100	3 695
Gains released to profit or loss	**(320)**	(90)	>100	(267)
Movement in cash flow hedging reserve	**1 568**	(616)	<(100)	(2 223)
Fair value gains/(losses) arising during the reporting period	**2 399**	(207)	<(100)	(2 029)
Amount removed from other comprehensive income and recognised in profit or loss	**(221)**	(648)	(66)	(1 058)
Deferred tax	**(610)**	239	<(100)	864
Movement in available-for-sale reserve	**118**	93	27	(317)
Fair value gains/(losses) arising during the reporting period	**130**	(11)	<(100)	(690)
Release to profit or loss	**—**	101	(100)	210
Deferred tax	**(12)**	3	<(100)	163
Total comprehensive income for the reporting period	**6 928**	5 778	20	16 174
Total comprehensive income attributable to:				
Ordinary equity holders	**6 487**	5 368	21	14 649
Non-controlling interest – ordinary shares	**273**	251	9	1 204
Non-controlling interest – preference shares	**168**	159	6	321
	6 928	5 778	20	16 174

Condensed consolidated statement of financial position

as at

	Note	30 June 2016 Rm	2015[1] Rm	Change %	31 December 2015 Rm
Assets					
Cash, cash balances and balances with central banks		**47 734**	37 181	28	45 904
Investment securities		**101 563**	88 009	15	100 965
Loans and advances to banks		**83 663**	93 535	(11)	85 951
Trading portfolio assets		**111 651**	89 426	25	137 163
Hedging portfolio assets		**1 455**	2 106	(31)	2 232
Other assets		**37 275**	32 132	16	25 846
Current tax assets		**1 714**	1 354	27	833
Non-current assets held for sale		**1 623**	949	71	1 700
Loans and advances to customers	8	**715 209**	657 412	9	703 359
Reinsurance assets		**814**	467	74	581
Investments linked to investment contracts		**19 910**	19 025	5	19 517
Investments in associates and joint ventures		**1 005**	901	12	1 000
Investment properties		**894**	751	19	1 264
Property and equipment		**13 336**	11 404	17	13 252
Goodwill and intangible assets		**3 635**	3 095	17	3 772
Deferred tax assets		**988**	1 198	(18)	1 265
Total assets		**1 142 469**	1 038 945	10	1 144 604
Liabilities					
Deposits from banks		**77 927**	51 041	53	62 980
Trading portfolio liabilities		**53 020**	48 324	10	90 407
Hedging portfolio liabilities		**2 357**	2 432	(3)	4 531
Other liabilities		**37 085**	34 313	8	24 982
Provisions		**2 126**	1 986	7	3 236
Current tax liabilities		**94**	151	(38)	242
Non-current liabilities held for sale		**9**	468	(98)	233
Deposits due to customers	9	**676 968**	649 226	4	688 419
Debt securities in issue	10	**144 522**	119 544	21	128 683
Liabilities under investment contracts		**28 019**	22 706	23	24 209
Policyholder liabilities under insurance contracts		**4 506**	3 651	23	4 340
Borrowed funds	11	**13 548**	11 476	18	13 151
Deferred tax liabilities		**1 613**	1 768	(9)	544
Total liabilities		**1 041 794**	947 086	10	1 045 957
Equity					
Capital and reserves					
Attributable to ordinary equity holders:					
Share capital	11	**1 694**	1 694	—	1 691
Share premium	11	**4 412**	4 531	(3)	4 250
Retained earnings		**78 078**	72 407	8	75 785
Other reserves		**7 180**	4 875	47	7 566
		91 364	83 507	9	89 292
Non-controlling interest – ordinary shares		**4 667**	3 708	26	4 711
Non-controlling interest – preference shares		**4 644**	4 644	—	4 644
Total equity		**100 675**	91 859	10	98 647
Total liabilities and equity		**1 142 469**	1 038 945	10	1 144 604

Note

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

Condensed consolidated statement of changes in equity

for the reporting period ended

	Number of ordinary shares '000	Share capital Rm	Share premium Rm	Retained earnings Rm	Total other reserves Rm	General credit risk reserve Rm	Available-for-sale reserve Rm
Balance at the beginning of the reporting period	845 725	1 691	4 250	75 785	7 566	727	560
Total comprehensive income	—	—	—	6 979	(492)	—	82
Profit for the period	—	—	—	7 019	—	—	—
Other comprehensive income	—	—	—	(40)	(492)	—	82
Dividends paid	—	—	—	(4 648)	—	—	—
Purchase of Group shares in respect of equity-settled share-based payment arrangements	—	—	(229)	28	—	—	—
Elimination of movement in treasury shares held by Group entities	1 146	3	96	—	—	—	—
Movement in share-based payment reserve	—	—	229	—	40	—	—
Transfer from share-based payment reserve	—	—	229	—	(229)	—	—
Value of employee services	—	—	—	—	261	—	—
Deferred tax	—	—	—	—	8	—	—
Movement in general credit risk reserve	—	—	—	(29)	29	29	—
Movement in foreign insurance subsidiary regulatory reserve	—	—	—	18	(18)	—	—
Share of post-tax results of associates and joint ventures	—	—	—	(55)	55	—	—
Acquisition of subsidiaries[1, 2]	—	—	66	—	—	—	—
Balance at the end of the reporting period	846 871	1 694	4 412	78 078	7 180	756	642

Notes

1 The excess of the purchase price over the Group's share of the 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 The Group acquired a 75% controlling stake in Absa Instant Life (Pty) Ltd, previously known as Instant Life (Pty) Ltd, which resulted in a R25m increase of non-controlling interest.

30 June
2016

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	Total equity attributable to ordinary equity holders Rm	Non-controlling interest – ordinary shares Rm	Non-controlling interest – preference shares Rm	Total equity Rm
(1 870)	6 461	22	729	937	89 292	4 711	4 644	98 647
1 568	(2 142)	—	—	—	6 487	273	168	6 928
—	—	—	—	—	7 019	423	168	7 610
1 568	(2 142)	—	—	—	(532)	(150)	—	(682)
—	—	—	—	—	(4 648)	(342)	(168)	(5 158)
—	—	—	—	—	(201)	—	—	(201)
—	—	—	—	—	99	—	—	99
—	—	—	40	—	269	—	—	269
—	—	—	(229)	—	—	—	—	—
—	—	—	261	—	261	—	—	261
—	—	—	8	—	8	—	—	8
—	—	—	—	—	—	—	—	—
—	—	(18)	—	—	—	—	—	—
—	—	—	—	55	—	—	—	—
—	—	—	—	—	66	25	—	91
(302)	4 319	4	769	992	91 364	4 667	4 644	100 675

Overview 3
Salient features 6
Profit and dividend announcement 8
Financials 15
Notes to the financials 23

Condensed consolidated statement of changes in equity

for the reporting period ended

	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 for the reporting period	—	—	—	6 741	(1 373)
Profit for the reporting period	—	—	—	6 770	—
Other comprehensive income	—	—	—	(29)	(1 373)
Dividends paid during the reporting period	—	—	—	(4 443)	—
Purchase of Group shares in respect of equity-settled share-based payment arrangements	—	—	—	(5)	—
Elimination of the movement in treasury shares held by Group entities	—	—	(18)	—	—
Movement in share-based payment reserve	—	—	1	—	68
Transfer from share-based payment reserve	—	—	1	—	(1)
Value of employee services	—	—	—	—	69
Movement in foreign insurance subsidiary regulatory reserve	—	—	—	6	(6)
Movement in general credit risk reserve	—	—	—	96	(96)
Share of post-tax results of associates and joint ventures	—	—	—	(71)	71
Disposal of interest in a subsidiary	—	—	—	(154)	—
Balance at the end of the reporting period	846 870	1 694	4 531	72 407	4 875

	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[1]	(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 subsidiaries[2]	—	—	—	—	—
Disposal of interest in a subsidiary[3]	—	—	—	(174)	—
Balance at the end of the reporting period	845 725	1 691	4 250	75 785	7 566

Notes

[1] 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.

[2] The Group acquired a 63,32% shareholding in First Assurance Holdings Limited.

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

30 June
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
—	59	(616)	(816)	—	—	—	5 368	251	159	5 778
—	—	—	—	—	—	—	6 770	340	159	7 269
—	59	(616)	(816)	—	—	—	(1 402)	(89)	—	(1 491)
—	—	—	—	—	—	—	(4 443)	(330)	(159)	(4 932)
—	—	—	—	—	—	—	(5)	—	—	(5)
—	—	—	—	—	—	—	(18)	—	—	(18)
—	—	—	—	—	68	—	69	—	—	69
—	—	—	—	—	(1)	—	—	—	—	—
—	—	—	—	—	69	—	69	—	—	69
—	—	—	—	(6)	—	—	—	—	—	—
(96)	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	71	—	—	—	—
—	—	—	—	—	—	—	(154)	176	—	22
501	971	(263)	2 649	14	124	879	83 507	3 708	4 644	91 859

31 December
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

	Note	30 June 2016 Rm	30 June 2015 Rm	Change %	31 December 2015 Rm
Net cash generated from operating activities		**4 701**	3 176	48	16 357
Net cash utilised in investing activities		**(1 779)**	(939)	89	(4 547)
Net cash utilised in financing activities		**(5 136)**	(4 633)	11	(7 316)
Net (decrease)/increase in cash and cash equivalents		**(2 214)**	(2 396)	(8)	4 494
Cash and cash equivalents at the beginning of the reporting period	1	**21 366**	16 626	29	16 626
Effect of foreign exchange rate movements on cash and cash equivalents		**(198)**	(284)	(30)	246
Cash and cash equivalents at the end of the reporting period	2	**18 954**	13 946	36	21 366

Notes to the condensed consolidated statement of cash flows

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

	30 June 2016 Rm	30 June 2015 Rm	Change %	31 December 2015 Rm
Cash, cash balances and balances with central banks[1]	**12 899**	12 903	(0)	12 903
Loans and advances to banks[2]	**8 467**	3 723	>100	3 723
	21 366	16 626	29	16 626

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

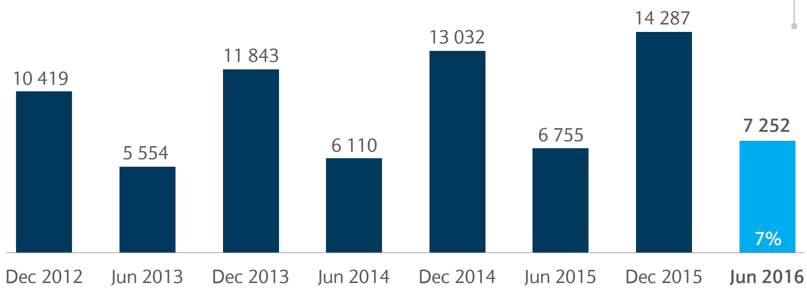
	30 June 2016 Rm	30 June 2015 Rm	Change %	31 December 2015 Rm
Cash, cash balances and balances with central banks[1]	**10 644**	9 833	8	12 899
Loans and advances to banks[2]	**8 310**	4 113	>100	8 467
	18 954	13 946	36	21 366

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 (Rm and change %)



	30 June					31 December	
	2016		2015			2015	
Headline earnings	**Gross Rm**	**Net[1] Rm**	Gross Rm	Net[1] Rm	Net change %	Gross Rm	Net[1] Rm
Headline earnings are determined as follows:							
Profit attributable to ordinary equity holders		**7 019**		6 770	4		14 331
Total headline earnings adjustment		**233**		(15)	<(100)		(44)
IFRS 3 – Goodwill impairment	**—**	**—**	1	1	(100)	1	1
IFRS 5 – Gains on disposal of non-current asset held for sale	**—**	**—**	(1)	(1)	(100)	(1)	(1)
IAS 16 – Profit on disposal of property and equipment	**(47)**	**(34)**	(3)	(3)	>100	(13)	(10)
IAS 21 – Recycled foreign currency translation reserve	**(320)**	**(297)**	(90)	(90)	>100	(267)	(267)
IAS 28 – Impairment of investments in associates and joint ventures	**42**	**34**	—	—	>100	—	—
IAS 36 – Impairment of property and equipment	**—**	**—**	1	1	(100)	1	1
IAS 36 – Impairment of intangible assets	**583**	**583**	25	17	>100	72	51
IAS 38 – Gain on disposal of intangible assets	**—**	**—**	(6)	(4)	(100)	(7)	(5)
IAS 39 – Release of available-for-sale reserves	**—**	**—**	101	73	(100)	210	152
IAS 40 – Change in fair value of investment properties	**(65)**	**(53)**	(9)	(9)	>100	47	34
		7 252		6 755	7		14 287

Notable adjustments to headline earnings

- The "Profit on disposal of property and equipment" is mainly attributable to the sale of freehold property and equipment.
- The "Recycled foreign currency translation reserve" is due to the 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 held in CIB.
- The "Impairment of intangible assets" was incurred in 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 our 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" during the previous reporting period relates to releases from the sale of government bonds.
- "Change in fair value of investment properties" in the current and prior reporting periods relates to Commercial Property Finance (CPF).

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

Overview 3
Salient features 6
Profit and dividend announcement 8
Financials 15
Notes to the financials 23

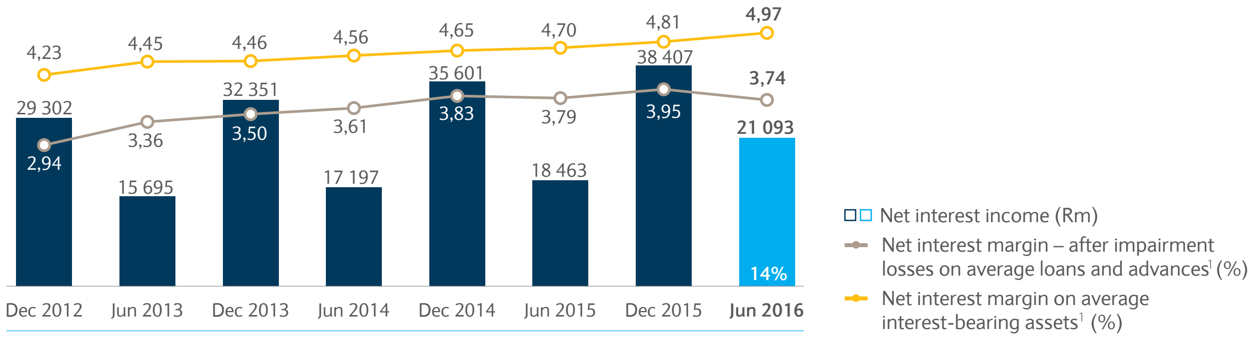
Performance indicators and condensed notes to the consolidated financial statements
for the reporting period ended

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

	30 June			31 December
	2016 Rm	2015 Rm	Change value/ %	2015 Rm
Basic earnings per ordinary share				
Basic earnings attributable to ordinary equity holders (Rm)	**7 019**	6 770	4	14 331
Weighted average number of ordinary shares in issue (million)	**846,5**	846,9	(0,4)	846,8
Issued shares at the beginning of the reporting period (million)	**847,8**	847,8	—	847,8
Treasury shares held by Group entities (million)	**(1,3)**	(0,9)	(0,4)	(1,0)
Basic earnings per ordinary share (cents)	**829,2**	799,4	4	1 692,4
Diluted basic earnings per ordinary share				
Basic earnings attributable to ordinary equity holders (Rm)	**7 019**	6 770	4	14 331
Diluted weighted average number of ordinary shares in issue (million)	**846,5**	847,6	(1,1)	847,3
Weighted average number of ordinary shares in issue (million)	**846,5**	846,9	(0,4)	846,8
Adjustments for share options at no value (million)	**—**	0,7	(0,7)	0,5
Diluted basic earnings per ordinary share (cents)	**829,2**	798,7	4	1 691,4
Headline earnings per ordinary share				
Headline earnings attributable to ordinary equity holders (Rm)	**7 252**	6 755	7	14 287
Weighted average number of ordinary shares in issue (million)	**846,5**	846,9	(0,4)	846,8
Headline earnings per ordinary share (cents)	**856,7**	797,6	7	1 687,2
Diluted headline earnings per ordinary share				
Headline earnings attributable to ordinary equity holders (Rm)	**7 252**	6 755	7	14 287
Diluted weighted average number of ordinary shares in issue (million)	**846,5**	847,6	(1,1)	847,3
Diluted headline earnings per ordinary share (cents)	**856,7**	797,0	7	1 686,2

2. Net interest income

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



Group average statement of financial position	30 June 2016 Average balance[1] Rm	30 June 2016 Average rate %	30 June 2016 Interest income/ (expense) Rm	30 June 2015[2] Average balance[1] Rm	30 June 2015[2] Average rate %	30 June 2015[2] Interest income/ (expense) Rm	31 December 2015 Average balance[1] Rm	31 December 2015 Average rate %	31 December 2015 Interest income/ (expense) Rm
Assets									
Cash, cash balances and balances with central banks	**894**	**1,57**	**7**	1 371	2,21	15	950	2,32	22
Investment securities	**94 657**	**9,64**	**4 536**	85 053	8,26	3 485	84 662	8,70	7 365
Loans and advances to banks and customers	**758 754**	**9,96**	**37 588**	706 071	8,63	30 211	713 704	9,03	64 450
Other interest[3]	**—**	**—**	**428**	—	—	840	—	—	1 766
Interest-bearing assets	**854 305**	**10,02**	**42 559**	792 495	8,79	34 551	799 316	9,21	73 603
Non-interest-bearing assets	**274 518**	**—**	**—**	234 773	—	—	245 388	—	—
Total assets	**1 128 823**	**7,58**	**42 559**	1 027 268	6,78	34 551	1 044 704	7,05	73 603
Liabilities									
Deposits due to banks and customers	**688 880**	**(4,80)**	**(16 447)**	621 334	(4,02)	(12 386)	637 454	(4,18)	(26 663)
Debt securities in issue	**133 513**	**(8,23)**	**(5 466)**	114 184	(6,91)	(3 911)	119 511	(6,92)	(8 271)
Borrowed funds	**13 356**	**(10,34)**	**(687)**	11 476	(8,19)	(466)	11 891	(9,63)	(1 145)
Other interest[3]	**—**	**—**	**1 134**	—	—	675	—	—	883
Interest-bearing liabilities	**835 749**	**(5,17)**	**(21 466)**	746 994	(4,34)	(16 088)	768 856	(4,58)	(35 196)
Non-interest-bearing liabilities	**191 027**	**—**	**—**	186 544	—	—	181 718	—	—
Total liabilities	**1 026 776**	**(4,20)**	**(21 466)**	933 538	(3,48)	(16 088)	950 574	(3,70)	(35 196)
Total equity	**102 047**	**—**	**—**	93 730	—	—	94 130	—	—
Total equity and liabilities	**1 128 823**	**(3,82)**	**(21 466)**	1 027 268	(3,16)	(16 088)	1 044 704	(3,37)	(35 196)
Net interest margin on average interest-bearing assets		**4,97**			4,70			4,81	

Notes

[1] Average balances are calculated based on daily weighted average balances.
[2] These numbers have been restated, refer to the reporting changes overview on the inside front cover.
[3] "Other interest" on assets and liabilities includes fair value adjustments on hedging instruments and hedged items.

Overview 3
Salient features 6
Profit and dividend announcement 8
Financials 15
Notes to the financials 23

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

2. Net interest income *(continued)*

Change in net interest margin	30 June 2016 bps	30 June 2015 bps	31 December 2015 bps
Loans and advances to customers (i)	**7**	7	8
Change in customer ratings (pricing)	**5**	6	8
Change in composition	**2**	1	0
Deposits due to customers (ii)	**2**	—	2
Change in customer rates (pricing)	**6**	(4)	3
Change in composition	**(5)**	2	(3)
Endowment (iii)	**1**	2	2
Equity endowment (iii)	**5**	4	1
Interest rate risk management (hedging strategy) (iii)	**(10)**	(6)	(6)
Rest of Africa (iv)	**13**	3	4
Other (v)	**10**	6	7
	27	14	16

Performance

The Group's net interest margin expanded by **27 bps** (30 June 2015: 14 bps) during the current reporting period. The increase in net interest margin is mainly attributable to the following:

(i) Loans and advances to customers

- Margins improved from higher interest rates during the current reporting period. Home Loans margin improved following the roll-off of lower margin business and also the recognition of interest previously suspended on NPLs. Business Banking margin was marginally up from increased recoveries of suspended interest on the NPL portfolio, partially offset by competitor and funding pressure. VAF margin was lower from competitive pricing pressure.
- A reduction in the Home Loans portfolio relative to the Group's overall loans and advances growth created a positive composition effect. This was offset by the negative composition effect of faster growth in CIB South Africa advances relative to the Group's overall loans and advances growth.

(ii) Deposits due to customers

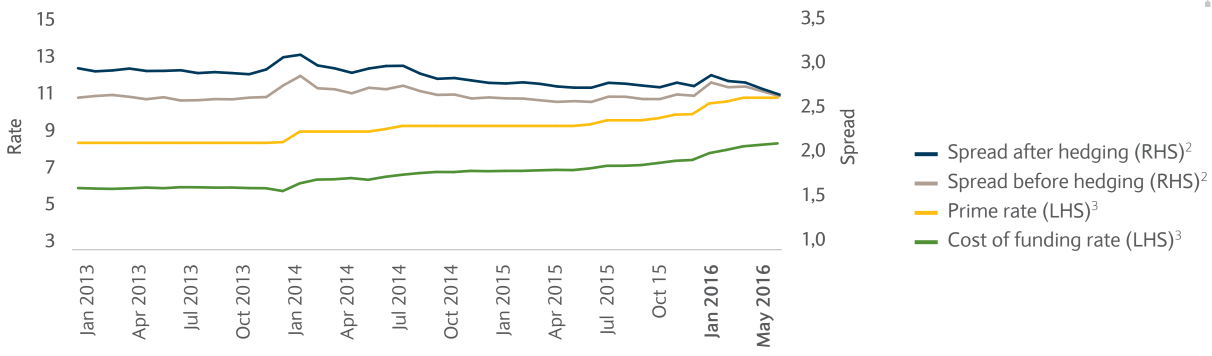
- Improved pricing within Retail Banking and Corporate contributed favourably to the Group's liability margin, partially offset by higher wholesale liquidity premiums.
- Higher reliance on wholesale funding has created a negative composition effect.

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 associated with equity).
  - Qualification criterion for balances to be treated as structural is well defined and tested. As at 30 June 2016 an aggregate of **13%** (30 June 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 benefit realised in the current reporting period of 5 bps was **10 bps** lower than the benefit of 15 bps in the previous reporting period, releasing **R224m** (30 June 2015: R586m) to the statement of comprehensive income.

(iv) Rest of Africa

  - Africa had a 13 bps favourable impact on the Group margin reflecting a pricing benefit of 5 bps and an 8 bps positive composition impact as a result of the faster relative growth in this portfolio. The pricing benefit was assisted by increasing interest rates in a number of markets.

(v) Other

The main contributor to the 10 bps in other was the basis benefit of Prime rate increases during the current reporting period (75 bps) relative to the corresponding movement in JIBAR.

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.

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

3. Non-interest income

3.1 Net fee and commission income

	30 June 2016 Rm	30 June 2015 Rm	Change %	31 December 2015 Rm
Asset management and other related fees	**86**	64	34	108
Consulting and administration fees	**365**	386	(5)	779
Credit-related fees and commissions	**8 869**	8 361	6	17 279
Cheque accounts	**2 163**	2 086	4	4 159
Credit cards[1]	**1 267**	999	27	2 172
Electronic banking	**2 436**	2 302	6	4 871
Other[2]	**1 886**	1 842	2	3 786
Savings accounts	**1 117**	1 132	(1)	2 291
Insurance commission received	**551**	593	(7)	1 145
Investment banking fees	**121**	194	(38)	333
Merchant income	**848**	841	1	1 731
Other fee and commission income	**308**	135	>100	334
Trust and other fiduciary service fees	**711**	711	—	1 443
Portfolio and other management fees	**573**	575	(0)	1 151
Trust and estate income	**138**	136	1	292
Fee and commission income	**11 859**	11 285	5	23 152
Fee and commission expense	**(1 554)**	(1 440)	8	(2 997)
Cheque processing fees	**(67)**	(66)	2	(127)
Insurance commission paid	**(579)**	(492)	18	(1 039)
Other fee and commission expense	**(821)**	(792)	4	(1 635)
Transaction-based legal fees	**(10)**	(1)	>100	(1)
Trust and other fiduciary service fees	**(22)**	(29)	(24)	(71)
Valuation fees	**(55)**	(60)	(8)	(124)
	10 305	9 845	5	20 155
Segment split[3]				
RBB	**8 770**	8 295	6	17 047
Retail Banking South Africa	**5 937**	5 696	4	11 689
Business Banking South Africa	**1 594**	1 561	2	3 155
RBB Rest of Africa	**1 239**	1 038	19	2 203
CIB	**1 047**	1 001	5	2 063
WIMI	**690**	720	(4)	1 375
Head Office, Treasury and other operations	**(202)**	(171)	17	(330)
	10 305	9 845	5	20 155

Notes

[1] Includes card issuing fees.

[2] Includes service and credit-related fees and commissions on mortgage loans and foreign exchange transactions.

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

3. Non-interest income *(continued)*

3.2 Net insurance premium income

	30 June 2016 Rm	2015 Rm	Change %	31 December 2015 Rm
Gross claims and benefits paid on insurance contracts	**4 130**	4 091	1	8 181
Premiums ceded to reinsurers	**(614)**	(1 110)	(45)	(1 878)
	3 516	2 981	18	6 303
Segment split				
Retail Banking South Africa, including Woolworths Financial Services (WFS)	**144**	138	4	281
WIMI	**3 372**	2 843	19	6 022
	3 516	2 981	18	6 303

3.3 Net claims and benefits incurred on insurance contracts

	30 June 2016 Rm	2015 Rm	Change %	31 December 2015 Rm
Gross claims and benefits incurred on insurance contracts	**(2 111)**	(2 117)	0	(4 178)
Reinsurance recoveries	**242**	650	(63)	1 033
	(1 869)	(1 467)	27	(3 145)
Segment split				
Retail Banking South Africa, including WFS	**(25)**	(19)	32	(40)
WIMI	**(1 844)**	(1 446)	28	(3 105)
Head Office, Treasury and other operations	**—**	(2)	(100)	—
	(1 869)	(1 467)	27	(3 145)

3.4 Changes in investment and insurance contract liabilities

	30 June 2016 Rm	2015 Rm	Change %	31 December 2015 Rm
Change in insurance contract liabilities	**(129)**	11	<(100)	70
Change in investment contract liabilities[1]	**(293)**	(46)	>100	(284)
	(422)	(35)	>100	(214)
Segment split				
Retail Banking South Africa, including WFS	**1**	(2)	<(100)	(3)
WIMI	**(425)**	(35)	>100	(216)
Head Office, Treasury and other operations	**2**	2	—	5
	(422)	(35)	>100	(214)

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".

Overview 3
Salient features 6
Profit and dividend announcement 8
Financials 15
Notes to the financials 23

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

3. Non-interest income *(continued)*

3.5 Gains and losses from banking and trading activities

	30 June			31 December
	2016	2015	Change	2015
	Rm	Rm	%	Rm
Net losses on investments	**(114)**	(197)	(42)	(225)
Debt instruments designated at fair value through profit or loss	**(3)**	2	<(100)	18
Equity instruments designated at fair value through profit or loss	**(111)**	(98)	13	(33)
Available-for-sale unwind from reserves	**—**	(101)	(100)	(210)
Net trading result	**2 901**	1 971	47	4 103
Net trading income excluding the impact of hedge accounting	**2 971**	1 968	51	4 253
Ineffective portion of hedges	**(70)**	3	<(100)	(150)
Cash flow hedges	**(69)**	(8)	>100	(188)
Fair value hedges	**(1)**	11	<(100)	38
Other gains	**202**	213	(5)	55
	2 989	1 987	50	3 933
Segment split				
RBB	**362**	211	72	546
Retail Banking South Africa	**130**	65	100	129
Business Banking South Africa	**9**	5	80	15
RBB Rest of Africa	**223**	141	58	402
CIB	**2 250**	1 798	25	3 706
WIMI	**—**	1	(100)	1
Head Office, Treasury and other operations	**377**	(23)	<(100)	(320)
	2 989	1 987	50	3 933

3.6 Gains and losses from investment activities

	30 June			31 December
	2016	2015	Change	2015
	Rm	Rm	%	Rm
Net gains on investments from insurance activities	**229**	260	(12)	679
Policyholder insurance contracts	**134**	88	52	85
Policyholder investment contracts[1]	**(28)**	17	<(100)	337
Shareholders' funds	**123**	155	(21)	257
Other gains	**48**	33	45	107
	277	293	(5)	786
Segment split				
CIB	**—**	1	(100)	1
WIMI	**608**	334	82	698
Head Office, Treasury and other operations	**(331)**	(42)	>100	87
	277	293	(5)	786

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. "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".

3. Non-interest income *(continued)*

3.7 Other operating income

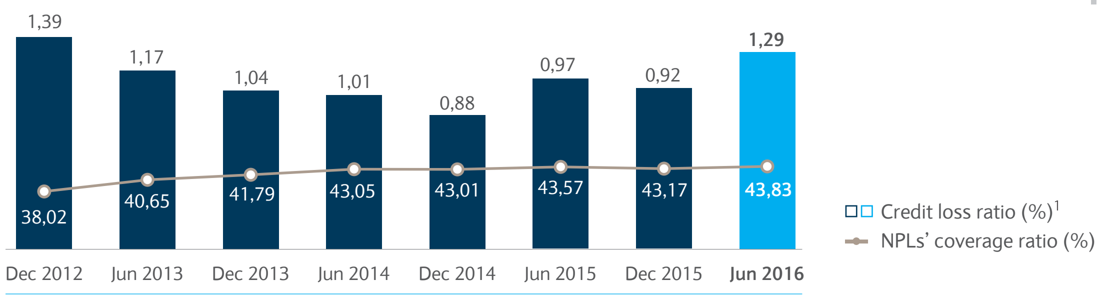
	30 June 2016 Rm	30 June 2015 Rm	Change %	31 December 2015 Rm
Property-related income	**190**	133	43	281
Income from investment properties	**159**	91	75	144
Change in fair value	**79**	11	>100	35
Rentals	**80**	80	—	109
Profit on disposal of property and equipment	**3**	3	—	14
Profit on sale of developed properties	**5**	23	(78)	31
(Loss)/profit on sale of repossessed properties	**(16)**	1	<(100)	13
Rental income	**39**	15	>100	79
Other operating income	**429**	223	92	692
Foreign exchange differences, including recycle from other comprehensive income	**338**	122	>100	327
Income from maintenance contracts	**12**	14	(14)	30
Profit on disposal of intangible assets	**—**	6	(100)	7
Sundry income[1]	**79**	81	(2)	328
	619	356	74	973
Segment split				
Property-related income	**190**	133	43	281
RBB	**155**	110	41	227
Retail Banking South Africa	**(15)**	6	<(100)	26
Business Banking South Africa	**162**	99	64	194
RBB Rest of Africa	**8**	5	60	7
CIB	**—**	(1)	(100)	—
WIMI	**23**	14	64	30
Head Office, Treasury and other operations	**12**	10	20	24
Other operating income	**429**	223	92	692
RBB	**76**	99	(23)	216
Retail Banking South Africa	**80**	75	7	200
Business Banking South Africa	**4**	5	(20)	8
RBB Rest of Africa	**(8)**	19	<(100)	8
CIB	**(15)**	(9)	67	120
WIMI	**78**	59	32	157
Head Office, Treasury and other operations	**290**	74	>100	199
	619	356	74	973

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

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

4. Impairment losses on loans and advances

Credit loss and NPLs' coverage ratios (%)[1]



Charge to the statement of comprehensive income by market segment	30 June **2016** **Rm**	30 June 2015 Rm	Change %	31 December 2015 Rm
RBB				
Total charge	**3 855**	3 199	21	6 094
Credit loss ratio (%)[1]	**1,48**	1,27		1,19
Retail Banking South Africa				
Card	**1 297**	1 332	(3)	2 344
Home Loans	**505**	285	77	689
Personal Loans	**501**	409	22	805
Transactional and Deposits	**65**	47	38	83
Vehicle and Asset Finance	**506**	468	8	848
Other	**4**	(1)	<(100)	—
Total charge	**2 878**	2 540	13	4 769
Credit loss ratio (%)[1]	**1,48**	1,33		1,23
Business Banking South Africa				
Total charge	**331**	251	32	548
Credit loss ratio (%)[1]	**0,99**	0,79		0,85
RBB Rest of Africa				
Total charge	**646**	408	58	777
Credit loss ratio (%)[1]	**1,98**	1,41		1,29
CIB				
Total charge	**1 383**	238	>100	793
Credit loss ratio (%)[1]	**1,05**	0,23		0,37
WIMI				
Total charge	**(2)**	3	<(100)	(5)
Credit loss ratio (%)[1]	**(0,05)**	0,08		(0,07)
Head Office, Treasury and other operations				
Total charge	**(39)**	110	<(100)	38
Total charge to the statement of comprehensive income	**5 197**	3 550	46	6 920
Comprising:				
Impairments raised	**5 691**	4 039	41	7 896
Identified impairments	**5 215**	3 791	38	7 452
Unidentified impairments	**476**	248	92	444
Recoveries of loans and advances previously written off[2]	**(494)**	(489)	1	(976)
Total charge to the statement of comprehensive income	**5 197**	3 550	46	6 920
Credit loss ratio on gross loans and advances to customers and banks	**1,29**	0,97		0,92
Credit loss ratio on net loans and advances to customers	**1,48**	1,11		1,05

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] Includes collection costs of **R159m** (30 June 2015: R133m; 31 December 2015: R295m).

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

Charge to the statement of comprehensive income by geographical segment	30 June 2016 Rm	30 June 2015 Rm	Change %	31 December 2015 Rm
South Africa	4 269	3 031	41	5 706
Credit loss ratio (%)[1]	1,23	0,95		0,87
Rest of Africa	928	519	79	1 214
Credit loss ratio (%)[1]	1,67	1,11		1,18

30 June 2016

Loans and advances to customers	Performing loans Exposure Rm	Performing loans Impairment Rm	Performing loans Coverage ratio %	Non-performing loans Exposure Rm	Non-performing loans Impairment Rm	Non-performing loans Coverage ratio %	Net total exposure Rm
RBB	473 620	4 664	0,98	26 214	11 704	44,65	483 466
Retail Banking South Africa	366 715	3 158	0,86	19 586	8 390	42,84	374 753
Credit cards	35 312	779	2,21	5 442	3 842	70,60	36 133
Instalment credit agreements	72 598	640	0,88	1 977	809	40,92	73 126
Loans to associates and joint ventures	16 615	—	—	—	—	—	16 615
Mortgages	220 315	1 211	0,55	9 684	2 117	21,86	226 671
Other loans and advances	470	—	—	—	—	—	470
Overdrafts	3 337	40	1,20	201	128	63,68	3 370
Personal and term loans	18 068	488	2,70	2 282	1 494	65,47	18 368
Business Banking South Africa	65 330	773	1,18	3 206	1 148	35,81	66 615
Mortgages (including CPF)[2]	31 505	192	0,61	1 524	556	36,48	32 281
Overdrafts	19 180	354	1,85	895	396	44,25	19 325
Term loans	14 645	227	1,55	787	196	24,90	15 009
RBB Rest of Africa	41 575	733	1,76	3 422	2 166	63,30	42 098
CIB	222 663	959	0,43	5 109	2 036	39,85	224 777
WIMI	5 876	42	0,71	86	25	29,07	5 895
Head Office, Treasury and other operations	1 072	1	0,09	—	—	—	1 071
Loans and advances to customers	703 231	5 666	0,81	31 409	13 765	43,83	715 209
Loans and advances to customers and banks	786 894	5 666	0,72	31 409	13 765	43,83	798 872

30 June 2015

Loans and advances to customers	Performing loans Exposure Rm	Performing loans Impairment Rm	Performing loans Coverage ratio %	Non-performing loans Exposure Rm	Non-performing loans Impairment Rm	Non-performing loans Coverage ratio %	Net total exposure Rm
RBB	462 279	4 168	0,90	24 504	11 012	44,94	471 603
Retail Banking South Africa	364 594	3 066	0,84	18 414	8 052	43,73	371 890
Credit cards	36 022	821	2,28	5 312	3 810	71,72	36 703
Instalment credit agreements	72 622	543	0,75	1 455	613	42,13	72 921
Loans to associates and joint ventures	14 163	—	—	—	—	—	14 163
Mortgages	222 791	1 234	0,55	9 491	2 224	23,43	228 824
Other loans and advances	344	—	—	—	—	—	344
Overdrafts	2 408	32	1,33	158	92	58,23	2 442
Personal and term loans	16 244	436	2,68	1 998	1 313	65,72	16 493
Business Banking South Africa	61 959	718	1,16	3 221	1 109	34,43	63 353
Mortgages (including CPF)[2]	29 418	217	0,73	1 721	591	34,34	30 331
Overdrafts[3]	18 536	294	1,59	770	307	39,87	18 705
Term loans[3]	14 005	207	1,48	730	211	28,90	14 317
RBB Rest of Africa	35 726	384	1,07	2 869	1 851	64,52	36 360
CIB	176 753	463	0,26	2 202	611	27,75	177 881
WIMI	5 149	49	0,95	52	35	67,31	5 117
Head Office, Treasury and other operations	2 921	110	3,77	—	—	—	2 811
Loans and advances to customers	647 102	4 790	0,74	26 758	11 658	43,57	657 412
Loans and advances to customers and banks	740 637	4 790	0,65	26 758	11 658	43,57	750 947

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 comparatives credit loss ratios.

[2] Included in mortgages is loans to associates and joint ventures.

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

Performance indicators and condensed notes to the consolidated financial statements

for the reporting period ended

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

Loans and advances to customers	31 December 2015 Performing loans Exposure Rm	Impairment Rm	Coverage ratio %	Non-performing loans 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	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)[1]	30 016	190	0,63	1 620	586	36,17	30 860
Overdrafts[2]	17 289	270	1,56	960	370	38,54	17 609
Term loans[2]	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	778 430	5 022	0,65	27 980	12 078	43,17	789 310

Reconciliation of allowance for impairment losses on loans and advances to customers	30 June **2016** 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	**(296)**	**(53)**	**—**	**—**	**—**	**—**	**(349)**
Exchange differences	**—**	**—**	**(194)**	**(70)**	**—**	**—**	**(264)**
Amounts written off	**(2 032)**	**(226)**	**(424)**	**(65)**	**—**	**—**	**(2 747)**
Impairment raised – identified	**3 143**	**340**	**659**	**1 071**	**2**	**—**	**5 215**
Impairment raised – unidentified	**57**	**47**	**69**	**342**	**—**	**(39)**	**476**
Balance at the end of the reporting period	**11 548**	**1 921**	**2 899**	**2 995**	**67**	**1**	**19 431**

Notes

[1] Included in mortgages is loans to associates and joint ventures.
[2] Some overdrafts were reallocated to term loans to align to the way the products are utilised by the customers.

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

Reconciliation of allowance for impairment losses on loans and advances to customers 30 June 2015	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	(205)	(72)	—	—	—	—	(277)
Exchange differences	—	—	(137)	(4)	—	—	(141)
Transfer between segments	—	—	(86)	86	—	—	—
Amounts written off	(2 441)	(472)	(386)	(1)	(3)	—	(3 303)
Impairment raised – identified	2 852	229	462	247	—	1	3 791
Impairment raised – unidentified	—	114	28	(8)	5	109	248
Balance at the end of the reporting period	11 118	1 827	2 235	1 074	84	110	16 448

Reconciliation of allowance for impairment losses on loans and advances to customers 31 December 2015	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 – identified	5 464	572	870	545	(1)	2	7 452
Impairment raised – 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	30 June 2016 Rm	30 June 2015 Rm	Change %	31 December 2015 Rm
Comprising:				
Identified impairments	**16 653**	14 408	16	14 755
Performing loans	**2 888**	2 756	5	2 682
NPLs	**13 765**	11 652	18	12 073
Unidentified impairments	**2 778**	2 040	36	2 345
Model driven	**1 467**	981	50	1 260
Macroeconomic	**1 297**	918	41	928
Emergence period	**14**	141	(90)	157
	19 431	16 448	18	17 100

Performance indicators and condensed notes to the consolidated financial statements

for the reporting period ended

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

Performance

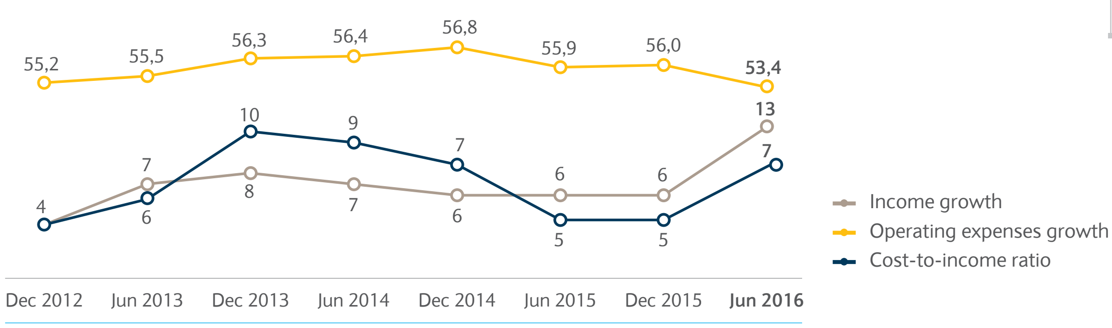
Credit impairments increased by 46% to **R5 197m** (2015: R3 550m) resulting in a credit loss ratio of **129 bps** (2015: 97 bps[1]). This is largely due to macroeconomic pressure in the Home Loans portfolio and loan book growth in Personal Loans, coupled with emerging risk and larger defaults in specific countries in the RBB Rest of Africa portfolio. The increase in specific impairments in the CIB portfolio mainly relate to exposures in the consumer and natural resources sectors which also contributed to an increase in NPLs.

Given the current economic environment in which the Group operates, performing coverage increased to **72 bps** (2015: 65 bps), while non-performing coverage increased to **43,83%** (2015: 43,57%).

NPLs increased by 17,4% to **R31 409m** (2015: R26 758m) largely due to deterioration in construct across all portfolios in Retail as a result of macroeconomic strain.

5. Operating expenses

Jaws and cost-to-income ratio (%)



Breakdown of operating expenses	30 June **2016** **Rm**	2015 Rm	Change %	31 December 2015 Rm
Administration fees	**412**	433	(5)	788
Amortisation of intangible assets	**313**	229	37	475
Auditors' remuneration	**144**	135	7	277
Cash transportation	**524**	420	25	884
Depreciation	**822**	758	8	1 548
Equipment costs	**212**	215	(1)	441
Information technology	**1 461**	1 137	28	2 274
Investment properties charges – change in fair value	**—**	2	(100)	82
Marketing costs	**610**	722	(16)	1 740
Operating lease expenses on properties	**817**	776	5	1 657
Other[2]	**912**	924	(1)	1 650
Printing and stationery	**197**	177	11	390
Professional fees	**828**	728	14	1 902
Property costs	**835**	867	(4)	1 563
Staff costs	**10 824**	10 053	8	20 902
Bonuses	**752**	709	6	1 875
Deferred cash and share-based payments	**337**	381	(12)	662
Other[3]	**522**	509	3	1 061
Salaries and current service costs on post-retirement benefits	**9 058**	8 314	9	16 984
Training costs	**155**	140	11	320
Telephone and postage	**576**	553	4	1 088
	19 487	18 129	7	37 661

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 **1,48%** (30 June 2015: 1,11%; 31 December 2015: 1,05%).

[2] Includes fraud losses, travel and entertainment costs as well as administration fees allocated to the Edcon portfolio.

[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	30 June **2016** Rm	2015 Rm	Change %	31 December 2015 Rm
Amortisation of intangible assets and depreciation of equipment	**662**	553	20	1 129
Information technology	**1 461**	1 137	28	2 274
Staff costs	**1 014**	871	16	1 868
Other	**536**	573	(6)	1 404
	3 673	3 134	17	6 675

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 cost 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 **7%** (CCY 5%) to **R19 487m** (30 June 2015: R18 129m) and the Group's cost-to-income ratio improved significantly to 53,4% from 55,9%. Staff costs increased by **8%** (CCY 5%), while non-staff-related costs increased by **7%** (CCY 5%).

- Other operating expenses decreased by 1% to **R912m** (30 June 2015: R924m) assisted by lower travel costs and once-off profits on facility and equipment disposals.
- Amortisation of intangible assets increased 37% due to investments in new customer-facing channels across our markets.
- Cash transportation costs grew 25% due to the outsourcing of cash operations in South Africa which is offset in staff costs.
- Depreciation increased 8% from price inflation on replacement assets and an investment in improving technology service levels.
- Information Technology costs increased 28% 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 IT services.
- Marketing costs reduced 16% following the termination of some sponsorship activities and lower advertising spend during the current reporting period.
- Continued optimisation of corporate and branch property costs continued in 2016 and is reflected by Property costs and Operating lease expenses on properties which only increased by 1% to **R1 652m** (30 June 2015: R1 643m).
- Professional fees increased 14% due to additional support to assist with the implementation of regulatory changes and additional support to help deliver on group-wide initiatives.
- Staff costs grew by 8% to **R10 824m** (30 June 2015: R10 053m), which is a sub-inflationary in constant currency as a result of lower headcount following the outsourcing of cash operations and also ongoing focus on cost management.
- The marginal 4% increase in telephone and postage costs was assisted by postage costs which remained unchanged due to declining volumes, as customers migrate to electronic means of communication.

6. Indirect taxation

	30 June **2016** Rm	2015 Rm	Change %	31 December 2015 Rm
Training levy	**103**	87	18	180
Value-added tax net of input credits	**545**	536	2	1 179
	648	623	4	1 359

Performance indicators and condensed notes to the consolidated financial statements

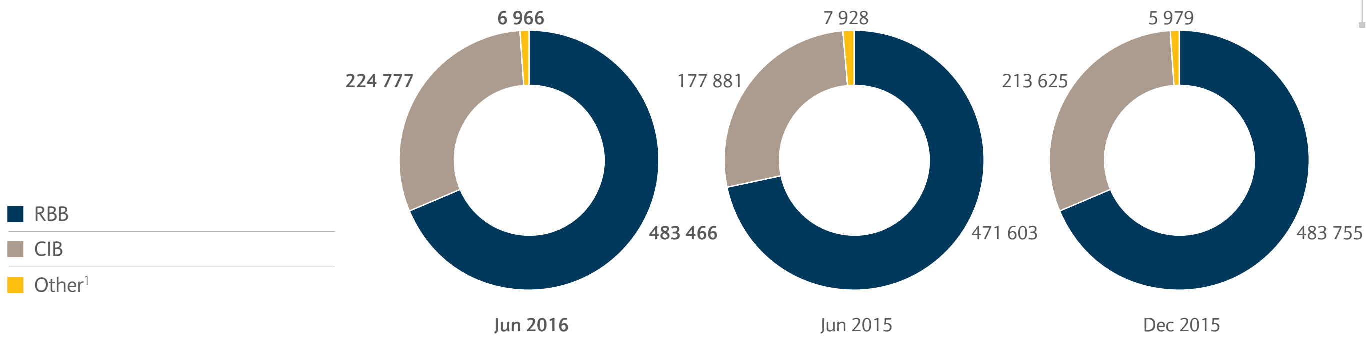
for the reporting period ended

7. Taxation expense

	30 June 2016 Rm	2015 Rm	Change %	31 December 2015 Rm
Reconciliation between operating profit before income tax and the taxation expense				
Operating profit before income tax	**10 607**	10 176	4	21 303
Share of post-tax results of associates and joint ventures	**(55)**	(71)	(23)	(129)
	10 552	10 105	4	21 174
Tax calculated at a tax rate of 28%	**2 955**	2 829	4	5 929
Effect of different tax rates in other countries	**(46)**	34	<(100)	62
Expenses not deductible for tax purposes	**228**	262	(13)	510
Income not subject to tax	**(383)**	(279)	37	(708)
Other	**66**	22	>100	57
Non-taxable capital items	**177**	39	>100	49
	2 997	2 907	3	5 899

8. Loans and advances to customers

Loans and advances to customers by segment (Rm)



	30 June 2016 %	2015 %	31 December 2015 %
RBB	**67,6**	71,7	68,8
Retail Banking South Africa	**52,4**	56,6	53,3
Business Banking South Africa	**9,3**	9,6	9,0
RBB Rest of Africa	**5,9**	5,5	6,5
CIB	**31,4**	27,1	30,4
Other[1]	**1,0**	1,2	0,8
	100,0	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	30 June 2016 Rm	30 June 2015 Rm	Change %	31 December 2015 Rm
RBB				
Gross loans and advances to customers	**499 834**	486 783	3	499 033
Impairment losses on loans and advances	**(16 368)**	(15 180)	8	(15 278)
	483 466	471 603	3	483 755
Retail Banking South Africa				
Credit cards	**40 754**	41 334	(1)	41 404
Instalment credit agreements	**74 575**	74 077	1	74 028
Loans to associates and joint ventures	**16 615**	14 163	17	16 176
Mortgages	**229 999**	232 282	(1)	231 656
Other loans and advances	**470**	344	37	367
Overdrafts	**3 538**	2 566	38	2 953
Personal and term loans	**20 350**	18 242	12	19 089
Gross loans and advances to customers	**386 301**	383 008	1	385 673
Impairment losses on loans and advances	**(11 548)**	(11 118)	4	(10 676)
	374 753	371 890	1	374 997
Business Banking South Africa				
Mortgages (including CPF)	**33 029**	31 139	6	31 636
Overdrafts[1]	**20 075**	19 306	4	18 249
Term loans[1]	**15 432**	14 735	5	15 473
Gross loans and advances to customers	**68 536**	65 180	5	65 358
Impairment losses on loans and advances	**(1 921)**	(1 827)	5	(1 813)
	66 615	63 353	5	63 545
RBB Rest of Africa				
Gross loans and advances to customers	**44 997**	38 595	17	48 002
Impairment losses on loans and advances	**(2 899)**	(2 235)	30	(2 789)
	42 098	36 360	16	45 213
CIB				
Foreign currency loans	**26 916**	19 634	37	22 970
Mortgages	**7 230**	3 714	95	8 915
Term loans	**116 294**	88 251	32	105 022
Overdrafts	**12 238**	10 149	21	11 793
Overnight finance	**17 886**	15 960	12	14 152
Preference shares	**16 235**	13 961	16	16 137
Reverse repurchase agreements	**15 509**	15 059	3	20 310
Other loans and advances	**15 464**	12 227	26	16 043
Gross loans and advances to customers	**227 772**	178 955	27	215 342
Impairment losses on loans and advances	**(2 995)**	(1 074)	>100	(1 717)
	224 777	177 881	26	213 625

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

Overview 3
Salient features 6
Profit and dividend announcement 8
Financials 15
Notes to the financials 23

Performance indicators and condensed notes to the consolidated financial statements

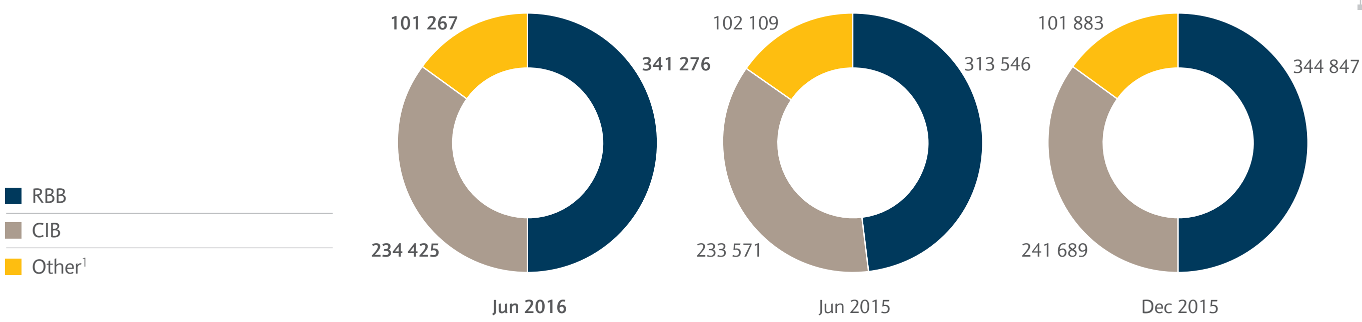
for the reporting period ended

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

Loans and advances to customers by segment *(continued)*	30 June 2016 Rm	30 June 2015 Rm	Change %	31 December 2015 Rm
WIMI				
CPF	**838**	830	1	865
Overdrafts	**3 306**	2 660	24	2 890
Other loans and advances	**1 818**	1 711	6	1 660
Gross loans and advances to customers	**5 962**	5 201	15	5 415
Impairment losses on loans and advances	**(67)**	(84)	(20)	(65)
	5 895	5 117	15	5 350
Head Office, Treasury and other operations				
Gross loans and advances to customers	**1 072**	2 921	(63)	669
Impairment losses on loans and advances	**(1)**	(110)	(99)	(40)
	1 071	2 811	(62)	629
Total loans and advances to customers				
Gross loans and advances to customers	**734 640**	673 860	9	720 459
Impairment losses on loans and advances	**(19 431)**	(16 448)	18	(17 100)
Net loans and advances to customers	**715 209**	657 412	9	703 359

9. Deposits due to customers

Deposits due to customers by segment (Rm)



Total funding mix	30 June 2016 %	30 June 2015 %	31 December 2015 %
Deposits due to customers	**75,2**	79,2	78,2
RBB	**38,0**	38,2	39,2
Retail Banking South Africa	**18,9**	19,0	18,9
Business Banking South Africa	**11,8**	12,4	12,5
RBB Rest of Africa	**7,3**	6,8	7,8
CIB	**26,0**	28,5	27,4
Other[1]	**11,2**	12,5	11,6
Deposits from banks	**8,6**	6,2	7,2
Debt securities in issue	**16,2**	14,6	14,6
	100,0	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	30 June 2016 Rm	30 June 2015 Rm	Change %	31 December 2015 Rm
RBB	**341 276**	313 546	9	344 847
Retail Banking South Africa	**169 746**	155 952	9	166 015
Call deposits	**255**	286	(11)	286
Cheque account deposits	**23 814**	22 608	5	24 030
Credit card deposits	**1 865**	1 889	(1)	2 002
Fixed deposits	**38 347**	34 406	11	36 835
Foreign currency deposits	**313**	223	40	285
Investment products	**61 167**	53 745	14	58 103
Notice deposits	**11 759**	10 656	10	10 941
Other deposits	**443**	296	50	314
Savings and transmission deposits	**31 783**	31 843	0	33 219
Business Banking South Africa	**105 891**	101 670	4	110 096
Call deposits	**10 578**	10 494	1	11 151
Cheque account deposits	**45 994**	44 846	3	47 629
Fixed deposits	**20 337**	19 640	4	22 255
Investment products	**23 523**	21 548	9	23 914
Notice deposits	**1 718**	1 384	24	1 356
Savings and transmission deposits	**3 741**	3 758	(0)	3 791
RBB Rest of Africa	**65 639**	55 924	17	68 736
CIB	**234 425**	233 571	0	241 689
Call deposits	**25 997**	24 075	8	28 613
Cheque account deposits	**101 893**	108 158	(6)	99 744
Fixed deposits	**73 843**	67 131	10	72 285
Foreign currency deposits	**19 473**	18 058	8	18 293
Investment products	**1 198**	960	25	1 499
Notice deposits	**1 163**	33	>100	1 314
Other deposits	**5 191**	8 232	(37)	12 490
Repurchase agreements with non-banks	**4 205**	5 390	(22)	4 620
Savings and transmission deposits	**1 462**	1 534	(5)	2 831
WIMI	**4 925**	5 182	(5)	5 160
Call deposits	**327**	315	4	322
Cheque account deposits	**2 264**	2 453	(8)	2 300
Fixed deposits	**401**	560	(28)	465
Foreign currency deposits	**169**	118	43	180
Investment products	**1 328**	1 298	2	1 420
Notice deposits	**16**	18	(11)	20
Savings and transmission deposits	**420**	420	—	453
Head Office, Treasury and other operations	**96 342**	96 927	(1)	96 723
Total deposits due to customers	**676 968**	649 226	4	688 419

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

10. Debt securities in issue

Debt securities in issue	30 June 2016 Rm	30 June 2015 Rm	Change %	31 December 2015 Rm
Commercial paper	—	127	(100)	2 096
Credit-linked notes	**11 848**	12 591	(6)	11 597
Floating rate notes	**70 451**	44 670	58	54 801
Liabilities arising from securitised structured entities	—	496	(100)	—
Negotiable certificates of deposit	**37 690**	36 306	4	32 767
Other	**551**	619	(11)	549
Promissory notes	**1 604**	815	97	1 232
Structured notes and bonds	**322**	1 603	(80)	725
Senior notes	**22 056**	22 317	(1)	24 916
	144 522	119 544	21	128 683
Segment split				
RBB	**1 497**	2 455	(39)	2 054
Retail Banking South Africa	**1 160**	1 885	(38)	1 561
RBB Rest of Africa	**337**	570	(41)	493
CIB	**17 411**	14 982	16	16 401
Head Office, Treasury and other operations	**125 614**	102 107	23	110 228
	144 522	119 544	21	128 683

11. Equity and borrowed funds

	30 June 2016 Rm	30 June 2015 Rm	Change %	31 December 2015 Rm
Authorised				
880 567 500 (30 June 2015: 880 467 500; 31 December 2015: 880 567 500) ordinary shares of R2,00 each	**1 761**	1 761	—	1 761
Issued				
847 750 679 (30 June 2015: 847 750 679; 31 December 2015: 847 750 679) ordinary shares of R2,00 each	**1 696**	1 695	0	1 696
878 850 (30 June 2015: 880 000; 31 December 2015: 2 025 369) treasury shares held by Group entities	**(2)**	(1)	>100	(5)
	1 694	1 694	—	1 691
Total issued capital				
Share capital	**1 694**	1 694	—	1 691
Share premium	**4 412**	4 531	(3)	4 250
	6 106	6 225	(2)	5 941

Number of ordinary shares in issue (after deduction of treasury shares) at the reporting date	30 June 2016 Number of shares (million)	30 June 2015 Number of shares (million)	Change %	31 December 2015 Number of shares (million)
Ordinary shares in issue of R2,00 each	**847,8**	847,8	—	847,8
Treasury shares held by Group entities	**(0,9)**	(0,9)	—	(2,1)
	846,9	846,9	—	845,7

11. Equity and borrowed funds *(continued)*

Borrowed funds		30 June 2016 Rm	30 June 2015 Rm	Change %	31 December 2015 Rm
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	—	1 188
10,28%	3 May 2022	**600**	600	—	600
Three-month Johannesburg Interbank Agreed Rate (JIBAR)[1] +2,10%	3 May 2022	**400**	400	—	400
Three-month JIBAR1 + 1,95%	21 November 2022	**1 805**	1 805	—	1 805
Three-month JIBAR1 + 2,05%	21 November 2023	**2 007**	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	—	1 500
Subordinated callable notes issued by Barclays Africa Group Limited					
10,05%	5 February 2025	**807**	807	—	807
10,835%	19 November 2024	**130**	130	—	130
11,365%	4 September 2025	**508**	—	100	508
11,40%	29 September 2025	**288**	—	100	288
11,81%	3 September 2027	**737**	—	100	737
12,43%	5 May 2021	**200**	—	—	—
Three-month Johannesburg Interbank Agreed Rate					
Three-month JIBAR1 + 3,30%	19 November 2024	**370**	370	—	370
Three-month JIBAR1 + 3,50%	5 February 2025	**1 693**	1 693	—	1 693
Three-month JIBAR1 + 3,50%	4 September 2025	**437**	—	100	437
Three-month JIBAR1 + 3,60%	3 September 2027	**30**	—	100	30
Three-month JIBAR1 + 400 bps	5 May 2021	**31**	—	100	—
Subordinated callable notes issued by other subsidiaries					
One hundred and eighty two-day Kenyan Government Treasury Bill rate + 1,00%	13 July 2015	**—**	91	(100)	—
Barclays Bank of Kenya 11,50% fixed rate note	13 July 2015	**—**	154	(100)	—
One hundred and eighty two-day Zambian Government Treasury Bill rate + 2,50% (capped at 13,00%)	18 May 2016	**—**	81	(100)	71
United States dollar three-month London Interbank Offered Rate (LIBOR) + 1,00% (non-qualifying)	31 March 2018	**—**	80	(100)	102
National Bank of Commerce 16,44% fixed rate note	24 January 2024	**33**	30	10	36
Accrued interest		**857**	631	36	684
Fair value adjustments on total subordinated debt instruments		**(73)**	(91)	(20)	(242)
		13 548	11 476	18	13 151

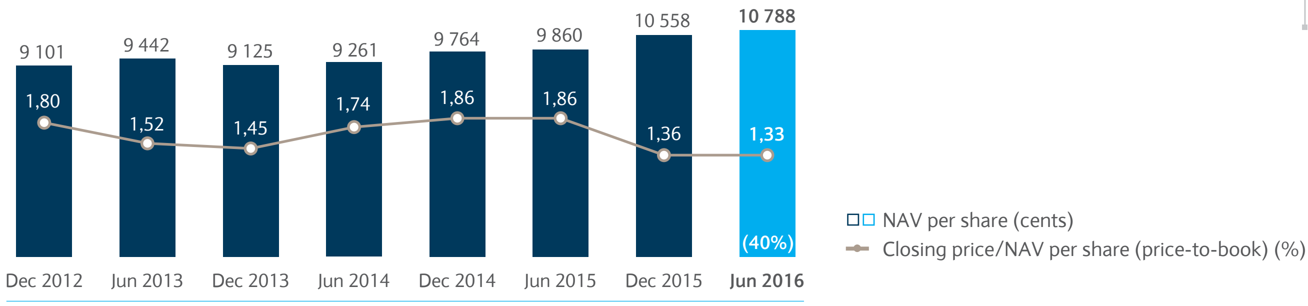
Note
[1] Johannesburg Interbank Agreed Rate.

Performance indicators and condensed notes to the consolidated financial statements

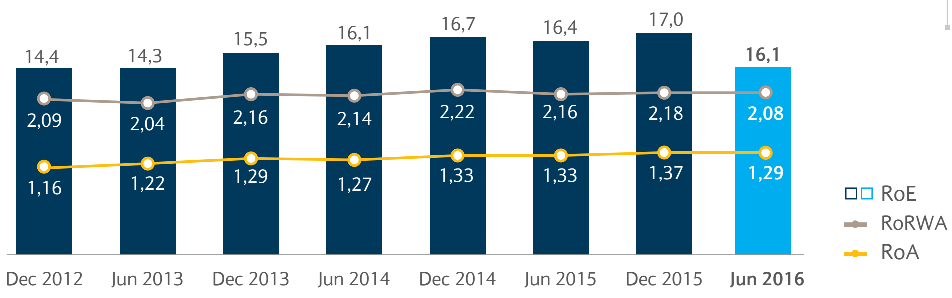
for the reporting period ended

11. Equity and borrowed funds *(continued)*

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

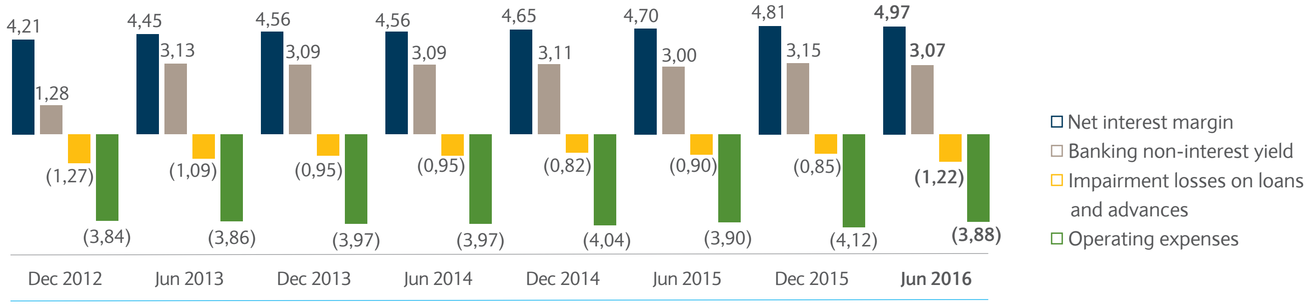


RoE, RoA and RoRWA (%)



12. RoE decomposition

Major drivers of RoE (%)



		30 June **2016** **%**	30 June 2015 %	31 December 2015 %
	Net interest margin (average interest-bearing assets)	**4,97**	4,70	4,81
Less:	Impairment losses on loans and advances/average interest-bearing assets	**1,22**	0,90	0,85
Equals:	Net interest margin – after impairment losses (average interest-bearing assets)	**3,75**	3,80	3,96
Multiply:	Average interest-bearing assets/average banking assets	**84,42**	84,52	87,44
Equals:	Banking interest yield	**3,17**	3,21	3,46
Plus:	Banking non-interest yield	**3,07**	3,00	3,15
Equals:	Banking income yield	**6,23**	6,21	6,61
Less:	Operating expenses/average banking assets	**3,88**	3,90	4,12
Equals:	Net banking return	**2,35**	2,31	2,49
Less:	Other[1]	**0,91**	0,86	0,91
Equals:	Banking return	**1,44**	1,45	1,58
Multiply:	Average banking assets/total average assets	**89,54**	91,27	87,23
Equals:	RoA	**1,29**	1,33	1,37
Multiply:	Leverage	**12,47**	12,38	12,40
Equals:	RoE	**16,1**	16,4	17,0

RoE decreased to 16,1% from 16,4% in 2015. The reduction in RoE resulted from a lower RoA of **1,29%** (2015: 1,33%).

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

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

13. Off-statement of financial position items

	30 June 2016 Rm	30 June 2015 Rm	Change %	31 December 2015 Rm
Financial guarantee contracts	**58**	96	(40)	24
Commitments				
Authorised capital expenditure				
Contracted but not provided for	**2 081**	2 950	(29)	1 642
Other commitments				
No later than one year	**—**	991	(100)	991
	2 081	3 941	(47)	2 633
Operating lease payments due				
Not later than one year	**1 268**	813	56	758
Later than one year and no later than five years	**2 800**	1 865	50	1 742
Later than five years	**1 369**	1 324	3	956
	5 437	4 002	36	3 456
Contingencies				
Guarantees[1]	**36 239**	35 080	3	37 901
Irrevocable debt facilities	**142 247**	142 301	0	152 984
Irrevocable equity facilities	**335**	368	(9)	364
Letters of credit	**6 098**	7 301	(16)	7 466
Other	**4 044**	4 503	(10)	5 325
	188 963	189 553	0	204 040

Performance

- **Commitments:** The Group has capital commitments in respect of computer equipment and property development. Management is confident that future net incomes and funding will be sufficient to cover these commitments.
- **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, has been derecognised.
- **Contingencies:** The decrease in irrevocable debt facilities was mainly attributable to draw-downs by clients in the investment banking division. The decrease in letters of credit was mainly attributable to a decrease in trading volume and a decrease in the value of trades with clients in the corporate banking division.

Note
[1] "Guarantees" include performance and payment guarantee contracts.

14. Legal proceedings

The Group is engaged in various other legal, competition and regulatory matters both in South Africa and a number of other jurisdictions. It is party to 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, amongst 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.

15. 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 are many 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.

This page has been left blank intentionally

Segment performance

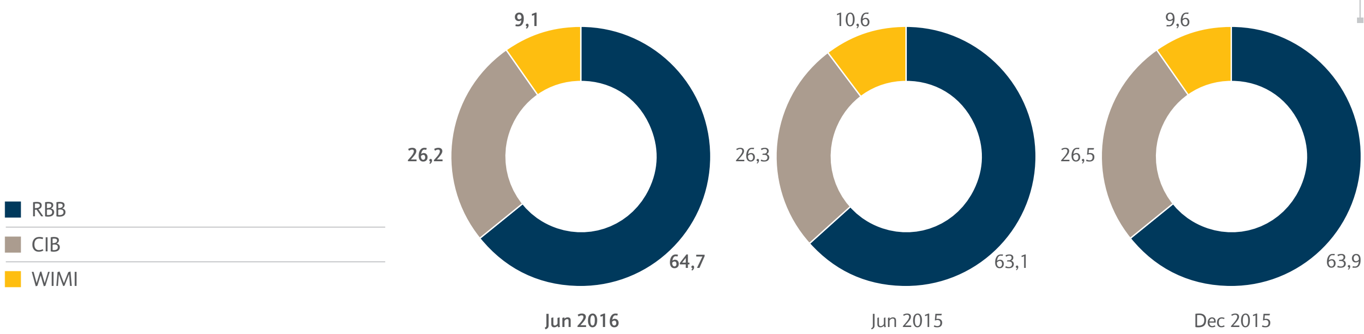
Segment performance overview	50
Segment report per market segment	54
Segment report per geographical segment	56
Segment report per market and geographical segment	58
RBB	61
CIB	93
WIMI	101

Segment performance overview

Pre-provision profits increased 19% to R17 021m, driven by a 45% increase from CIB to R4 219m and a 13% increase from RBB to R11 477m. RBB's headline earnings increased 10% to R4 911m, while CIB's headline earnings increased by 7% to R1 992m respectively.

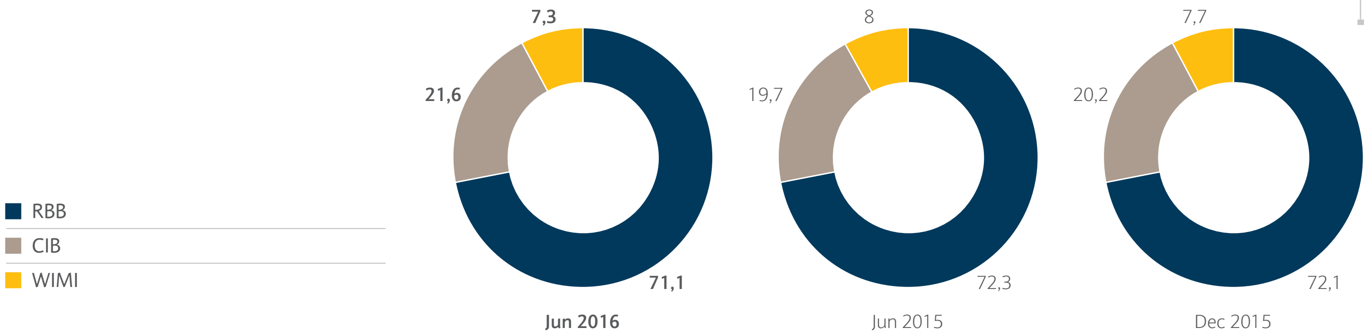
Performance per market segment

Headline earnings per market segment, excluding Head Office, Treasury and other operations (%)



Headline earnings	30 June 2016 Rm	30 June 2015 Rm	Change %	31 December 2015 Rm
RBB	**4 911**	4 459	10	9 661
CIB	**1 992**	1 857	7	3 999
WIMI	**691**	748	(8)	1 452
Head Office, Treasury and other operations	**(342)**	(309)	11	(825)
	7 252	6 755	7	14 287

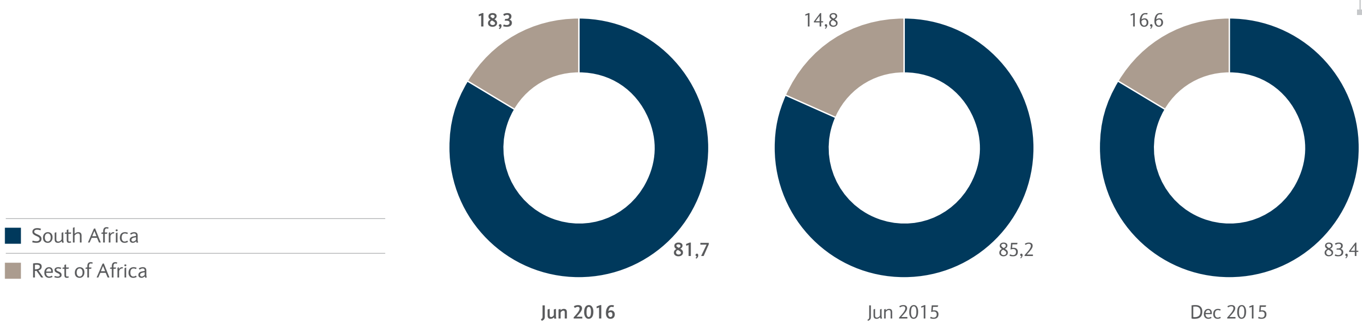
Income per market segment, excluding Head Office, Treasury and other operations (%)



Income	30 June 2016 Rm	30 June 2015 Rm	Change %	31 December 2015 Rm
RBB	**26 190**	23 730	10	49 212
CIB	**7 949**	6 464	23	13 741
WIMI	**2 693**	2 617	3	5 235
Head Office, Treasury and other operations	**(324)**	(388)	(16)	(990)
	36 508	32 423	13	67 198

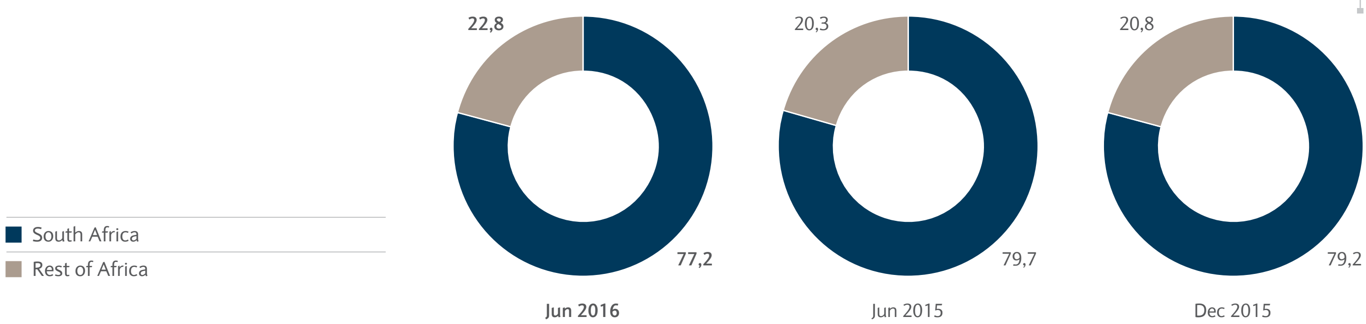
Performance per geographical segment

Headline earnings per geographical segments (%)



Headline earnings	30 June 2016 Rm	2015 Rm	Change %	31 December 2015 Rm
South Africa	**5 926**	5 757	3	11 918
Rest of Africa	**1 326**	998	33	2 369
	7 252	6 755	7	14 287

Income per geographical segments (%)



Income	30 June 2016 Rm	2015 Rm	Change %	31 December 2015 Rm
South Africa	**28 170**	25 855	9	53 197
Rest of Africa	**8 338**	6 568	27	14 001
	36 508	32 423	13	67 198

Segment performance overview

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

Operational metrics

	30 June 2016	30 June 2015	Change %	31 December 2015
Delivery footprint (number)	**11 537**	11 648	(1)	11 629
South Africa	**9 935**	10 035	(1)	10 000
Outlets	**782**	776	1	784
ATMs	**9 153**	9 259	(1)	9 216
Rest of Africa	**1 602**	1 613	(1)	1 629
Outlets	**456**	476	(4)	467
ATMs	**1 146**	1 137	1	1 162
Number of customers ('000)	**12 512**	12 160	3	12 309
RBB (excludes Edcon and WFS portfolio customers)	**12 486**	12 135	3	12 284
CIB	**12**	11	9	11
WIMI (Wealth customers)	**14**	14	—	14
Number of customers ('000)	**12 512**	12 160	3	12 309
South Africa (excludes Edcon and WFS portfolio customers)	**9 498**	9 378	1	9 425
Rest of Africa	**3 014**	2 782	8	2 885
Number of employees (permanent and temporary employees)	**41 247**	42 840	(4)	41 840
South Africa (excludes WFS employees)	**30 631**	31 761	(3)	30 922
Rest of Africa	**10 616**	11 079	(4)	10 918

Segment report per market segment

	RBB				CIB			
	30 June			31 December	30 June			31 December
	2016	2015[1]	Change %	2015[1]	2016	2015[1]	Change %	2015[1]
Statement of comprehensive income (Rm)								
Net interest income	**16 707**	14 898	12	30 939	**4 667**	3 674	27	7 851
Non-interest income	**9 483**	8 832	7	18 274	**3 282**	2 790	18	5 890
Total income	**26 190**	23 730	10	49 213	**7 949**	6 464	23	13 741
Impairment losses on loans and advances	**(3 855)**	(3 199)	21	(6 094)	**(1 383)**	(238)	>100	(793)
Operating expenses	**(14 713)**	(13 587)	8	(28 223)	**(3 730)**	(3 551)	5	(7 373)
Other	**(403)**	(108)	>100	(276)	**(120)**	(77)	56	(148)
Operating profit before income tax	**7 219**	6 836	6	14 620	**2 716**	2 598	5	5 427
Tax expense	**(2 120)**	(2 012)	6	(4 219)	**(568)**	(595)	(5)	(1 126)
Profit for the reporting period	**5 099**	4 824	6	10 401	**2 148**	2 003	7	4 301
Profit attributable to:								
Ordinary equity holders	**4 684**	4 473	5	9 640	**1 959**	1 856	6	3 999
Non-controlling interest – ordinary shares	**303**	249	22	553	**135**	93	45	195
Non-controlling interest – preference shares	**112**	102	10	208	**54**	54	—	107
	5 099	4 824	6	10 401	**2 148**	2 003	7	4 301
Headline earnings	**4 911**	4 459	10	9 661	**1 992**	1 857	7	3 999
Operating performance (%)								
Net interest margin on average interest-bearing assets	**4,58**	4,32		4,37	**2,44**	2,30		2,38
Credit loss ratio[2]	**1,48**	1,27		1,19	**1,05**	0,23		0,37
Non-interest income as percentage of income	**36,0**	37,2		37,1	**41,3**	43,2		42,9
Income growth	**10**	5		6	**23**	4		8
Operating expenses growth	**8**	4		4	**5**	6		9
Cost-to-income ratio	**56,3**	57,3		57,4	**46,9**	55,0		53,7
Statement of financial position (Rm)								
Loans and advances to customers	**483 466**	471 603	3	483 755	**224 777**	177 881	26	213 625
Loans and advances to banks	**23 847**	23 940	(0)	29 854	**39 154**	32 650	20	43 990
Investment securities	**59 233**	55 555	7	61 592	**21 264**	16 864	26	20 126
Other assets	**254 656**	242 176	5	266 507	**299 665**	252 729	19	295 593
Total assets	**821 202**	793 274	4	841 708	**584 860**	480 124	22	573 334
Deposits due to customers	**341 276**	313 546	9	344 847	**234 425**	233 571	0	241 689
Debt securities in issue	**1 497**	2 455	(39)	2 054	**17 411**	14 982	16	16 401
Other liabilities	**453 996**	454 872	(0)	463 829	**326 511**	226 720	44	307 730
Total liabilities	**796 769**	770 873	3	810 730	**578 347**	475 273	22	565 820
Financial performance (%)								
RoRWA	**2,34**	2,27		2,39	**1,73**	1,93		1,93
RoA	**1,21**	1,16		1,23	**0,68**	0,79		0,81
RoRC[3]	**21,1**	20,3		21,3	**15,9**	17,4		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			
30 June			31 December	30 June			31 December	30 June			31 December
2016	2015[1]	Change %	2015[1]	2016	2015[1]	Change %	2015[1]	2016	2015	Change %	2015
191	127	50	273	(472)	(236)	>100	(656)	21 093	18 463	14	38 407
2 502	2 490	0	4 962	148	(152)	<(100)	(335)	15 415	13 960	10	28 791
2 693	2 617	3	5 235	(324)	(388)	(16)	(991)	36 508	32 423	13	67 198
2	(3)	<(100)	5	39	(110)	<(100)	(38)	(5 197)	(3 550)	46	(6 920)
(1 681)	(1 505)	12	(3 018)	637	514	24	953	(19 487)	(18 129)	7	(37 661)
(52)	(86)	(40)	(204)	(642)	(297)	>100	(686)	(1 217)	(568)	>100	(1 314)
962	1 023	(6)	2 018	(290)	(281)	3	(762)	10 607	10 176	4	21 303
(283)	(289)	(2)	(603)	(26)	(11)	>100	49	(2 997)	(2 907)	3	(5 899)
679	734	(7)	1 415	(316)	(292)	8	(713)	7 610	7 269	5	15 404
692	733	(6)	1 405	(316)	(292)	8	(713)	7 019	6 770	4	14 331
(15)	(2)	>100	4	—	—	—	—	423	340	24	752
2	3	(33)	6	—	—	—	—	168	159	6	321
679	734	(7)	1 415	(316)	(292)	8	(713)	7 610	7 269	5	15 404
691	748	(8)	1 452	(342)	(309)	11	(825)	7 252	6 755	7	14 287
n/a	n/a		n/a	n/a	n/a		n/a	4,97	4,70		4,81
(0,05)	0,08		(0,07)	n/a	n/a		n/a	1,29	0,97		0,92
92,9	95,1		94,8	n/a	n/a		n/a	42,2	43,1		42,8
3	8		7	n/a	n/a		n/a	13	6		6
12	6		4	n/a	n/a		n/a	7	5		5
62,4	57,5		57,6	n/a	n/a		n/a	53,4	55,9		56,0
5 895	5 117	15	5 350	1 071	2 811	(62)	629	715 209	657 412	9	703 359
2 173	2 182	0	2 225	18 489	34 763	(47)	9 882	83 663	93 535	(11)	85 951
4 703	4 510	4	4 642	16 363	11 080	48	14 605	101 563	88 009	15	100 965
37 419	29 309	28	31 681	(349 706)	(324 225)	8	(339 452)	242 034	199 989	21	254 329
50 190	41 118	22	43 898	(313 783)	(275 571)	14	(314 336)	1 142 469	1 038 945	10	1 144 604
4 925	5 182	(5)	5 160	96 342	96 927	(1)	96 723	676 968	649 226	4	688 419
—	—	—	—	125 614	102 107	23	110 228	144 522	119 544	21	128 683
39 810	30 553	30	33 226	(600 013)	(533 829)	12	(575 930)	220 304	178 316	24	228 855
44 735	35 735	25	38 386	(378 057)	(334 795)	13	(368 979)	1 041 794	947 086	10	1 045 957
n/a	n/a		n/a	n/a	n/a		n/a	2,07	2,16		2,18
3,49	3,38		3,36	n/a	n/a		n/a	1,29	1,33		1,37
23,2	25,5		24,7	n/a	n/a		n/a	n/a	n/a		n/a

Segment report per geographical segment

	South Africa			
	30 June			31 December
	2016	2015[1]	Change %	2015[1]
Statement of comprehensive income (Rm)				
Net interest income	**15 549**	14 181	10	29 339
Non-interest income	**12 621**	11 674	8	23 858
Total income	**28 170**	25 855	9	53 197
Impairment losses on loans and advances	**(4 269)**	(3 030)	41	(5 706)
Operating expenses	**(14 609)**	(13 971)	5	(29 222)
Other	**(1 131)**	(516)	>100	(1 167)
Operating income before income tax	**8 161**	8 338	(3)	17 102
Tax expenses	**(2 171)**	(2 305)	(6)	(4 590)
Profit for the reporting period	**5 990**	6 033	(1)	12 512
Profit attributable to:				
Ordinary equity holders	**5 690**	5 774	(1)	11 963
Non-controlling interest – ordinary shares	**132**	100	32	228
Non-controlling interest – preference shares	**168**	159	6	321
	5 990	6 033	(1)	12 512
Headline earnings	**5 926**	5 757	3	11 918
Operating performance (%)				
Net interest margin on average interest-bearing assets	**4,37**	4,22		4,33
Credit loss ratio[2]	**1,23**	0,95		0,87
Non-interest income as percentage of income	**44,8**	45,2		44,8
Income growth	**9**	5		5
Operating expenses growth	**5**	4		4
Cost-to-income ratio	**51,9**	54,0		54,9
Statement of financial position (Rm)				
Loans and advances to customers	**633 335**	590 188	7	614 615
Loans and advances to banks	**62 674**	71 011	(12)	58 753
Investment securities	**80 117**	68 359	17	77 676
Other assets	**194 904**	163 243	19	206 179
Total assets	**971 030**	892 801	9	957 223
Deposits due to customers	**553 806**	542 485	2	556 072
Debt securities in issue	**144 185**	118 974	21	128 190
Other liabilities	**194 895**	157 782	23	198 291
Total liabilities	**892 886**	819 241	9	882 553
Financial performance (%)				
RoRWA	**2,27**	2,30		2,35
RoA	**1,25**	1,32		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			
	30 June			31 December	30 June			31 December
			Change				Change	
	2016	2015[1]	%	2015[1]	**2016**	2015	%	2015
	5 544	4 282	29	9 068	**21 093**	18 463	14	38 407
	2 794	2 286	22	4 933	**15 415**	13 960	10	28 791
	8 338	6 568	27	14 001	**36 508**	32 423	13	67 198
	(928)	(520)	78	(1 214)	**(5 197)**	(3 550)	46	(6 920)
	(4 878)	(4 158)	17	(8 439)	**(19 487)**	(18 129)	7	(37 661)
	(86)	(52)	65	(147)	**(1 217)**	(568)	>100	(1 314)
	2 446	1 838	33	4 201	**10 607**	10 176	4	21 303
	(826)	(602)	37	(1 309)	**(2 997)**	(2 907)	3	(5 899)
	1 620	1 236	31	2 892	**7 610**	7 269	4	15 404
	1 329	996	33	2 368	**7 019**	6 770	4	14 331
	291	240	21	524	**423**	340	24	752
	—	—	—	—	**168**	159	6	321
	1 620	1 236	31	2 892	**7 610**	7 269	5	15 404
	1 326	998	33	2 369	**7 252**	6 755	7	14 287
	8,07	7,72		7,49	**4,97**	4,70		4,81
	1,67	1,11		1,18	**1,29**	0,97		0,92
	33,5	34,8		35,2	**42,2**	43,1		42,8
	27	9		14	**13**	6		6
	17	7		9	**7**	5		5
	58,5	63,3		60,3	**53,4**	55,9		56,0
	81 874	67 224	22	88 744	**715 209**	657 412	9	703 359
	20 989	22 524	(7)	27 198	**83 663**	93 535	(11)	85 951
	21 446	19 650	9	23 289	**101 563**	88 009	15	100 965
	47 130	36 746	28	48 150	**242 034**	199 989	21	254 329
	171 439	146 144	17	187 381	**1 142 469**	1 038 945	10	1 144 604
	123 162	106 741	15	132 347	**676 968**	649 226	4	688 419
	337	570	(41)	493	**144 522**	119 544	21	128 683
	25 409	20 534	24	30 564	**220 304**	178 316	24	228 855
	148 908	127 845	16	163 404	**1 041 794**	947 086	10	1 045 957
	1,52	1,37		1,59	**2,08**	2,16		2,18
	1,51	1,37		1,51	**1,29**	1,33		1,37

Segment report per market and geographical segment

South Africa per market segment[2]	RBB 30 June 2016 Rm	30 June 2015[1] Rm	Change %	31 December 2015[1] Rm
Statement of comprehensive income				
Net interest income	**12 932**	11 931	8	24 745
Non-interest income	**8 021**	7 629	5	15 654
Total income	**20 953**	19 560	7	40 399
Impairment losses on loans and advances	**(3 209)**	(2 791)	15	(5 317)
Operating expenses	**(11 167)**	(10 561)	6	(22 081)
Other	**(342)**	(71)	>100	(164)
Operating income before income tax	**6 235**	6 137	2	12 837
Taxation expense	**(1 746)**	(1 731)	1	(3 604)
Profit for the reporting period	**4 489**	4 406	2	9 233
Profit attributable to:				
Ordinary equity holders	**4 244**	4 204	1	8 797
Non-controlling interest – ordinary shares	**133**	100	33	228
Non-controlling interest – preference shares	**112**	102	10	208
	4 489	4 406	(2)	9 233
Headline earnings	**4 472**	4 190	7	8 818
Statement of financial position				
Loans and advances to customers	**441 368**	435 243	1	438 542
Loans and advances to banks	**6 482**	4 172	55	5 296
Investment securities	**41 574**	39 939	4	42 508
Other assets	**226 130**	220 190	3	233 077
Total assets	**715 554**	699 544	2	719 423
Deposits due to customers	**275 637**	257 622	7	276 111
Debt securities in issue	**1 160**	1 885	(38)	1 561
Other liabilities	**431 187**	432 897	(0)	429 784
Total liabilities	**707 984**	692 404	2	707 456

Rest of Africa per market segment	RBB 30 June 2016 Rm	30 June 2015[1] Rm	C%[3]	FX%[4]	Change %	31 December 2015[1] Rm
Statement of comprehensive income						
Net interest income	**3 775**	2 967	12	15	27	6 194
Non-interest income	**1 462**	1 203	9	13	22	2 620
Total income	**5 237**	4 170	11	15	26	8 814
Impairment losses on loans and advances	**(646)**	(408)	40	18	58	(777)
Operating expenses	**(3 546)**	(3 026)	6	11	17	(6 142)
Other	**(61)**	(37)	45	20	65	(112)
Operating income before income tax	**984**	699	12	29	41	1 783
Taxation expense	**(374)**	(281)	15	18	33	(615)
Profit for the reporting period	**610**	418	10	36	46	1 168
Profit attributable to:						
Ordinary equity holders	**440**	269	18	46	64	843
Non-controlling interest – ordinary shares	**170**	149	(6)	20	14	325
Non-controlling interest – preference shares	**—**	—	—	—	—	—
	610	418	10	36	46	1 168
Headline earnings	**439**	269	17	46	63	843
Statement of financial position						
Loans and advances to customers	**42 098**	36 360	3	13	16	45 213
Loans and advances to banks	**17 365**	19 768	(25)	13	(12)	24 558
Investment securities	**17 659**	15 616	(5)	18	13	19 084
Other assets	**28 526**	21 986	13	17	30	33 430
Total assets	**105 648**	93 730	(2)	15	13	122 285
Deposits due to customers	**65 639**	55 924	3	14	17	68 736
Debt securities in issue	**337**	570	(47)	6	(41)	493
Other liabilities	**22 809**	21 975	(11)	15	4	34 045
Total liabilities	**88 785**	78 469	(1)	14	13	103 274

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 146.
[4] FX% = Foreign currency change impact.

	CIB				WIMI			
	30 June			31 December	30 June			31 December
	2016 Rm	2015[1] Rm	Change %	2015[1] Rm	2016 Rm	2015[1] Rm	Change %	2015[1] Rm
	2 905	2 378	22	4 991	183	121	51	272
	2 098	1 884	11	3 892	2 356	2 306	2	4 631
	5 003	4 262	17	8 883	2 539	2 427	5	4 903
	(1 101)	(126)	>100	(356)	2	(3)	<(100)	5
	(2 581)	(2 529)	2	(5 301)	(1 497)	(1 402)	7	(2 793)
	(101)	(67)	51	(123)	(47)	(80)	(41)	(195)
	1 220	1 540	(21)	3 103	997	942	6	1 920
	(197)	(303)	(35)	(574)	(274)	(266)	3	(558)
	1 023	1 237	(17)	2 529	723	676	7	1 362
	969	1 183	(18)	2 423	722	673	7	1 356
	—	—	—	(1)	(1)	—	100	—
	54	54	—	107	2	3	(33)	6
	1 023	1 237	(17)	2 529	723	676	7	1 362
	1 002	1 182	(15)	2 423	720	688	5	1 403
	185 001	147 018	26	170 094	5 895	5 117	15	5 350
	39 147	32 646	26	43 978	1 125	1 501	(25)	1 247
	21 246	16 862	26	20 124	4 452	4 510	(1)	4 347
	266 975	223 447	19	261 658	35 935	28 686	25	30 201
	512 369	419 973	22	495 854	47 407	39 814	19	41 145
	176 902	182 568	(3)	178 078	4 925	5 182	(5)	5 160
	17 411	14 982	16	16 401	—	—	—	—
	314 125	218 011	44	295 436	37 984	29 803	27	31 556
	508 438	415 561	22	489 915	42 909	34 985	23	36 716

	CIB						WIMI					
	30 June					31 December	30 June					31 December
	2016 Rm	2015[1] Rm	C%[3]	FX%[4]	Change %	2015[1] Rm	2016 Rm	2015[1] Rm	C%[3]	FX%[4]	Change %	2015 Rm
	1 762	1 296	19	17	36	2 860	8	6	14	19	33	1
	1 184	906	18	13	31	1 998	145	184	(32)	11	(21)	331
	2 946	2 202	18	16	34	4 858	153	190	(31)	12	(19)	332
	(282)	(112)	>100	36	>100	(437)	—	—	—	—	—	—
	(1 149)	(1 022)	3	9	12	(2 072)	(183)	(103)	56	27	78	(225)
	(19)	(10)	90	21	90	(25)	(5)	(6)	<(100)	>100	(17)	(9)
	1 496	1 058	21	20	41	2 324	(35)	81	<(100)	(8)	<(100)	98
	(371)	(292)	11	16	27	(552)	(9)	(23)	(69)	8	(61)	(45)
	1 125	766	25	22	47	1 772	(44)	58	<(100)	14	<(100)	53
	990	673	22	25	47	1 576	(30)	60	<(100)	14	<(100)	49
	135	93	27	19	45	196	(14)	(2)	>100	—	>100	4
	—	—	—	—	—	—	—	—	—	—	—	—
	1 125	766	25	22	47	1 772	(44)	58	<(100)	14	<(100)	53
	990	675	22	25	47	1 576	(29)	60	<(100)	14	<(100)	49
	39 776	30 863	13	16	29	43 531	—	—	—	—	—	—
	7	4	>100	(58)	75	12	1 048	681	36	18	54	978
	18	2	>100	<100	>100	2	251	—	<(100)	—	100	295
	32 690	29 282	(1)	13	12	33 935	1 484	623	>100	33	>100	1 480
	72 491	60 151	6	15	21	77 480	2 783	1 304	>100	13	>100	2 753
	57 523	51 003	(1)	14	13	63 611	—	—	—	—	—	—
	—	—	—	—	—	—	—	—	—	—	—	—
	12 386	8 709	28	14	42	12 294	1 827	750	>100	33	>100	1 670
	69 909	59 712	3	14	17	75 905	1 827	750	>100	33	>100	1 670

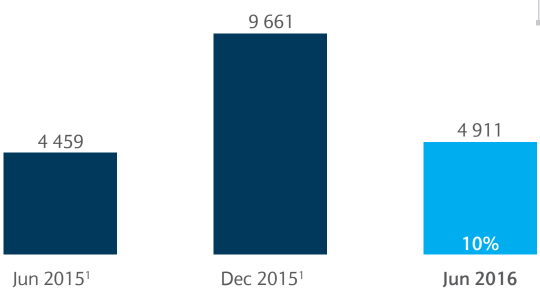
Head Office, Treasury and other operations				Total South Africa			
30 June			31 December	30 June			31 December
2016	2015[1]	Change	2015[1]	**2016**	2015[1]	Change	2015[1]
Rm	Rm	%	Rm	**Rm**	Rm	%	Rm
(471)	(249)	89	(669)	**15 549**	14 181	10	29 339
146	(145)	<(100)	(319)	**12 621**	11 674	8	23 858
(325)	(394)	(18)	(988)	**28 170**	25 855	9	53 197
39	(110)	<(100)	(38)	**(4 269)**	(3 030)	41	(5 706)
636	521	22	953	**(14 609)**	(13 971)	5	(29 222)
(641)	(298)	>100	(685)	**(1 131)**	(516)	>100	(1 167)
(291)	(281)	4	(758)	**8 161**	8 338	(3)	17 102
46	(5)	<(100)	146	**(2 171)**	(2 305)	(6)	(4 590)
(245)	(286)	(14)	(612)	**5 990**	6 033	(1)	12 512
(245)	(286)	(14)	(613)	**5 690**	5 774	(1)	11 963
—	—	—	1	**132**	100	32	228
—	—	—	0	**168**	159	6	321
(245)	(286)	(14)	(612)	**5 990**	6 033	(1)	12 512
(268)	(303)	(12)	(726)	**5 926**	5 757	3	11 918
1 071	2 810	(62)	629	**633 335**	590 188	7	614 615
15 920	32 692	(51)	8 232	**62 674**	71 011	(12)	58 753
12 845	7 048	82	10 697	**80 117**	68 359	17	77 676
(334 136)	(309 080)	8	(318 757)	**194 904**	163 243	19	206 179
(304 300)	(266 530)	14	(299 199)	**971 030**	892 801	9	957 223
96 342	97 113	(1)	96 723	**553 806**	542 485	2	556 072
125 614	102 107	23	110 228	**144 185**	118 974	21	128 190
(588 401)	(522 929)	13	(558 485)	**194 895**	157 782	24	198 291
(366 445)	(323 709)	13	(351 534)	**892 886**	819 241	9	882 553

Head Office, Treasury and other operations						Total Rest of Africa					
30 June					31 December	30 June					31 December
2016	2015[1]			Change	2015[1]	**2016**	2015[1]			Change	2015[1]
Rm	Rm	C%[3]	FX%[4]	%	Rm	**Rm**	Rm	C%[3]	FX%[4]	%	Rm
(1)	13	<(100)	1	<(100)	13	**5 544**	4 282	13	16	29	9 068
3	(7)	<(100)	—	<(100)	(16)	**2 794**	2 286	9	13	22	4 933
2	6	(50)	(10)	(67)	(3)	**8 338**	6 568	12	15	27	14 001
—	0	100	—	—	—	**(928)**	(520)	58	20	78	(1 214)
0	(7)	(67)	(13)	(100)	0	**(4 878)**	(4 158)	6	11	17	(8 439)
(1)	1	—	—	<(100)	(1)	**(86)**	(52)	49	14	63	(147)
1	0	—	—	100	(4)	**2 446**	1 838	10	23	33	4 201
(72)	(6)	>100	<100	>100	(97)	**(826)**	(602)	20	17	37	(1 309)
(71)	(6)	>100	<100	>100	(101)	**1 620**	1 236	6	25	31	2 892
(71)	(6)	100	—	>100	(100)	**1 329**	996	7	26	33	2 368
—	—	—	—	—	(1)	**291**	240	4	17	21	524
—	—	—	—	—	—	**—**	—	—	—	—	—
(71)	(6)	98	(1)	>100	(101)	**1 620**	1 236	13	18	31	2 892
(74)	(6)	100	—	>100	(99)	**1 326**	998	7	26	33	2 369
—	1	—	—	(100)	—	**81 874**	67 224	8	14	22	88 744
2 569	2 071	48	(24)	24	1 650	**20 989**	22 524	(18)	11	(7)	27 198
3 518	4 032	(7)	(6)	(13)	3 908	**21 446**	19 650	(4)	13	9	23 289
(15 570)	(15 145)	2	1	3	(20 695)	**47 130**	36 746	6	22	28	48 150
(9 483)	(9 041)	(2)	7	5	(15 137)	**171 439**	146 144	2	15	17	187 381
—	(186)	(100)	—	(100)	—	**123 162**	106 741	1	14	15	132 347
—	—	—	—	—	—	**337**	570	(47)	6	(41)	493
(11 613)	(10 900)	(1)	8	7	(17 445)	**25 409**	20 534	3	21	24	30 564
(11 613)	(11 086)	(2)	7	5	(17 445)	**148 908**	127 845	1	15	16	163 404

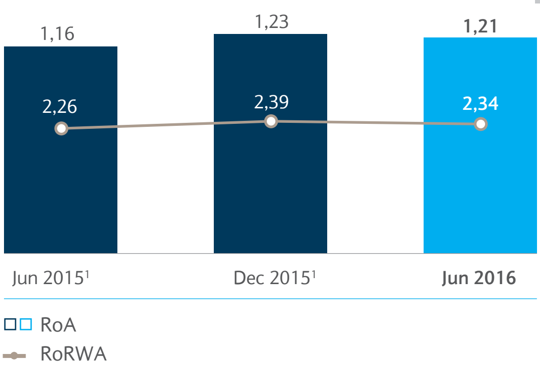
RBB overview

- Headline earnings increased 10% to **R4 911m** (30 June 2015: R4 459m) despite 21% growth in impairments.
- Positive Jaws of 2,06% following strong net interest margin growth as well as strong cost management.
- Income grew **10%** (CCY 8%) to **R26 190m** (30 June 2015: R23 730m) supported by deposit book growth and margin improvement.
- Net interest margin increased to **4,58%** (30 June 2015: 4,32%) driven by improved pricing and favourable mix.
- Continued growth in customer numbers.
- Introduction of Chat Banking which won the social media category of the Banker Technology Awards for 2016.
- Successful relocation of mainframe systems to a new state-of-the-art data centre.
- Operating expenses increased by **8%** (CCY 6%) from operational efficiencies, partially offset by investment in improving skills levels and stabilising the technology environment.
- Loans and advances showing subdued growth of 3% due to the operational requirements relating to the National Credit Act (NCA) regulation changes and slowing economic growth.
- Deterioration in the credit loss ratio to **1,48%** (30 June 1,27%) reflecting financial stress on the consumer.
- NPLs increased as the credit cycle turned.

Headline earnings
(Rm and change %)



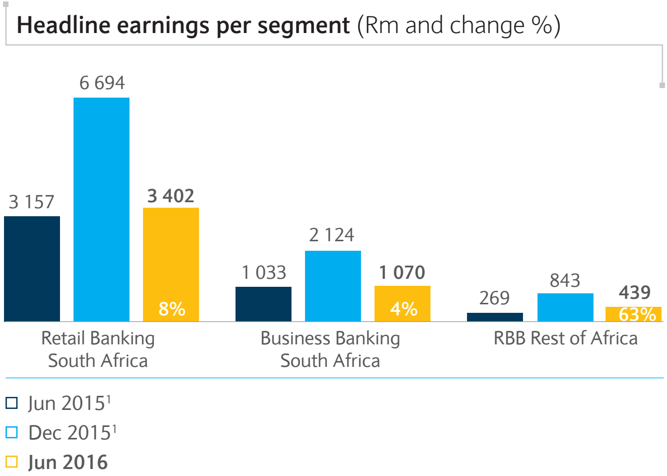
RoA and RoRWA (%)



Salient features	30 June 2016	30 June 2015[1]	Change %	31 December 2015[1]
Income (Rm)	**26 190**	23 730	10	49 213
Attributable earnings (Rm)	**4 684**	4 473	5	9 640
Headline earnings (Rm)	**4 911**	4 459	10	9 661
Credit loss ratio (%)	**1,48**	1,27		1,19
Cost-to-income ratio (%)	**56,3**	57,3		57,4
RoRWA (%)	**2,34**	2,27		2,39
RoA (%)	**1,21**	1,16		1,23
RoRC (%)	**21,1**	20,3		21,3

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

RBB overview



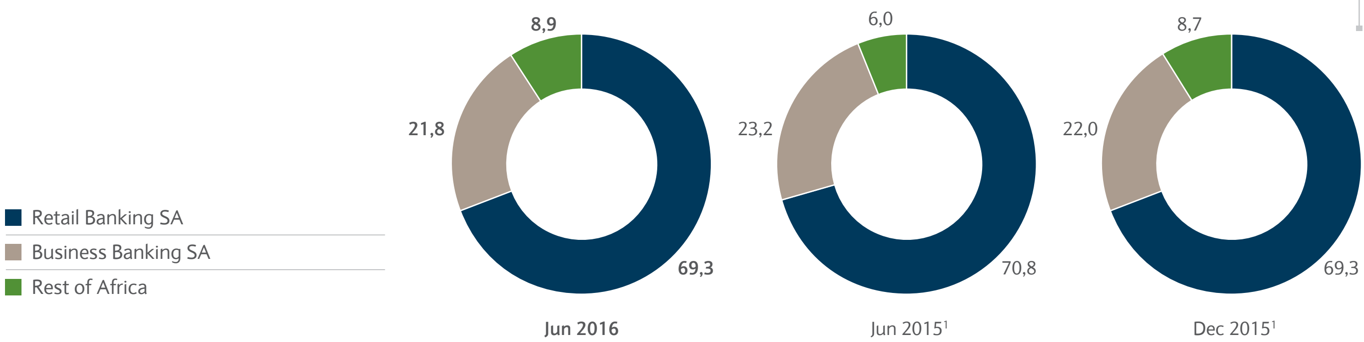
Headline earnings by segment	30 June 2016 Rm	30 June 2015[1] Rm	Change %	31 December 2015[1] Rm
RBB	**4 911**	4 459	10	9 661
Retail Banking South Africa	**3 402**	3 157	8	6 694
Home Loans	**825**	889	(7)	1 734
Vehicle and Asset Finance	**411**	486	(15)	1 068
Card	**762**	622	23	1 615
Personal Loans	**199**	110	81	350
Transactional and Deposits	**1 395**	1 224	14	2 675
Other	**(190)**	(174)	9	(748)
Business Banking South Africa	**1 070**	1 033	4	2 124
Business Banking (excluding equities)	**1 086**	1 048	4	2 179
Business Banking equities	**(16)**	(15)	7	(55)
RBB Rest of Africa	**439**	269	63	843

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

RBB overview

	Retail Banking South Africa				Business Banking South Africa			
	30 June		Change	31 December	30 June		Change	31 December
	2016	2015[1]	%	2015[1]	**2016**	2015[1]	%	2015[1]
Statement of comprehensive income (Rm)								
Net interest income	**9 894**	9 157	8	19 009	**3 038**	2 774	10	5 736
Non-interest income	**6 252**	5 959	5	12 282	**1 769**	1 670	6	3 372
Total income	**16 146**	15 116	7	31 291	**4 807**	4 444	8	9 108
Impairment losses on loans and advances	**(2 878)**	(2 540)	13	(4 769)	**(331)**	(251)	32	(548)
Operating expenses	**(8 309)**	(7 874)	6	(16 545)	**(2 858)**	(2 687)	6	(5 536)
Other	**(328)**	(54)	>100	(125)	**(14)**	(17)	(18)	(39)
Operating profit before income tax	**4 631**	4 648	0	9 852	**1 604**	1 489	8	2 985
Tax expenses	**(1 306)**	(1 310)	0	(2 757)	**(440)**	(421)	5	(847)
Profit for the reporting period	**3 325**	3 338	0	7 095	**1 164**	1 068	9	2 138
Profit attributable to:								
Ordinary equity holders	**3 121**	3 160	(1)	6 708	**1 123**	1 044	8	2 089
Non-controlling interest – ordinary shares	**118**	100	18	228	**15**	—	100	—
Non-controlling interest – preference shares	**86**	78	10	159	**26**	24	8	49
	3 325	3 338	0	7 095	**1 164**	1 068	9	2 138
Headline earnings	**3 402**	3 157	8	6 694	**1 070**	1 033	4	2 124
Operating performance (%)								
Net interest margin on average interest-bearing assets	**3,62**	3,48		3,54	**5,99**	6,02		5,78
Credit loss ratio	**1,48**	1,33		1,23	**0,99**	0,79		0,85
Non-interest income as percentage of income	**38,7**	39,4		39,2	**36,8**	37,6		37,0
Income growth	**7**	4		6	**8**	6		3
Operating expenses growth	**6**	3		2	**6**	5		6
Cost-to-income ratio	**51,5**	52,1		52,9	**59,5**	60,5		60,81
Statement of financial position (Rm)								
Loans and advances to customers	**374 753**	371 890	1	374 997	**66 615**	63 353	5	63 545
Loans and advances to banks	**6 455**	4 094	58	5 266	**27**	78	(65)	30
Investment securities	**31 441**	29 975	5	32 285	**10 133**	9 964	2	10 223
Other assets	**191 711**	187 351	2	190 622	**34 419**	32 839	5	42 455
Total assets	**604 360**	593 310	2	603 170	**111 194**	106 234	5	116 253
Deposits due to customers	**169 746**	155 952	9	166 015	**105 891**	101 670	4	110 096
Debt securities in issue	**1 160**	1 885	(38)	1 561	**—**	—	—	—
Other liabilities	**427 195**	429 448	(1)	425 946	**3 992**	3 449	15	3 838
Total liabilities	**598 101**	587 285	2	593 522	**109 883**	105 119	5	113 934
Financial performance (%)								
RoRWA	**2,77**	2,66		2,75	**2,99**	3,05		3,00
RoA	**1,16**	1,12		1,16	**1,90**	2,01		1,93

Headline earnings per segment (%)

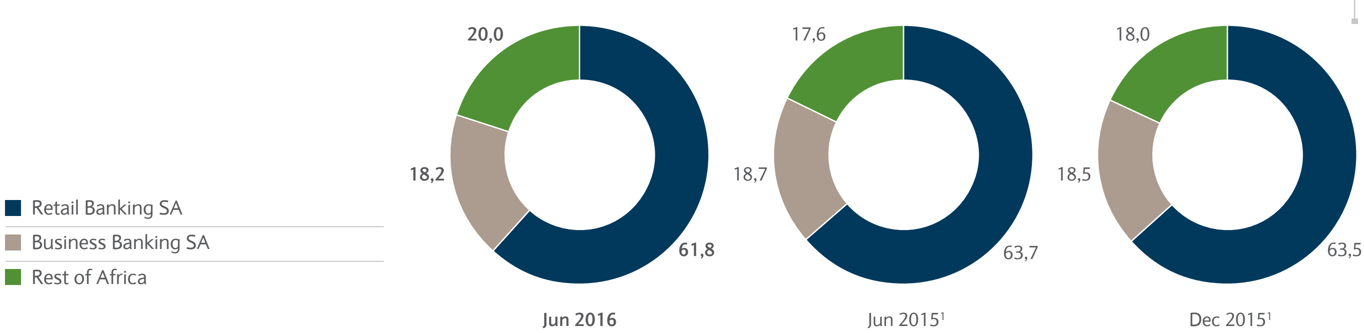


Note

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

RBB Rest of Africa				Total RBB			
30 June			31 December	30 June			31 December
2016	2015[1]	Change %	2015[1]	**2016**	2015[1]	Change %	2015[1]
3 775	2 967	27	6 194	**16 707**	14 898	12	30 939
1 462	1 203	22	2 620	**9 483**	8 832	7	18 274
5 237	4 170	26	8 814	**26 190**	23 730	10	49 213
(646)	(408)	58	(777)	**(3 855)**	(3 199)	21	(6 094)
(3 546)	(3 026)	17	(6 142)	**(14 713)**	(13 587)	8	(28 223)
(61)	(37)	65	(112)	**(403)**	(108)	>100	(276)
984	699	41	1 783	**7 219**	6 836	6	14 620
(374)	(281)	33	(615)	**(2 120)**	(2 012)	6	(4 219)
610	418	46	1 168	**5 099**	4 824	6	10 401
440	269	64	843	**4 684**	4 473	5	9 640
170	149	14	325	**303**	249	22	553
—	—	—	—	**112**	102	10	208
610	418	46	1 168	**5 099**	4 824	6	10 401
439	269	63	843	**4 911**	4 459	10	9 661
9,20	8,32		8,66	**4,58**	4,32		4,37
1,98	1,41		1,29	**1,48**	1,27		1,19
27,9	28,8		29,7	**36,0**	37,2		37,1
26	7		13	**10**	5		6
17	7		7	**8**	4		4
67,7	72,6		69,7	**56,3**	57,3		57,4
42 098	36 360	16	45 213	**483 466**	471 603	3	483 755
17 365	19 768	(12)	24 558	**23 847**	23 940	0	29 854
17 659	15 616	13	19 084	**59 233**	55 555	7	61 592
28 526	21 986	30	33 430	**254 656**	242 176	5	266 507
105 648	93 730	13	122 285	**821 202**	793 274	4	841 708
65 639	55 924	17	68 736	**341 276**	313 546	9	344 847
337	570	(41)	493	**1 497**	2 455	(39)	2 054
22 809	21 975	4	34 045	**453 996**	454 872	(0)	463 829
88 785	78 469	13	103 274	**796 769**	770 873	3	810 730
0,86	0,62		0,93	**2,34**	2,27		2,39
0,79	0,53		0,84	**1,21**	1,16		1,23

Income by segment (%)

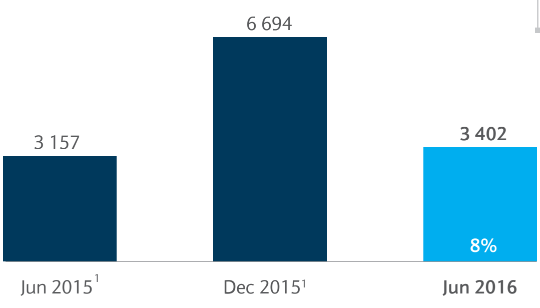


This page has been left blank intentionally

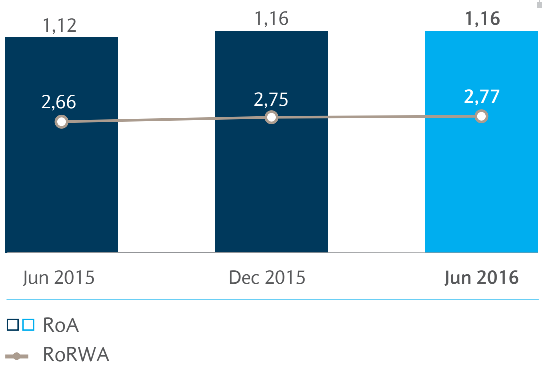
RBB – Retail Banking South Africa

- Solid 8% growth in headline earnings to **R3 402m** (30 June 2015: R3 157m).
- Positive Jaws of 1,25%.
- Net interest income increased by 8% mainly due to deposit growth of 9% and higher net interest margin.
- Non-interest income growth of 5% mainly due to increased transactional activity in the Card portfolio.
- Successfully delivered on cost management strategies.
- Growth in customer numbers to **8,9m** (30 June 2015: 8,8m) through strong acquisition of new customers and reduced account closures.
- Slowdown in the secured portfolio asset growth.
- Operational impact of NCA regulations on asset growth in the unsecured portfolio.
- The NCA pricing caps effective from 6 May 2016 have reduced income.
- Deterioration in the macroeconomic environment and increased consumer pressure resulted in a higher credit loss ratio of **1,48%** (30 June 2015: 1,33%).

Headline earnings (Rm and change %)



RoA and RoRWA (%)



Salient features	30 June 2016	30 June 2015[1]	Change %	31 December 2015[1]
Income (Rm)	**16 146**	15 116	7	31 291
Attributable earnings (Rm)	**3 121**	3 160	(1)	6 707
Headline earnings (Rm)	**3 402**	3 157	8	6 694
Credit loss ratio (%)	**1,48**	1,33		1,23
Cost-to-income ratio (%)	**51,5**	52,1		52,9
RoRWA (%)	**2,77**	2,66		2,75
RoA (%)	**1,16**	1,12		1,16

Note

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

Business profile

Retail Banking South Africa offers a comprehensive suite of retail banking products and services to individuals and provides asset finance to 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 and mobile channels, relationship managers as well as call centre agents, dealerships, originators, alliances and joint ventures.

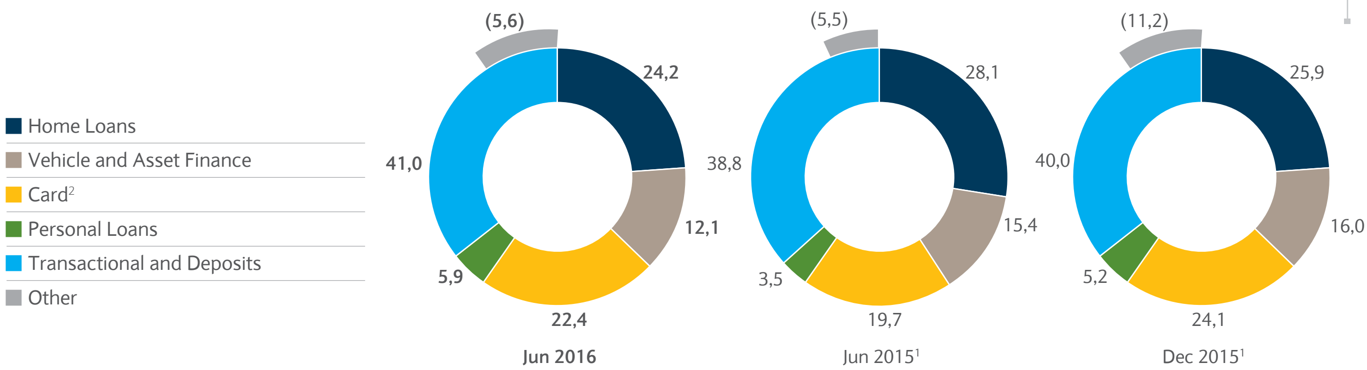
Key business areas

- **Home Loans** – offers residential property-related finance solutions direct to customers through personalised services and a range of electronic channels and intermediaries such as estate agents and originators.
- **Vehicle and Asset Finance (VAF)** – offers a comprehensive range of asset-based 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 offered to both individual and business customers through the branch network, one of 2 400 approved dealerships, preferred suppliers and specialist sales force. VAF's Joint Ventures with Ford Financial Services and Man Financial Services are an extension of the business and continues 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 (including the Namibian portfolio), 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 programme 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).
- **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

	Home Loans				Vehicle and Asset Finance			
	30 June			31 December	30 June			31 December
	2016	2015[1]	Change %	2015[1]	**2016**	2015[1]	Change %	2015[1]
Statement of comprehensive income (Rm)								
Net interest income	**2 254**	2 122	6	4 246	**1 483**	1 528	(3)	3 049
Non-interest income	**158**	169	(7)	353	**378**	382	(1)	792
Total income	**2 412**	2 291	5	4 599	**1 861**	1 910	(3)	3 841
Impairment losses on loans and advances	**(505)**	(285)	77	(689)	**(506)**	(468)	8	(848)
Operating expenses	**(828)**	(764)	8	(1 483)	**(863)**	(843)	2	(1 662)
Other	**(8)**	(6)	33	(16)	**55**	58	(5)	107
Operating income before income tax	**1 071**	1 236	(13)	2 411	**547**	657	(17)	1 438
Tax expenses	**(246)**	(347)	(29)	(677)	**(136)**	(167)	(19)	(370)
Profit for the reporting period	**825**	889	(7)	1 734	**411**	490	(16)	1 068
Profit attributable to:								
Ordinary equity holders	**825**	889	(7)	1 734	**411**	490	(16)	1 068
Non-controlling interest – ordinary shares	**—**	—	—	—	**—**	—	—	—
Non-controlling interest – preference shares	**—**	—	—	—	**—**	—	—	—
	825	889	(7)	1 734	**411**	490	(16)	1 068
Headline earnings	**825**	889	(7)	1 734	**411**	486	(15)	1 068
Operating performance (%)								
Credit loss ratio	**0,44**	0,25		0,30	**1,13**	1,09		0,97
Non-interest income as percentage of income	**6,6**	7,4		7,7	**20,3**	20,0		20,6
Income growth	**5**	(0)		(0)	**(3)**	8		5
Operating expenses growth	**8**	2		(8)	**2**	11		6
Cost-to-income ratio	**34,3**	33,3		32,2	**46,4**	44,1		43,3
Statement of financial position (Rm)								
Loans and advances to customers	**227 701**	229 227	(1)	229 026	**90 473**	87 731	3	89 635
Loans and advances to banks	**1 537**	106	>100	632	**50**	93	(46)	48
Investment securities	**11 500**	10 775	7	12 076	**4 356**	3 937	11	4 569
Other assets	**8 005**	16 268	(51)	6 347	**5 534**	4 651	19	5 232
Total assets	**248 743**	256 376	(3)	248 081	**100 413**	96 412	4	99 484
Deposits due to customers	**2 019**	2 015	—	2 113	**324**	206	57	206
Debt securities in issue	**1 160**	1 884	(38)	1 561	**—**	—	—	—
Other liabilities	**244 578**	251 452	(0)	242 529	**98 305**	94 597	4	97 086
Total liabilities	**247 757**	255 351	(3)	246 203	**98 629**	94 803	4	97 292
Financial performance (%)								
RoRWA	**2,19**	1,26		2,38	**1,18**	1,50		1,58
RoA	**0,67**	0,72		0,70	**0,84**	1,04		1,12

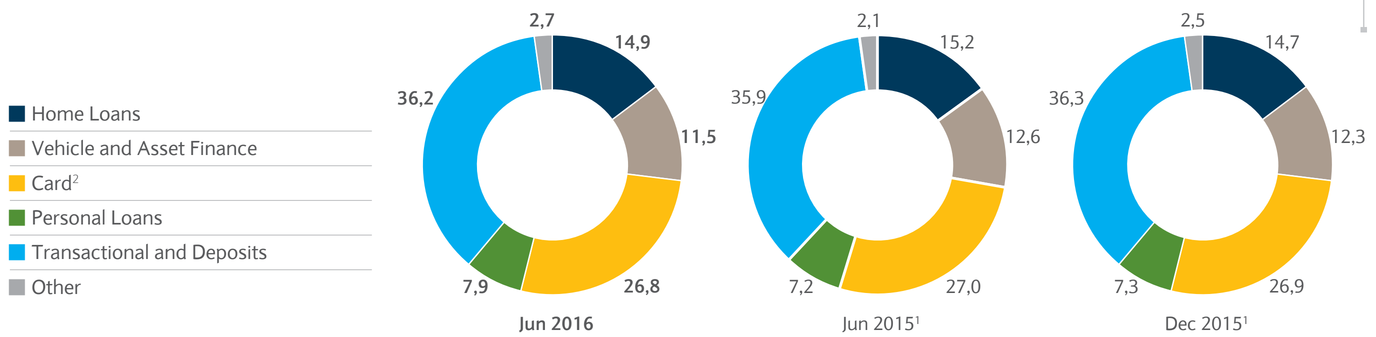
Headline earnings (%)



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			
30 June			31 December	30 June			31 December	30 June			31 December
2016	2015[1]	Change %	2015[1]	**2016**	2015[1]	Change %	2015[1]	**2016**	2015[1]	Change %	2015[1]
2 566	2 529	1	5 109	**1 109**	923	20	1 960	**2 379**	2 041	17	4 504
1 764	1 557	13	3 313	**161**	160	1	321	**3 461**	3 381	2	6 846
4 330	4 086	6	8 422	**1 270**	1 083	17	2 281	**5 840**	5 422	8	11 350
(1 297)	(1 332)	(3)	(2 344)	**(501)**	(409)	22	(805)	**(65)**	(47)	38	(83)
(1 742)	(1 679)	4	(3 375)	**(492)**	(524)	(6)	(991)	**(3 832)**	(3 670)	4	(7 545)
(346)	(54)	>100	(118)	**—**	3	(100)	—	**(5)**	(3)	67	(5)
945	1 021	(7)	2 585	**277**	153	81	485	**1 938**	1 702	14	3 717
(350)	(289)	21	(734)	**(78)**	(43)	81	(135)	**(543)**	(478)	14	(1 042)
595	732	(19)	1 851	**199**	110	81	350	**1 395**	1 224	14	2 675
477	622	(23)	1 614	**199**	110	81	350	**1 395**	1 224	14	2 675
118	100	18	227	**—**	—	—	—	**—**	—	—	—
—	10	(100)	10	**—**	—	—	—	**—**	—	—	—
595	732	(19)	1 851	**199**	110	81	350	**1 395**	1 224	14	2 675
762	622	23	1 615	**199**	110	81	350	**1 395**	1 224	14	2 675
5,95	6,21		5,38	**5,85**	5,43		5,16	**1,77**	1,64		1,36
40,7	38,1		39,3	**12,7**	14,8		14,1	**59,3**	62,4		60,3
6	3		6	**17**	12		11	**8**	6		7
4	0		(1)	**(6)**	(9)		(9)	**4**	6		8
40,2	41,1		40,1	**38,7**	48,2		43,4	**65,6**	67,7		66,5
37 978	38 597	(2)	39 022	**16 153**	14 195	14	15 086	**2 446**	2 139	14	2 225
82	73	7	76	**0**	—	0	—	**4 376**	3 426	28	4 085
1 944	1 812	(1)	2 024	**781**	667	17	769	**214**	173	24	145
11 008	11 114	(1)	11 468	**384**	335	15	347	**162 113**	150 262	8	162 138
51 012	51 596	(1)	52 590	**17 318**	15 197	14	16 202	**169 149**	156 000	8	168 593
1 862	1 885	(1)	1 998	**8**	9	(11)	12	**165 515**	151 784	9	161 650
—	—	—	—	**—**	—	—	—	**—**	—	—	—
47 282	47 854	(1)	47 733	**17 111**	15 077	13	15 841	**2 235**	2 984	(25)	4 262
49 144	49 739	(1)	49 731	**17 119**	15 086	13	15 853	**167 750**	154 768	8	165 912
2,39	1,85		2,46	**1,87**	1,33		1,91	**19,89**	14,11		15,52
2,88	2,40		3,08	**2,36**	1,48		2,29	**1,77**	1,70		1,78

Income (%)



Other				Total Retail Banking South Africa			
30 June			31 December	30 June			31 December
		Change				Change	
2016	2015[1]	%	2015[1]	**2016**	2015[1]	%	2015[1]
103	14	>100	141	**9 894**	9 157	8	19 009
330	310	6	657	**6 252**	5 959	5	12 282
433	324	34	798	**16 146**	15 116	7	31 291
(4)	1	<(100)	—	**(2 878)**	(2 540)	13	(4 769)
(552)	(394)	40	(1 489)	**(8 309)**	(7 874)	6	(16 545)
(24)	52	(54)	(93)	**(328)**	(54)	>100	(125)
(147)	(121)	21	(784)	**4 631**	4 648	0	9 852
47	14	>100	201	**(1 306)**	(1 310)	0	(2 757)
(100)	(107)	(7)	(583)	**3 325**	3 338	0	7 095
(186)	(175)	6	(733)	**3 121**	3 160	(1)	6 708
—	—	—	1	**118**	100	18	228
86	68	26	149	**86**	78	10	159
(100)	(107)	(7)	(583)	**3 325**	3 338	0	7 095
(190)	(174)	9	(748)	**3 402**	3 157	8	6 694
n/a	n/a		n/a	**1,48**	1,33		1,23
n/a	n/a		n/a	**38,7**	39,4		39,2
n/a	n/a		n/a	**7**	4		6
n/a	n/a		n/a	**6**	3		2
n/a	n/a		n/a	**51,5**	52,1		52,9
2	1	100	3	**374 753**	371 890	1	374 997
410	396	4	425	**6 455**	4 094	58	5 266
12 646	12 611	—	12 702	**31 441**	29 975	5	32 285
4 667	4 721	(1)	5 090	**191 711**	187 351	2	190 622
17 725	17 729	—	18 220	**604 360**	593 310	2	603 170
18	53	(66)	36	**169 746**	155 952	9	166 015
—	1	(100)	—	**1 160**	1 885	(38)	1 561
17 684	17 484	1	18 495	**427 195**	429 448	(1)	425 946
17 702	17 538	1	18 531	**598 101**	587 285	2	593 522
n/a	n/a		n/a	**2,77**	2,66		2,75
n/a	n/a		n/a	**1,16**	1,12		1,16

Financial performance

Headline earnings increased 8% to **R3 402m** (30 June 2015: R3 157m), despite an increase in impairments due to net interest margin growth and continued cost management efforts. Income and operating expenses growth of 7% and 6% respectively contributed to the positive jaws of 1,25% and pre-provision profit growth of 8% to **R7 837m** (30 June 2015: R7 242m).

Net interest income was 8% higher at **R9 894** (30 June 2015: R9 157), driven by net interest margin improvement and deposit book growth of 9%. Net interest margin has improved to **3,62%** (30 June 2015: 3,48%) due to deposit book margin expansion, recognition of interest previously suspended on NPLs, improved yield on advances book, the rolling-off of lower margin business and higher average prime interest rates.

Non-interest income was 5% higher at **R6 252m** (30 June 2015: R5 959m), largely due to an increase in account transaction fees, a larger customer base and higher number of merchants, partially offset by a reduction in customer transaction activity, lower interchange rates following a regulatory change effected on 17 March 2015 as well as a change in customer preference towards lower yielding products and channels.

Impairment losses on loans and advances increased 13% to **R2 878m** (30 June 2015: R2 540m), resulting in an increased credit loss ratio of **1,48%** (30 June 2015: 1,33%). The increase reflected the deteriorating macroeconomic environment and increased consumer pressure. This was evidenced by higher debt counselling book inflows and increased delinquencies particularly in Home Loans. Collection and recovery strategies continued to yield positive results and have been refined in line with the changing macroeconomic environment.

Operating expenses growth of 6% was mainly driven by an increase in staff costs as investment in increasing skills levels and specialised services continued, combined with investment in the stabilisation of the information technology infrastructure and revitalisation of digital channels.

Operating profit before income tax included an impairment of an intangible asset related to the purchased customer list, mainly due to the impact of the interest rate outlook on the fair value.

Loans and advances to customers increased by 1% to **R375bn** (30 June 2015: R372bn), driven by growth in VAF of 3% and Personal Loans 14%, partially offset by a decline in the Home Loans and Card portfolios of 1% and 2% respectively. The growth in VAF was as a result of higher book growth in commercial asset finance, joint ventures and alliances portfolios, while Personal Loans benefited from enhanced acquisition strategies aimed at existing customers. The decline in Home Loans was driven by a reduction in registration volumes, marginally offset by increased re-advances following intensified customer retention efforts. The Card portfolio reduction was mainly as a result of regulatory changes related to amendments to the NCA implemented in September 2015 which impacted new account sales and credit limit increase strategies. The NPL ratio to total customer book increased to **5,1%** (30 June 2015: 4,8%) and the performing loans coverage ratio increased to **0,86%** (30 June 2015: 0,84%).

Deposits due to customers increased by 9% to **R170bn** (30 June 2015: R156bn), largely due to the growth in the demand savings and the long-term fixed deposit books.

Home Loans headline earnings decreased by 7% to **R825m** (30 June 2015: R889m), primarily driven by a 77% increase in impairment losses due to deteriorating economic environment and increased consumer pressure. Income grew by 5% driven by improved yield on advances, while operating expenses increased by 8%.

VAF's headline earnings decreased by 15% to **R411m** (30 June 2015: R486m), from margin compression and increased impairment losses. Operating expenses growth of 2% reflected operational efficiency gains flowing from process improvements.

Card's headline earnings growth of 23% to **R762m** (30 June 2015: R622m) was largely attributable to an increase in account transaction fees, strong growth in transactional volumes in the Payments and Acceptance business, together with focused credit risk management strategies.

Personal Loans reflected headline earnings growth of 81% to **R199m** (30 June 2015: R110m), mainly due to income growth of 17% driven by increased new business flow as well as roll-off of lower margin business. Impairment losses on loans and advances increased by 22%, while operating expenses decreased by 6% as a result of continued cost management.

Transactional and Deposits headline earnings increased by 14% to **R1 395m** (30 June 2016: R1 224m) as a result of net interest income growth of 17% underpinned by strong deposit book growth combined with higher net interest margins. Non-interest income grew 2% to **R3 461m** (30 June 2016: R3 381m) largely due to an increase in account transaction fees and a larger customer base, partially offset by declining customer transaction activity, a reduction in interchange rate, as well as a change in customer preference towards lower yielding products and channels.

Other headline earnings declined to a loss of **R190m** (30 June 2015: R174m loss) due to the costs associated with stabilising the technology environment, revitalisation of digital channels, enhancement of regulatory controls particularly relating to the NCA as well as enhancements to customer onboarding processes.

Operating environment

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

- The consumer sector experienced increased financial strain due to inflationary pressures, rising interest rates and growing unemployment. Growth in real household disposable income and consumption expenditure slowed down further, with consumer confidence remaining on a downward trend in the first half of the year.
- Consumer price inflation was outside the inflation target range due to exchange rate, food price and fuel price movements.
- Interest rates were increased by a cumulative 75 bps, which negatively affected the cost and affordability of credit.
- Total new vehicle sales volumes declined by 9,9%.
- Consumers remained highly indebted with the ratio of household debt to disposable income above 76%.
- Consumers' credit-risk profiles, credit health and overall financial vulnerability may deteriorate over the short to medium term as a result of increasingly challenging economic conditions.

RBB – Retail Banking South Africa

Business performance

We continue our drive to regain our leading market position in South Africa by improving service offerings and customer experience; responsibly extending appropriate levels of credit; introducing innovative products and improving customer access through an improved digital experience and enhancing operational efficiencies and ease of doing business thereby delivering long-term sustainable operational cost reduction.

We have developed a strong customer-focused operating model which is customer needs-led, centrally solutioned and locally owned and executed, which has already delivered customer solutions benefits. Our business performance has been solid despite current macroeconomic challenges, our risk management metrics remain satisfactory and we remain committed to maintaining compliance with industry-related regulatory changes. We are clear on our customer segments of choice, industry positioning and investment required to achieve our ambitions. Our people remain critical to the success of our strategy and we are on track to deliver an improved employee value proposition for a transformed workforce reflective of the customers we serve.

We have recorded a growth of 1,2% in customer numbers during the first half of the reporting period. Our customer experience measures remained unchanged at an NPS score of 29%.

As further testament to our strategy taking effect, we have received a number of industry-related accolades:

- Voted number two in the annual global Lafferty Bank Quality Ratings review;
- Winner of the Social Media Awards for Absa Chat Banking on Twitter, The Banker Technology Awards 2016; and
- Best Retail Bank in South Africa, 2016 Banker Africa Southern Africa Awards.

We continue to see good traction on our key initiatives:

- Revamped customer propositions targeted to our feeder segments:
  - Free MegaU account for the 0 to 19 year olds;
  - The Silver Student account for the university going age; and
  - The Young Professional proposition.
- Enhanced automation of existing processes resulting in reduced turnaround times of processing customer requests, particularly in VAF.
- Successful relocation of our mainframe systems to a new state-of-the-art data centre facility as part of our resilience plan.
- Delivered on systems stability initiatives resulting in significantly lower system downtime in our branches, ATMs and banking App, greatly improving customer experience.
- Our efforts to leverage alternative business and service models have seen a revised Simple Bank Account-PepPlus, offered through the partnership initiative with PEP stores, a trusted brand in the inclusive banking market with an extensive retail footprint, improving our ability to service under-banked consumers. We continue to see notable growth in new customer acquisition through this partnership.
- As a result of ongoing investment in digital channels, customers are now able to reverse unauthorised debit orders, purchase prepaid electricity and upload their FICA documents via our online self-service channel. Further to this, we have recently launched a sleeker and more customer friendly banking app and online banking platform.
- First in Africa, launch of banking via social platforms; Twitter and Facebook, allowing customers to securely perform limited banking transactions like airtime purchases and balance enquiries while still logged onto their respective social media accounts.
- In keeping with our efforts to reduce and simplify our product offerings, we have successfully migrated all Western Union international money transfer services to digital self-service only. Efforts continue to identify and implement solutions in our branches to rationalise both our service and offerings, for the benefit of the customer and colleagues servicing them.
- Notable success with significant increase in non-advisory insurance sales in our branches, due to closer collaboration with WIMI.
- We are seeing early successes in the significant investment made to date in our Rise Innovation and Accelerator hub, an initiative that seeks to respond to the innovation disruptions brought about by the entrance of FinTechs into the banking services industry.
- While the role of a bank branch continues to evolve, it remains an important source of competitive advantage for us. As such, we have, and will continue to invest significant management attention in ensuring that branches are reinvented for their modern role in line with customer needs, while ensuring optimal use of the capacity of our physical outlets. This is seen in the modular redesign of our new branches and those currently being revamped resulting in favourable feedback from customers, colleagues and investors. We will continue to optimise our physical footprint as part of our right channelling approach.

Business performance *(continued)*

Home Loans

The Home Loans strategy has remained focused on sustainable profitable growth, through the cycle. A strategic decision was taken to implement a conservative approach to risk appetite, focusing on sustainability and profitability, resulting in a reduction in new business in the higher loan-to-value segments. Home Loans continues to focus on responsible lending and originating good quality loans and maintains its stronghold in the low loan-to-value segment of the market and low risk customer, while reducing its share in higher loan-to-value loans.

Headline earnings of R825m reflected a decline of 7%, primarily driven by a 77% increase in impairments.

Registrations decreased by **10%** (30 June 2015: increased 9%) and consequently market share of new business flow decreased to **18,0%** at the end of May (May 2015: 20,2%) per Lightstone. Loans not taken up increased to **20,4%** (30 June 2015: 14,47%). This was as a result of reassessment of applications where the customer's financial position had deteriorated or the loan became unaffordable due to interest rate increases.

Loans and advances to customers decreased marginally by 0,7%, in line with expectation. In spite of lower production, run off was subdued due to continued customer retention focus which included the loyalty bond proposition, further advance campaigns and equity utilisation drives. Market share (as reported in the BA 900) decreased to **25,2%** in May 2016 (May 2015: 26,0%).

Performing loans declined marginally to **R220,3bn** (30 June 2015: R222,8bn) with the coverage remaining unchanged at 0,55%. The NPL coverage ratio decreased to **21,9%** (30 June 2015: 23,4%), due to the legal book write-offs undertaken in the second half of 2015, partially offset by pressure buildup in the later delinquency buckets. The performing book as a percentage of the total book decreased marginally to **95,8%** (30 June 2015: 95,9%).

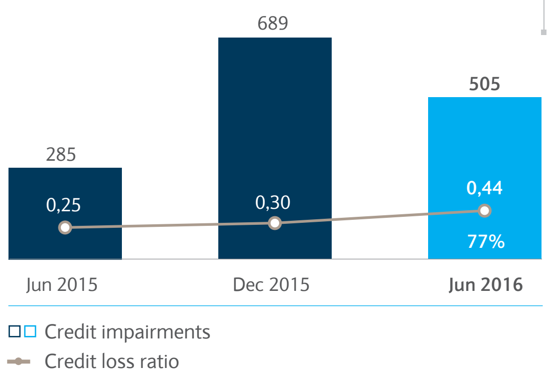
Net interest income growth of 6% was mainly due to the net interest margin increase. The increase was due to improved yield on the existing book, rolling off of lower margin business and recognition of interest previously suspended on NPLs.

Impairment losses on loans and advances increased by 77% to **R505m** (30 June 2015: R285m) due to the increased pressure experienced across all customer segments in early and late arrear buckets as a result of partial payments being received, along with increased inflows in the legal portfolio. Strain was experienced across all segments, in anticipation of this, a more conservative approach to credit and property risk was adopted in the second half of 2015. This was supported by improved collection and recovery processes across distressed customers, particularly high loan-to-value and legal age. The low loan-to-value in the stock portfolio contributed to improved recovery rates on legal workouts. Properties in possession increased to **R54m** (30 June 2015: R41m), although the number of properties decreased to **127** (30 June 2015: 140).

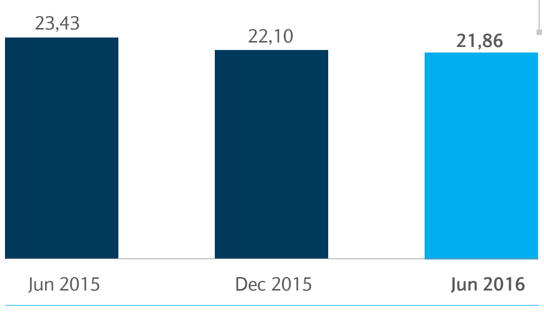
The business continues to innovate and transform into a more customer-centric business and this will continue going forward:

- Continuation of digitisation of the mortgage loan process with further enhancements to the Absa Homeowners App, which offers speed, convenience and 24/7 accessibility;
- Strong customer propositions through:
  - Recent launch of the Trafalgar rental management proposition for Absa customers investing in additional properties;
  - The loyalty proposition where existing customers re-finance with Absa; and
  - Launch of visible limits (Re-advances) in late 2015 on internet banking;
- Improved customer education through social media and television via the "Guiding You Home" DStv programme, which provides education in relation to home ownership; and
- Strong partnerships with all stakeholders (originators, estate agents, valuers and attorneys) continue to support the business strategy.

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



NPL – coverage ratio (%)



RBB – Retail Banking South Africa

Business performance *(continued)*

Vehicle and Asset Finance

Headline earnings of **R411m** (30 June 2015: R486m) reflected a 15% decline due to negative income growth and an increase in impairments stemming from lower sales volumes and a strained operating environment.

The new vehicle market contracted by 9,9% (per National Association of Automobile Manufacturers of South Africa), while the financed market for new and used passenger car and light commercial vehicles declined by 27,8% (per TransUnion). This decrease, in conjunction with competitiveness from non-bank financiers continued to impact the retail new business adversely. New passenger vehicles contributed **32%** (30 June 2015: 34%) to the retail units financed. New commercial business reflects a marginal decrease of 2% compared to prior reporting periods, however this performance was ahead of the overall tightened commercial industry.

VAF's overall market share in instalment sales reduced to **18,8%** (May 2015: 19,5%) (as reported in the BA 900). The decrease in retail market share to **18,6%** (May 2015: 19,6%) was driven by the decline in new business growth of retail instalment sales. This was partially balanced by commercial market share gain increasing to **19,4%** (May 2015: 19,3%).

Loans and advances to customers grew by 3% from above market origination in the commercial portfolios and an increase in the average retail instalment sale contract value.

Net interest income decreased 3% mainly as a result of the compression in the net interest margin due to competitive market pricing, loan mix and rising funding cost. Slight negative growth in the retail instalment sale book generated lower income than the prior reporting period.

Non-interest income reduced by 1% following the decline in new business growth. This was partly balanced by continuous growth in the services portfolio through Vehicle Management Services.

The overall credit loss ratio for the portfolio increased to **1,13%** (30 June 2015: 1,09%).

The retail portfolio credit loss ratio increased to **1,48%** (30 June 2015: 1,33%). The retail instalment portfolio deteriorated year-on-year due to weaker economic conditions including rising interest rates as well as a decline in new business volumes. Performing loans decreased to **90,43%** (30 June 2015: 91,75%) indicative of the pressure on customer affordability. NPLs increased to **3,61%** (30 June 2015: 2,47%) driven mostly by the growth in the debt counselling and legal books. The debt counselling book constituted **3,05%** (30 June 2015: 1,98%) of the retail instalment book. Impairment coverage on the performing book increased to **0,53%** (30 June 2015: 0,45%), while coverage on early arrears increased from 7,19% to 8,49%. NPL coverage decreased slightly from 39,84% to 39,12% due to the writing off of aged legal matters. New NPLs, which attract a lower coverage, contributed more significantly to the NPL book mix. The legal book increased by 23,52% from R624m to R819m.

The commercial instalment sale portfolio continued its good performance due to low new defaults and a stable book construct with collateral realisation values holding up well. The commercial portfolio credit loss ratio improved to **0,35%** (30 June 2015: 0,59%).

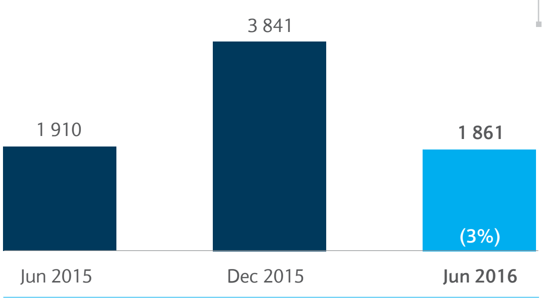
The cost-to-income ratio increased to **46,4%** (30 June 2015: 44,1%) due to the adverse income growth. Operating expenses grew by 2% as a consequence of efforts to maintain appropriate scale in the retail delivery model and optimising business processes.

The Ford Financial Services joint venture's new business increased for the period exceeding market growth. The joint venture with MAN Financial Services and other commercial alliances reflected satisfactory performance.

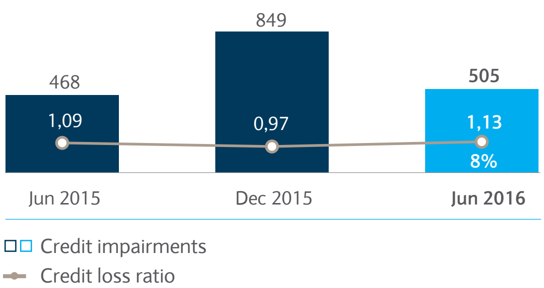
While being cognisant of the challenging economic environment and the impact it has on consumer affordability and business confidence, VAF wants to reaffirm its position in the market and the main efforts are aimed at:

- Improving the operating environment through the core product system upgrade that was recently invested in. This lays the foundation on which automation and digitisation may be embedded as part of the journey to improve customer, dealer and stakeholders' service experience;
- Capitalising on strategic partnerships; and
- Leveraging on the large RBB customer base ensuring that VAF remains a solution provider of choice to our existing and future customers.

Income (Rm and change %)



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



Business performance *(continued)*

Card

Headline earnings increased by 23% to **R762m** (30 June 2015: R622m) attributable to an increase in account transaction fees, strong growth in transactional volumes in the Payments and Acceptance business, together with focused risk management strategies.

Regulatory changes, related to amendments to the National Credit Act implemented in September 2015, have negatively affected new account sales and existing credit limit increase strategies into 2016, which has impacted growth in new balances. The number of active accounts across the portfolio has declined by 5,9% to **6,4m** (2015: 6,8m) accounts.

The net interest margin was broadly in line with the previous reporting period following the impact of the NCA caps which became effective on 6 May 2016 and decrease in the percentage of revolving balances, offset by the 125 bps increase in prime rates since the first half of 2015. Margins will remain under pressure for the balance of the year.

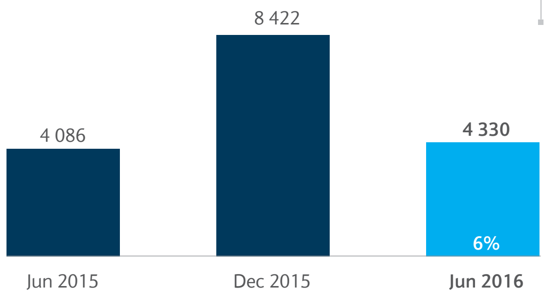
Transactional volumes (excluding cash) on credit and store cards increased 1,5%. The growth in WFS was in excess of inflation due to targeted promotional activity as the business secured a larger share of consumer spending from new and existing customers. Payment Acceptance transaction volumes grew by 14% and the average ticket value grew by 2%, yielding a 16% year-on-year growth on turnover. This growth is as a result of on-boarding of large merchants in the later part of 2015, combined with a healthy run-rate of the new merchants on-boarded in the first half of 2016. The Payment Acceptance margin remains stable despite the highly competitive market and Absa consolidated its position as the largest Payment Acceptance business in Africa.

Operating expenses increased by 4%, and 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 customer as well as self-service channels. Fraud losses have decreased year-on-year as the business continues to tighten its defence mechanisms and improve customer awareness of new fraud techniques.

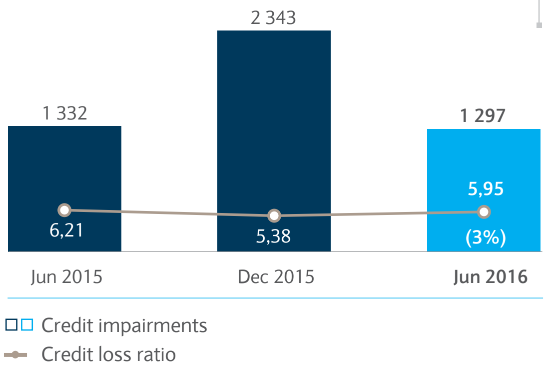
The intangible asset related to the purchased customer list was fully impaired as a result of the impact of the interest rate outlook on the fair value.

The reduction in the credit loss ratio to **5,95%** (30 June 2015: 6,21%) is due to the ongoing focus on credit quality and the results of credit strategies implemented that are reducing exposure to high-risk customers and enabling profitable balance growth. While overall asset performance is in line with expectations, financial stress has been observed in early and late stage delinquency cycles including an increase in debt counselling inflows across the portfolio. This has been offset by continued focus operationally on collecting on delinquent customers and ensuring all processes are executing effectively. The National Credit Act Amendment Bill has impacted growth within the portfolios due to additional requirements relating to income verification on credit limit increases. This resulted in a higher credit loss ratio due to lower balance growth. The impairment stock coverage of NPLs for the portfolio has decreased from 71,72% to 70,60% due to improving recoveries.

Income (Rm and change %)



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



The regulatory and macroeconomic environment will remain challenging for the foreseeable future, and the business continues to seek ways to strengthen internal controls and make improvements to risk management strategies and product offerings. The strategy and focus over the short to medium term remains to enable our customers to increase the use of card as a payment mechanism through:

- Radically simplifying product offerings;
- Enabling customers with instant access via digital channels;
- Unlocking new markets/spend categories;
- Shaping the future of payments through innovation; and
- Increasing income, customers and profitable market share.

Our innovation roadmap is gaining traction and we anticipate launching some exciting initiatives in the second half of this year.

RBB – Retail Banking South Africa

Business performance *(continued)*

Personal Loans

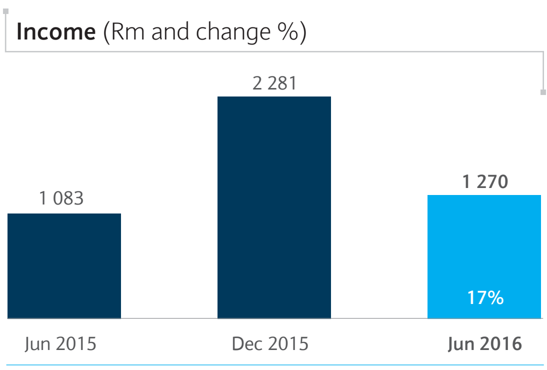
Headline earnings reflected 81% growth to **R199m** (30 June 2015: R110m) due to strong income growth of 17% while continuing to exercise strong cost management as reflected in the 6% decline in operating expenses.

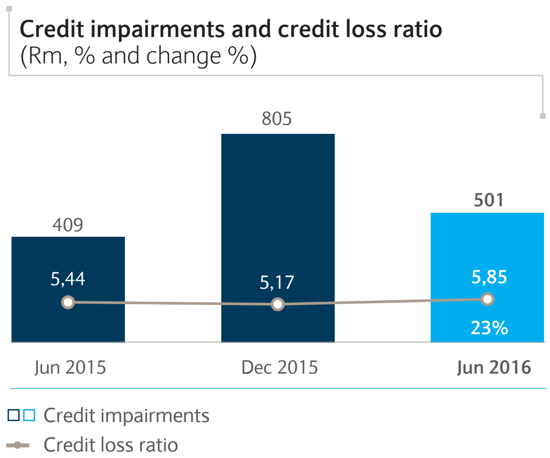
New business production continues to grow as a result of enhanced acquisition strategies offered to our existing low-risk customer base, including increased credit limits introduced during the second half of 2015. The 39% increase in production resulted in loans and advances increasing by 14%, while our market share of disbursements according to the National Credit Regulator has improved to **12,3%** as at March 2016 (March 2015: 9,6%). This growth was achieved without any significant changes to the risk appetite with risk parameters being continuously monitored.

Income increased by 17% to **R1 270m** (30 June 2015: R1 083m) due to improved yields, book growth of 14% and continued roll-off of lower margins business. Income was positively affected by a present value adjustment, when excluding this adjustment, income increased by 14%. NCA amendments are however anticipated to place pressure on margins going forward.

Credit impairments increased by 22% to **R501m** (30 June 2015: R409m) resulting in an increase of the credit loss ratio to **5,85%** (30 June 2015: 5,43%). The increase in the credit loss ratio was impacted by a present value adjustment, without this adjustment the credit loss ratio increased to **5,48%** (30 June 2015: 5,44%). Performing loans as a percentage of the book increased marginally to **90,6%** (30 June 2015: 89,5%). NPLs' coverage ratio remained strong at **62,27%** (30 June 2015: 62,80%) as we continue to adopt appropriate risk management practices in light of the deteriorating economic climate. The improvement in the overall risk mix is due to superior, high and medium quality bookings making up 89% of the book, increasing from 86%. Legal and pre-legal recovery rates continue to improve, supported by strong collections efforts. New business vintages remain healthy and are performing within acceptable levels of risk appetite.

Continued process improvements across all channels and improved service levels in the voice channel, have led to an overall improvement in customer experience. Enhancing our digital capabilities to allow customers to apply online as well as migrating customers to more efficient and convenient channels remains a priority.





Transactional and Deposits

Strong headline earnings growth of 14% to **R1 395m** (30 June 2015: R1 224m) was driven by income growth of 8% and well contained operating expenses growth of 4%. The resultant improved cost-to-income ratio was **65,6%** (30 June 2015: 67,7%).

Net interest income increased by 17% to **R2 379m** (30 June 2015: R2 041m) due to good deposit book growth, while loans and advances to customers increased by 14% mainly from the overdraft portfolio. Growth in customer deposits grew across all savings categories supporting group funding and liquidity objectives. Deposit margins have also been improved over the period.

Non-interest income increased by 2% to **R3 461m** (30 June 2015: R3 381m), following a moderate price review that was implemented in January 2016 to ensure we remain competitive in our preferred segments.

We continue to provide new and convenient channels for our customers to utilise for their everyday banking needs including digital and other out of branch outlets. The income pressure generated by these channels will be offset through cost reductions, and increased utilisation over time.

The current economic conditions have seen customers become more cost conscious with resultant lower transactional volumes. Some have recognised the value that our bundled pricing options provide and have elected to take these up. While these provide customers with certainty regarding their banking cost, they also bring predictability and stability to the Bank's income statement.

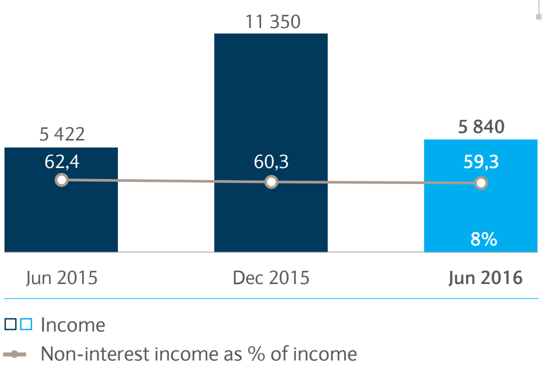
Business performance *(continued)*

A renewed focus on improved feeder streams in the first half of 2016 saw the launch of a youth (Mega-U) and student proposition (Student Silver) to meet the unique needs of these clients. Both offers have been well received by the market.

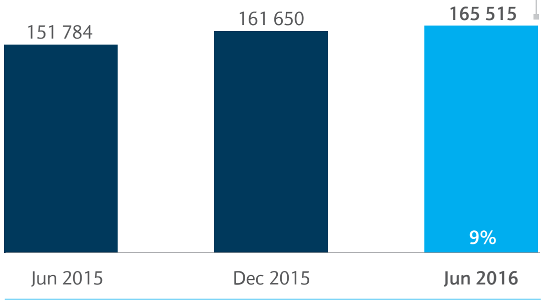
Membership of Absa Rewards has grown by 9%, improving penetration into the current account base where higher value was generated for participating members. The rewards programme has supported the lift in the value of debit card point of sale transactions of 15% from the first half of 2015. Strategic partnerships are continuously under review to deliver further value to members.

Looking ahead, we aim to continue to improve customer experience across our interaction points to ease transacting capability and build on the momentum and strong performance achieved in the first half of 2016 by attracting more new customers and maximising value delivered to our existing customer base.

Income and non-interest income as % of income (Rm and change %)



Deposits due to customers (Rm and change %)



Other

Other headline earnings declined to a loss of **R190m** (30 June 2015: R174m loss) due to costs associated with investing in the technology environment, enhancement of regulatory controls particularly relating to NCA as well as enhancements to the customer on-boarding processes.

Looking ahead

We expect macroeconomic conditions to remain challenging for both business and the customers we serve. We remain focused on our objectives and see competitive advantage in responding with coordinated efforts to grow and retain an active and profitable customer base, enhanced and simplified customer needs-led solutions for our chosen segments, leveraging off technological advancements, for the ease of both customers and colleagues. The following initiatives are in place:

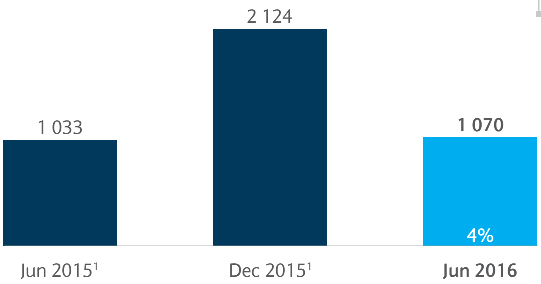
- Targeted ongoing campaigns in key identified customer segments;
- Account number portability, allowing customers to keep their account number "for life", when they upgrade/downgrade their account type and number from a savings to a current account;
- Responsible provision of credit and maintenance of an appropriate risk appetite;
- Customer needs and segment specific propositions;
- Automation of processes and constant review of procedures;
- Sustainable cost management;
- Enhancement of collections efforts to ensure appropriate management of customers in financial difficulty;
- Continued refinement of collection and recovery strategies continued to yield positive results and have been refined in line with the changing macroeconomic environment;
- Ongoing improvements to ensure system resilience and stability; and
- Embedment of a compelling employee value proposition for an engaged, customer focused and fulfilled employee base.

The overall performance of our business was reflective of a business that is well positioned to achieve its long-term targets, with our strategic goals remaining on track despite an ever more challenging macroeconomic environment for both our business and customers. In the short term we remain committed to delivering on our objectives despite the challenging macroeconomic environment.

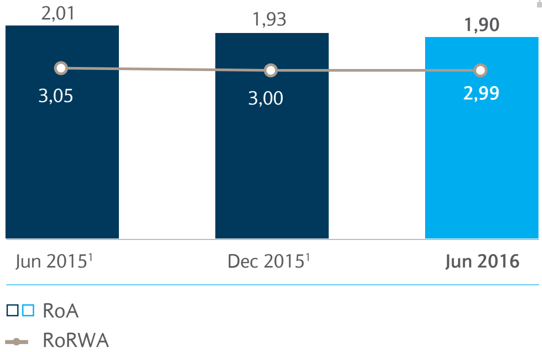
RBB – Business Banking South Africa

- Headline earnings increased by 4% as income growth of 8% helped to absorb an increase in impairments.
- Cheque account fee income and electronic banking fee income increased by 3% and 6% respectively.
- Gross loans and advances to customers increased by 5% mainly attributed to strong growth of 12% in agri, 5% in term loans and 4% in overdrafts.
- Deposits due to customers grew by 4% to R106bn, with contributions from transactional and investment deposits.
- Cost-to-Income ratio improved to **59,5%** (2015: 60,5%).
- Customer attrition continued, however, stabilisation of customer numbers has been observed since December 2015.
- Transactional revenue continued to be impacted by customer migration to digital channels.
- Decreased branch and cash centre deposit values resulted in lower cash deposit revenue.
- Given the challenging economic environment, the credit loss ratio deteriorated to **0,99%** (2015: 0,79%).
- RoRWA declined by 6 bps to 2,99%.

Headline earnings (Rm and change %)



RoA and RoRWA (%)



Salient features	30 June 2016	30 June 2015[1]	Change %	31 December 2015[1]
Income (Rm)	**4 807**	4 444	8	9 108
Attributable earnings (Rm)	**1 123**	1 044	8	2 089
Headline earnings (Rm)	**1 070**	1 033	4	2 124
Credit loss ratio (%)	**0,99**	0,79		0,85
Cost-to-income ratio (%)	**59,5**	60,5		60,8
RoRWA (%)	**2,99**	3,05		3,00
RoA (%)	**1,90**	2,01		1,93

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

This page has been left blank intentionally

Overview 50
Per market and geographical segment 50
Operational reviews 61
RBB 61
CIB 93
WIMI 101

RBB – Business Banking South Africa

	Business Banking (excluding Equities)			
	30 June			31 December
	2016	2015[1]	Change %	2015[1]
Statement of comprehensive income (Rm)				
Net interest income	**3 094**	2 820	10	5 827
Non-interest income	**1 594**	1 561	2	3 153
Total income	**4 688**	4 381	7	8 980
Impairment losses on loans and advances	**(331)**	(251)	32	(548)
Operating expenses	**(2 800)**	(2 629)	7	(5 318)
Other	**(13)**	(14)	(7)	(26)
Operating profit before income tax	**1 544**	1 487	4	3 088
Taxation expense	**(433)**	(416)	4	(865)
Profit for the reporting period	**1 111**	1 071	4	2 223
Profit attributable to:				
Ordinary equity holders	**1 086**	1 048	4	2 177
Non-controlling interest – ordinary shares	**—**	—	—	—
Non-controlling interest – preference shares	**25**	23	9	46
	1 111	1 071	4	2 223
Headline earnings	**1 086**	1 048	4	2 179
Operating performance (%)				
Credit loss ratio	**0,99**	0,79		0,85
Non-interest income as percentage of income	**34,00**	35,6		35,1
Income growth	**7**	6		3
Operating expenses growth	**6**	5		6
Cost-to-income ratio	**59,73**	60,0		59,2
Statement of financial position (Rm)				
Loans and advances to customers	**66 615**	63 353	5	63 545
Loans and advances to banks	**—**	—	—	—
Investment securities	**9 498**	9 161	4	9 573
Other assets	**32 138**	30 633	5	40 134
Total assets	**108 251**	103 147	5	113 252
Deposits due to customers	**105 891**	101 670	4	110 096
Debt securities in issue	**—**	—	—	—
Other liabilities	**1 227**	426	>100	939
Total liabilities	**107 118**	102 096	5	111 035
Financial performance (%)				
RoRWA	**2,99**	3,05		3,00
RoA	**1,98**	2,10		2,07

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			
30 June			31 December	30 June			31 December
2016	2015[1]	Change %	2015[1]	2016	2015[1]	Change %	2015[1]
(56)	(46)	22	(91)	**3 038**	2 774	10	5 736
175	109	61	219[2]	**1 769**	1 670	6	3 372
119	63	89	128	**4 807**	4 444	8	9 108
—	—	—	—	**(331)**	(251)	32	(548)
(58)	(58)	—	(218)[3]	**(2 858)**	(2 687)	6	(5 536)
(1)	(3)	(67)	(13)	**(14)**	(17)	(18)	(39)
60	2	>100	(103)	**1 604**	1 489	8	2 985
(7)	(5)	40	18	**(440)**	(421)	5	(847)
53	(3)	>100	(85)	**1 164**	1 068	9	2 138
37	(4)	>100	(88)	**1 123**	1 044	8	2 089
15	—	100	—	**15**	—	100	—
1	1	0	3	**26**	24	8	49
53	(3)	>100	(85)	**1 164**	1 068	9	2 138
(16)	(15)	7	(55)	**1 070**	1 033	4	2 124
n/a	n/a		n/a	**0,99**	0,79		0,85
n/a	n/a		n/a	**36,8**	37,6		37,0
87	(20)		(17)	**8**	6		3
0	(26)		1	**6**	5		6
49,15	92,1		170,3	**59,5**	60,5		60,8
—	—	—	—	**66 615**	63 353	5	63 545
27	78	(65)	30	**27**	78	(65)	30
635	803	(21)	650	**10 133**	9 964	2	10 223
2 281	2 206	3	2 321	**34 419**	32 839	5	42 455
2 943	3 087	5	3 001	**111 194**	106 234	5	116 253
—	—	—	—	**105 891**	101 670	4	110 096
—	—	—	—	**—**	—	—	—
2 765	3 023	(9)	2 899	**3 992**	3 449	16	3 838
2 765	3 023	(9)	2 899	**109 883**	105 119	5	113 934
n/a	n/a		n/a	**2,99**	3,05		3,00
(1,15)	(1,03)		(1,91)	**1,90**	2,01		1,93

RBB – Business Banking South Africa

Business profile

Business Banking South Africa strives to put world-class banking solutions within the reach of target market businesses putting the customer at the centre of everything we do. This is achieved through proactive client centric methodology and superior customer service that provides holistic solutions based on unique customer needs.

This journey entails investment in human capital, digitisation of customer solutions and improvement in customer service measured through customer satisfaction scores.

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

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

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

Key business areas

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

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

Financial performance

Headline earnings increased by 4% to **R1 070m** (30 June 2015: R1 033m). Net interest income and non-interest income grew by 10% and 6% respectively, which absorbed the 32% increase in impairments while operating expenses increased by 6%.

Net interest income increased by 10% to **R3 038m** (30 June 2015: R2 774m), through growth of 5% in advances and 4% in deposits, coupled with increased recoveries of suspended interest on the NPL portfolio. Excluding increased recoveries of suspended interest, advance margins reduced on the back of competitor and funding pressure, while deposit margins increased marginally.

Non-interest income increased by 6% to **R1 769m** (30 June 2015: R1 670m), primarily driven by fair value adjustments within the Equities portfolio coupled with 3% growth in cheque account fee income and 6% growth in electronic banking fee income. Cash-related transactional income remained flat mainly due to strategic customer migration to more affordable channels.

Impairment losses on loans and advances increased by 32% to **R331m** (30 June 2015: R251m) largely driven by the commercial, enterprise and other strategic portfolios. This resulted in the credit loss ratio increasing to **0,99%** (30 June 2015: 0,79%). Impairments held against performing loans increased by 8% to **R773m** (30 June 2015: R718m) resulting in a marginal increase in the performing loan coverage ratio to **1,18%** (2015: 1,16%), mostly evident in the commercial portfolio. NPLs were broadly unchanged at **R3 206m** (2015: R3 221m); however, these are expected to start increasing. The NPLs coverage ratio increased marginally to **35,8%** (2015: 34,4%).

Operating expenses and other expenses increased by 6% to **R2 872m** (30 June 2015: R2 704m). Additional investment in areas such as marketing and human capital is anticipated for the second half of the year.

Gross loans and advances to customers grew by 5% with 5% growth in term loans to **R15 432m** (30 June 2015: R14 735m) and 4% growth in overdrafts to **R20 075m** (30 June 2015: R19 306m), while CPF grew by 4% to **R23 069m** (30 June 2015: R22 265m) and agri loans grew by 12% to **R9 960m** (30 June 2015: R8 875m). Deposits reflected growth of 4% to **R106bn** (30 June 2015: R102bn) largely driven by an increase of 6% in investment deposits and 2% in transactional deposits.

The long-term orderly reduction of the Equity portfolio continued to progress through planned realisations. The overall portfolio size decreased by 2% to **R2 203m** (30 June 2015: R2 255m) in line with the long-term reduction strategy.

Operating environment

Following the modest global GDP average of 3,2% in 2015, growth is estimated to have slowed to 3,0% in current reporting period. Commodity prices have had a mixed performance thus far in 2016, moving on underlying demand and supply fundamentals as well as large swings in global currency valuations and in risk sentiment. Global monetary policy also remained largely accommodative with the Fed opting to keep rates unchanged, while policymakers in the EU enacted further monetary easing on deflation concerns. On the other hand, Japan and the euro area have continued to find innovative ways to accommodate policy as both economies faced deflationary pressures. The UK referendum in favour of their country leaving the European Union is widely seen as negative for the global economic outlook.

Domestically, economic activity has been even more disappointing – with GDP contracting by 1,2% in the first half of the current reporting period (quarter-on-quarter seasonally adjusted annualised rate). While weak economic activity was broad-based across the supply sectors, the contraction primarily reflected the weakness of the mining and manufacturing sectors, while the agriculture sector continued to be impacted by the drought. Even with some recovery in subsequent quarters, this year South Africa's economic growth will fall well short of 2015's disappointing 1,3%.

The SARB increased the policy rate twice in current reporting period, totalling 75 bps and bringing the policy rate to 7,0%, 200 bps above its level before the onset of the current tightening cycle. Consumer inflation has been above 6% each month in 2016, leaving the Monetary Policy Committee with little room to react in the weak economic environment.

The Industry-wide practice to reduce the utilisation of cheques and customers continuing their behavioural shift to digital channels.

RBB – Business Banking South Africa

Business performance

Overview

Business Banking South Africa remains committed to increasing client centricity and improving operational effectiveness to retain existing and attract new customers with a resultant end state in which the customer experience is quick, simple and consistent. With this in mind the objectives include achieving operational efficiency, focus on customer engagement and continuously improving the customer value proposition. The following progress has been made:

- Operational efficiency
  - Reduced the time taken to on-board a customer
  - Instant Business operational and delivering
  - Improved stability in digital platforms
- Focus on customer engagement
  - Employee induction process improved, resulting in employees being able to deliver on customer needs quicker
  - Strengthened the training and career curriculum
- Customer value proposition
  - Introduced an end-to-end cash device offer that solutions a customer's insurance, withdrawal and deposit transactions holistically
  - Customer-centric franchise proposition established that has focused discussions on three main phases for franchisees (start-up, revamp and run)

The overall number of customers decreased by 1,8% to **372 236** (30 June 2015: 379 075), mainly in the enterprise segment (down 2%) while customers in the commercial segment remained broadly in line. Although the number of customers continued to decline, stabilisation of customer numbers has been observed since December 2015.

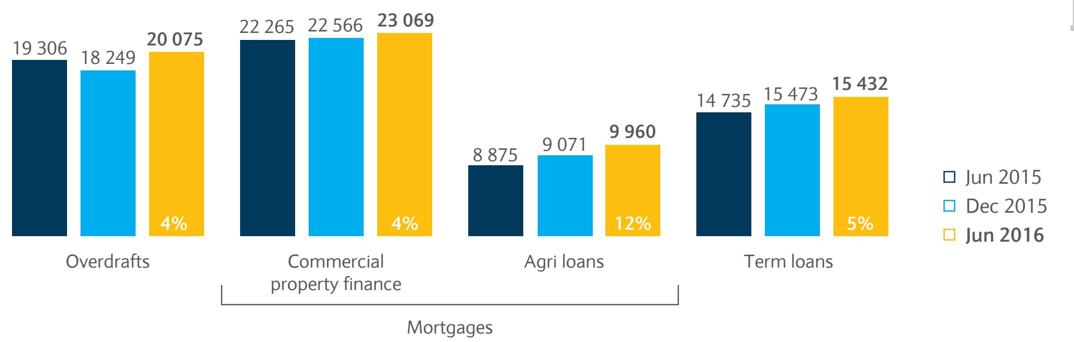
Debt products

Debt products grew by 5% to R68 536m driven by growth of 12% in agri loans, 5% growth in term loans and 4% growth in overdrafts and CPF. The overall risk appetite remained unchanged with risk parameters being continuously monitored.

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 book remains well diversified, which further helps to limit financial risks emanating from the ongoing drought.

Term loans grew 5% as a result of an extension of loans to targeted segments markets. Overdrafts reflected growth of 4%, primarily from a 14% growth in the enterprise portfolio while the commercial portfolio remained broadly unchanged. CPF loans and advances, which constitute 34% of the total loans and advances portfolio, increased by 4% benefiting from strategies implemented to improve customer engagement. Traction is evident as payouts are 15% higher when compared to the prior reporting period without any revision to the existing risk parameters. However, high book runoff remains through significant repayments and early settlements.

Gross loans and advances (Rm and change %)



Business performance *(continued)*

Deposit products

Deposit products continued to grow with a 4% increase to R106bn with contributions from both investment deposits (up 6%) and transactional deposits (up 2%).

High demand for liquidity, emphasising the uncertainty in both the domestic and global markets, resulted in certain customers moving their balances from investment deposits to transactional deposits. These moves contributed to the growth in transactional deposits and the lower growth in investment deposits when compared with previous reported growth.

Through increased liquidity demand, margins reflect a marginal improvement from the prior reporting period despite competitive pressures.

Transactional deposits

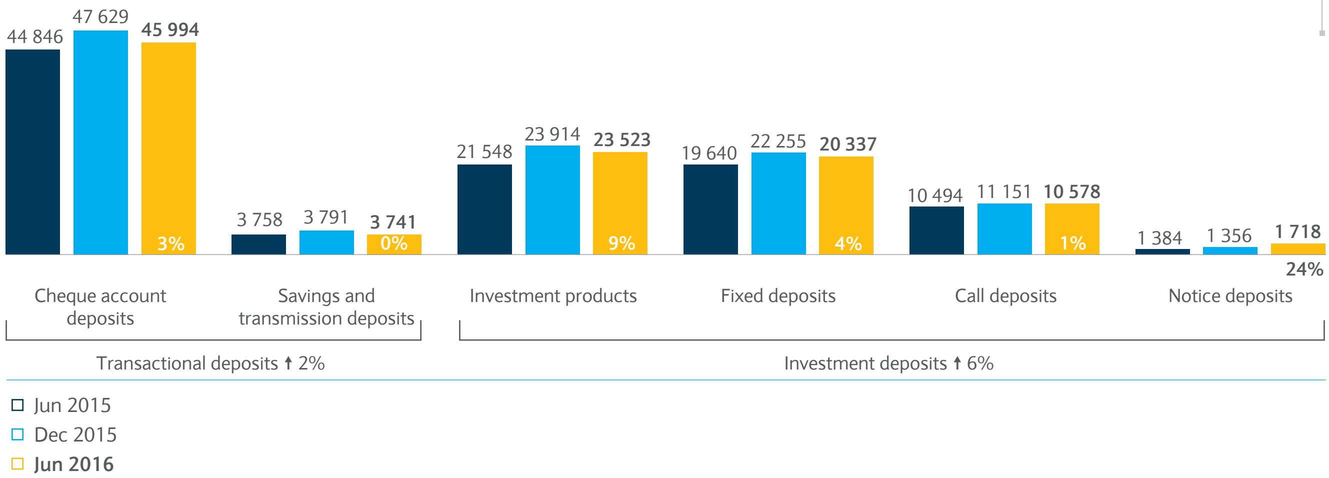
A change in client behaviour and proactive management of key relationships underlie the growth of 2% within transactional deposits.

Investment deposits

Investment products, which constitute 42% of investment deposits, reflected growth of 9% to **R23,5bn** (30 June 2015: R21,5bn).

Traditional products requiring notice to be given by the customer prior to withdrawal, like fixed and notice deposits, have collectively grown 5% to R22bn, while call deposits are broadly in line with the prior reporting period.

Deposits (Rm and change %)



RBB – Business Banking South Africa

Business performance *(continued)*

Transactional products

Non-interest income for Business Banking excluding the equities portfolio, increased by 2% to **R1 594m** (30 June 2015: R1 562m) through growth in cheque account and electronic banking fee income, while cash-related transactional income remained unchanged.

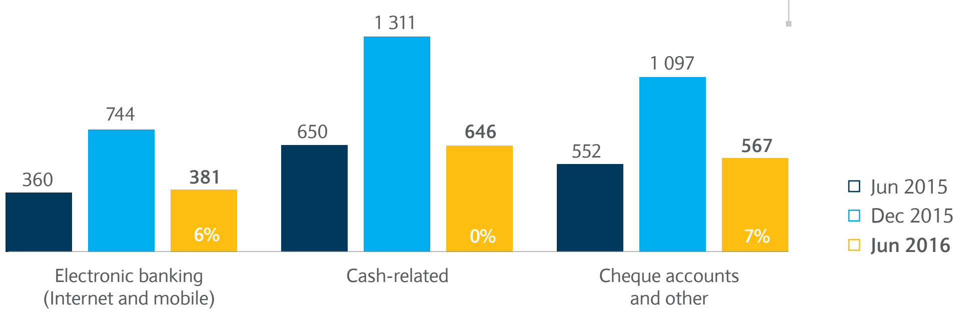
Cheque account fee income increased by 3% mainly through pricing reviews, partly offset by a 6% decrease in debit orders fee income through tactical pricing decisions, and a 19% decline in cheque payment volumes following industry trends. The business continued to focus on delivering sustainable solutions and competitive pricing across the transactional franchise.

Electronic banking fee income grew by 6% following both pricing and volume uplift, partly offset by strategic reduction in certain monthly online banking subscription fees.

Cash-related transactional income remained flat as an increase in ATM deposits values offset the decrease in branch deposits values.

Enhanced digital functionalities continue to provide customers with alternative ways to transact, thereby strengthening the electronic customer value proposition. While this has impacted on revenue growth, the migration of transactions to more affordable and convenient channels has resulted in cost-efficiencies in traditional channels.

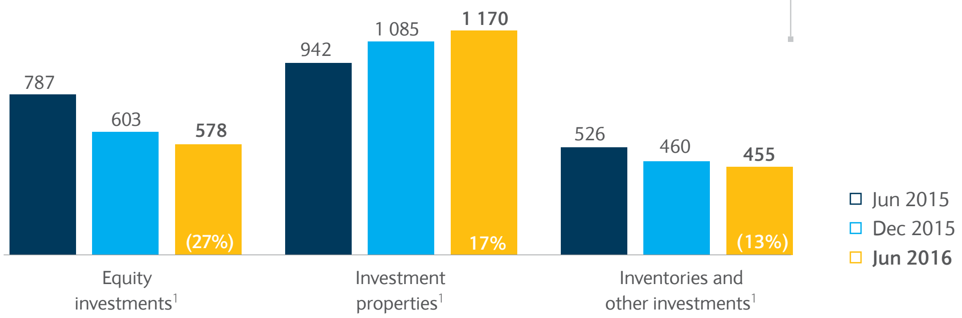
Net fee and commission income (Rm and change %)



Equities

Headline earnings was largely impacted by increased funding costs, with no material changes to fair value adjustment. Progress in the long-term orderly reduction of the Equity portfolio was made through planned realisations. The overall portfolio size decreased by 2% to **R2 203m** (2015: R2 255m) through disposals in portfolio.

Equities – including equity investments, investment properties, inventories and other investments (Rm and change %)[1]



Notes

[1] Certain equity investments of **Rnil** (2015: R39m), as well as investment properties of **R483m** (2015: R235m), have been classified as non-current assets held for sale.

[2] Included in "non-interest income" is positive fair value adjustments relating to investment properties of **R79m** (2015: R11m) and equity investments of **R9m** (2015: R5m).

[3] A portion of negative fair value adjustments relating to investment properties and inventories to the amount of **R4m** (2015: R3m) is included in operating expenses for CPF equities.

Looking ahead

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

- **Achieving operational efficiencies**
  - Delivering the full ambit of the Electronic Sales Platform to all remaining products and services, enabling functionality of a single workflow tool
  - Building out and improving the customer and colleague experience around on-boarding
  - Strengthening Instant Business with self-service device roll out into branches to support this
- **Focus on customer engagement**
  - Increased focus on a holistic customer solutioning through target product drives
  - Remediation efforts to continue with the inclusion of a risk-based approach
  - Upskilling staff through ever improving curriculum development and targeted courses
- **Customer value proposition**
  - Enhancement to the customer value proposition for segments such as Renewable Energy, the Self-employed and Start-ups
  - Continuous development of other key value propositions like Primary Agri, Real Estate & Construction, International Trade Finance, and Professional Markets

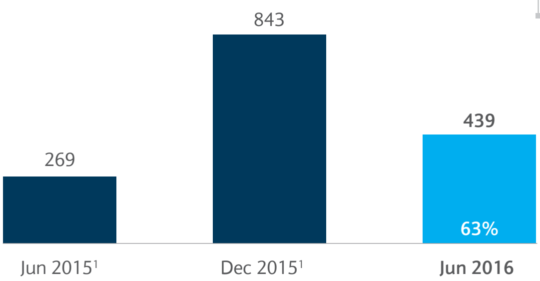
Note

® Net Promoter, Net Promoter Score and NPS are trademarks of Satmetrixs Systems Inc., Bain and Co Inc. and Fred Reichheld.

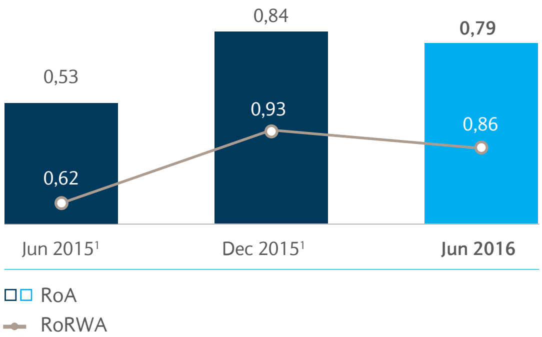
RBB – Rest of Africa

- Strong headline earnings growth of **63%** (CCY 17%) driving an improved RoRWA of **0,86%** (30 June 2015: 0,62%) despite economic headwinds.
- Net interest income growth of **27%** (CCY 12%) largely from strong Commercial lending combined with growth in the Card Business.
- Non-interest income growth of **22%** (CCY 9%) largely from a strong Card performance, higher transactional activity and higher foreign exchange sales.
- Improved cost-to-income ratio of **67,7%** (2015: 72,6%) driven by positive Jaws of **9%** (CCY 5%) through ongoing cost initiatives.
- Operating expenses growth of **17%** (CCY 6%) was lower than average inflation.
- Commercial and SME loans and advances to customers grew by 10% despite continued focus on appropriate lending practices.
- Nester Square branch in Accra was our first model branch in Africa which offered the Universal Banker service framework and recorded a 100% Net Promoter Score (NPS).
- The *Asian Banker* named NBC the "Best Retail Bank in Tanzania" and Barclays Bank of Kenya the "Best Retail Bank in Kenya".
- Continued regulatory oversight on fee and pricing structures has continued to impact most markets.
- Commercial and SME deposit base has remained flat despite increased competition for liquidity with our focus to target transactional account business.
- Slow balance sheet growth, with loans and advances to customers and deposits due to customers growing by **16%** (CCY 3%) and **17%** (CCY 3%) respectively.
- Impairment losses on loans and advances increased by **58%** (CCY 40%), resulting in an increase in the credit loss ratio to **1,98%** (30 June 2015: 1,41%).
- The fight for liquidity in some markets has resulted in increased rates being paid to attract customer deposits.
- Currency exchange rate volatility in most of the markets we operate in, with foreign exchange shortages in Mozambique and Ghana.
- Challenging operating environments in most markets.

Headline earnings (Rm and change %)



RoA and RoRWA (%)



Salient features	30 June 2016	2015[1]	C%	FX%	Change %	31 December 2015[1]
Income (Rm)	**5 237**	4 170	11	15	26	8 814
Attributable earnings (Rm)	**440**	269	18	46	64	843
Headline earnings (Rm)	**439**	269	17	46	63	843
Credit loss ratio (%)	**1,98**	1,41				1,29
Cost-to-income ratio (%)	**67,7**	72,6				69,7
RoRWA (%)	**0,86**	0,62				0,93
RoA (%)	**0,79**	0,53				0,84

Notes

[1] Growth Rates exclude the impact of Foreign Exchange Translations.

RBB – Rest of Africa

	Total RBB Rest of Africa					
	30 June					31 December
					Change	
	2016	2015[1]	C%	FX%	%	2015[1]
Statement of comprehensive income (Rm)						
Net interest income	**3 775**	2 967	12	15	27	6 194
Non-interest income	**1 462**	1 203	9	13	22	2 620
Total income	**5 237**	4 170	11	15	26	8 814
Impairment losses on loans and advances	**(646)**	(408)	40	18	58	(777)
Operating expenses	**(3 546)**	(3 026)	6	11	17	(6 142)
Other	**(61)**	(37)	45	20	65	(112)
Operating profit before income tax	**984**	699	12	29	41	1 783
Taxation expense	**(374)**	(281)	15	18	33	(615)
Profit for the reporting period	**610**	418	10	36	46	1 168
Profit attributable to:						
Ordinary equity holders	**440**	269	18	46	64	843
Non-controlling interest – ordinary shares	**170**	149	(6)	20	14	325
Non-controlling interest – preference shares	**—**	—	—	—	—	—
	610	418	10	36	46	1 168
Headline earnings	**439**	269	17	46	63	843
Operating performance (%)						
Net interest margin on average interest-bearing assets	**9,20**	8,32				8,66
Credit loss ratio[2]	**1,98**	1,41				1,29
Non-interest income as percentage of income	**27,9**	28,8				29,7
Income growth	**26**	7				13
Operating expenses growth	**17**	7				7
Cost-to-income ratio	**67,7**	72,6				69,7
Statement of financial position (Rm)						
Loans and advances to customers	**42 098**	36 360	3	13	16	45 213
Loans and advances to banks	**17 365**	19 768	(25)	13	(12)	24 558
Investment securities	**17 659**	15 616	(5)	18	13	19 084
Other assets	**28 526**	21 986	13	17	30	33 430
Total assets	**105 648**	93 730	(2)	15	13	122 285
Deposits due to customers	**65 639**	55 924	3	14	17	68 736
Debt securities in issue	**337**	570	(47)	6	(41)	493
Other liabilities	**22 809**	21 975	(11)	(15)	4	34 045
Total liabilities	**88 785**	78 469	(1)	14	13	103 274

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

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 and 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 Representative Office in Namibia.

Key product/segment areas

- **Premier banking:** Represents the affluent retail customer sector bespoke to each market, and being 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, being offered dedicated banking teams, affordable products and express service.
- **Personal banking:** Represents the middle-market sector bespoke to each market and being offered convenient banking solutions.
- **Small and Medium Enterprise banking (SME):** Business clients with an annual turnover of up to R50m are being serviced using a direct coverage model with a predominantly branch-based service interface.
- **Commercial banking:** Business clients with an annual turnover of between R50m and R250m are being serviced using a relationship-based model, where dedicated sales and service teams provide customised solutions.

Commercial and SME banking include 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

Financial performance

The business delivered a robust financial performance, with headline earnings growth of **63%** (CCY 17%) to **R439m** (30 June 2015: R269m).

Solid income growth of **26%** (CCY 11%) to **R5 237m** (30 June 2015: R4 170m) and cost growth of **17%** (CCY 6%) resulted in positive Jaws of **9%** (CCY 5%). Income growth was achieved mainly on the back of:

- Increased efficiency 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;
- Increased usage of digital channels;
- Continued successes in the commercial sector; and
- Streamlined processes designed to improve turnaround time.

Income growth was achieved despite challenging operating environments with pressure being placed on funding costs due to market liquidity concerns, specifically in Zambia, as well as increased regulatory focus on customer pricing.

Net interest income was **27%** (CCY 12%) higher at **R3 775** (30 June 2015: R2 967) predominantly due to the widening liability margins with a focus shift from expensive deposits to transactional accounts.

Financial performance *(continued)*

Non-interest income was **22%** (CCY 9%) higher at **R1 462m** (30 June 2015: R1 203m) largely due to an increase in account transaction fees, a larger active client base and card acquiring fees. The Card acquiring business continued on successes from the prior year and significantly increased the number of active merchants contributing to the increase in non-interest income.

Impairment losses on loans and advances increased **58%** (CCY 40%) to **R646m** (30 June 2015: R408m) resulting in an increased impairment loss ratio to **1,98%** (30 June 2015: 1,41%), mainly due to increased stress being felt in the Consumer portfolio, specifically personal loans, together with an increase in identified impairment provisions in Business Banking as a result of challenging economic conditions.

Management continues to focus on increased collection activities and recovery strategies.

Moderate operating expenses growth of **17%** (CCY 6%) to **R3 546m** (30 June 2015: R3 026m) is as a result of continued cost management initiatives despite high inflationary pressures being faced in Zambia and Ghana.

Loans and advances to customers increased by **16%** (CCY 3%) to **R42,1bn** (30 June 2015: R36,4bn). Low loan growth was impacted by adverse market conditions, liquidity constraints and appropriate lending criteria, however good momentum was achieved in the credit card portfolio (CCY 12%), Mortgage Loans (CCY 9%) and the Commercial lending book (CCY 10%).

Credit card growth was achieved from increased penetration into the markets entered in 2015.

Mortgage loan growth was driven by the establishment of mortgage centres and the implementation of targeted client segment strategies in selected markets where loan sizes are significant enough and risk levels acceptable.

Enhanced operating models yielded incremental loan sales via timely top-ups.

Commercial loans exhibited strong growth as a result of an increased focus on trade and working capital products as well as the realisation of opportunities in the agricultural sector.

Given the current economic environment, management continues to look at credit quality and profitable book growth.

Deposits due to customers increased 17% (CCY 3%) to **R65,6bn** (30 June 2015: R55,9bn), largely from growth in transactional accounts despite the market liquidity challenges being faced in a number of our markets.

Operating environment

- There is still opportunity in the operating environment to grow the business through the growth of fully fledged customer value propositions across all segments while the lending outlook remains cautious in view of negative macroeconomic outlook.
- Tight monetary policy, weak fiscal positions, adverse weather conditions and unsupportive external conditions remain a drag on the growth outlook. Meanwhile, East African countries continue to grow strongly.
- Demand for borrowings remained positive across the continent but our asset growth has lost momentum due to deteriorating economic conditions and a shift to driving transactional liability growth.
- Some headwinds are present in the operating environment, including:
  - Drought conditions affecting the agricultural sectors in Botswana and Zambia; and
  - Weak commodity prices as a result of weakened global demand, leading to mine closures in Tanzania, Botswana and Zambia and tight policy stances impacting inflation and interest rates;

Other aspects of the operating environment impacting the business include:

- Liquidity tightening in various markets;
- Inflationary pressures in Ghana and Zambia;
- High utility price increases, most notably in Ghana and Zambia;
- Adverse macroeconomic conditions impacting credit performance;
- Power shortages, most notably in Botswana and Zambia;
- Mobile Network Operators (MNOs) adopting aggressive growth strategies in mobile money payments;
- Increased competition from local and international banks in a number of markets; and
- High interest rate environments across various markets such as Ghana and Zambia.

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;
- 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;

RBB – Rest of Africa

Business performance *(continued)*

- Increased merchant adoption and usage in POS (point of sale) and MPOS (mobile point of sale) 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 on-boarding of current and savings account customers through desktops and i-Pads in most countries reducing the on-boarding turn-around time substantially, thus providing a superior customer experience;
- Continued delivery of "Paperless Banking" across our branch network which provides improved levels of digitisation with safer and more secure methods of customer identification and verification. In addition, it significantly reduces the need for manual and paper-intensive operations, thereby improving efficiency and speed of execution to the benefit of customers; and
- Increased deployment of i-ATMs (ATMs with increased functionalities such as Cash Acceptance, Bill Payments and Cash Send) to key locations across our markets, leading to increased customer adoption of ATMs as a channel.

- 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 on-boarding;
  - 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; and
  - 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.

- Business Banking continued to take advantage of collaborative opportunities to build on successes across segments and initiatives, including:
  - A shared distribution model which helps to transform the branch network from a retail-focused sales and service orientation to an all-inclusive Retail and Business Banking capability. The model will ensure that the needs of Business Banking clients are met by the branch network;
  - Corporate and Investment Banking customer supplier value chain opportunities were unlocked with a number of specific clients; and
  - Continued "My Shoes Are My Office" initiative which has seen colleagues across the organisation mobilised to spend time with clients at their offices. Since the inception of this initiative, it has gone from strength to strength. This initiative has had the following benefits:
  - Increased visibility to the market demonstrated our commitment to meeting our customers' needs;
  - Improved customer service levels;
  - Enhanced customer relationships and greater visibility of senior bank leadership;
  - A deepened understanding of customer needs after taking time to engage and listen to customers;
  - An opportunity to share the Bank's vision with customers, thereby increasing market engagement; and
  - Increased growth of pipeline and new customer acquisitions.

Looking ahead

The operating environment remains promising despite significant headwinds faced. Sub-Saharan Africa's economy remains fragile with considerable downside risk in some prominent markets, with the outlook remaining poor for the likes of Mozambique and Zambia. Tight monetary policy, weak fiscal positions, adverse weather conditions and unsupportive external conditions remain a drag on the growth outlook. Fiscal conditions remain precarious in several markets, with Zambia having already approached the IMF for assistance.

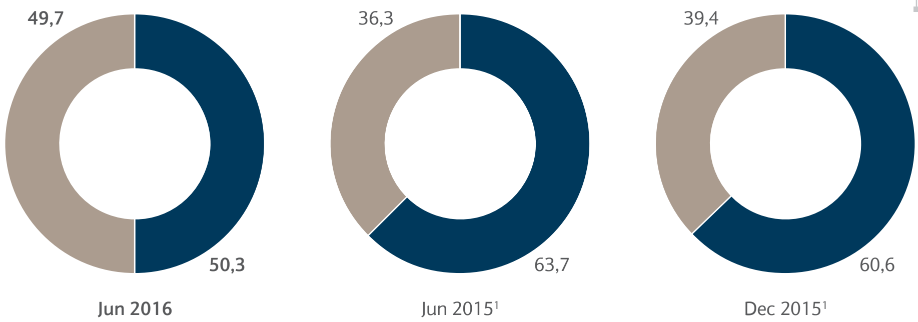
RBB Rest of Africa's focus remains on embedding customer-centricity; delivering value propositions that serve business and personal needs and enhancing the customer's Omni-channel experience. The strategy focuses on:

- 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; 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

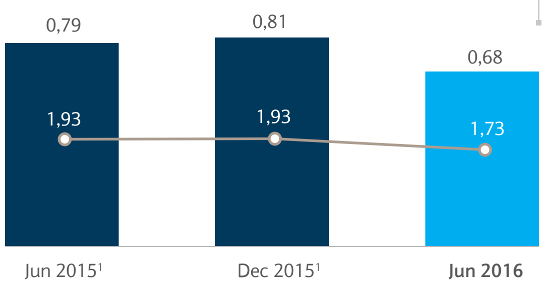
- Rest of Africa headline earnings increased by 47%, and now contribute half of overall CIB headline earnings.
- Pre-provision profits increased by 45%, with all core operating divisions delivering topline income growth.
- Consistent delivery from the Corporate business in South Africa with income up 12% to R2 110m.
- Strong growth in the Fixed Income, Currency and Commodities (FICC) business up 45% to R1 479m, driven by increased client flow and strong risk management.
- Strong long-term advances growth of 31% to R179bn, across target clients and focus sectors.
- Cost growth contained below inflation, while continuing to invest in technology and platforms.
- Impairments of R1,4bn, with a significant portion relating to the consumer and natural resources sectors.
- Banking fee business income down 39% due to slower pipeline conversion.
- Return on regulatory capital declined from 17,4% to 15,9%.
- Deposits to customers remained unchanged at R234bn.

Headline earnings contribution (%)



South Africa
Rest of Africa

RoA and RoRWA (%)



RoA
RoRWA

Salient features	30 June 2016	30 June 2015[1]	Change %	31 December 2015[1]
Income (Rm)	**7 949**	6 464	23	13 741
Headline earnings (Rm)	**1 992**	1 857	7	3 999
Pre-provision profit	**4 219**	2 913	45	6 368
Cost-to-income ratio (%)	**46,9**	55,0		53,7
Credit loss ratio	**1,05**	0,23		0,37
RoRC (%)	**15,9**	17,4		17,4
RoRWA[1] (%)	**1,73**	1,93		1,93
RoA (%)	**0,68**	0,79		0,81

Note

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

CIB

	Corporate			
	30 June			31 December
	2016	2015[1]	Change %	2015[1]
Statement of comprehensive income (Rm)				
Net interest income	**3 309**	2 596	27	5 631
Non-interest income	**878**	813	8	1 724
Total income	**4 187**	3 409	23	7 355
Impairment losses on loans and advances	**(384)**	(127)	>100	(508)
Operating expenses	**(2 084)**	(1 966)	6	(4 034)
Other	**(28)**	(19)	47	(41)
Operating profit before income tax	**1 691**	1 297	30	2 772
Taxation expense	**(416)**	(385)	8	(729)
Profit for the reporting period	**1 275**	912	40	2 043
Profit attributable to:				
Ordinary equity holders	**1 172**	829	41	1 859
Non-controlling interest – ordinary shares	**84**	63	33	143
Non-controlling interest – preference shares	**19**	20	(5)	41
	1 275	912	40	2 043
Headline earnings	**1 172**	829	41	1 859
Operating performance (%)				
Net interest margin on average interest-bearing assets	**3,11**	2,61		2,80
Credit loss ratio	**0,67**	0,28		0,52
Non-interest income as percentage of income	**21,0**	23,8		23,4
Income growth	**23**	7		11
Operating expenses growth	**6**	3		4
Cost-to-income ratio	**49,8**	57,7		54,8
Statement of financial position (Rm)				
Loans and advances to customers	**116 821**	95 796	22	109 844
Loans and advances to banks	**2 012**	479	>100	1 514
Investment securities	**5 697**	3 256	75	4 262
Other assets	**103 643**	118 508	(13)	114 336
Total assets	**228 173**	218 039	5	229 956
Deposits due to customers	**206 305**	203 197	2	212 254
Debt securities in issue	**10**	61	(84)	10
Other liabilities	**19 140**	14 783	29	16 747
Total liabilities	**225 455**	218 041	3	229 011
Financial performance (%)				
RoRWA	**2,24**	1,83		2,00
RoA	**1,06**	0,81		0,89

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

CIB

Investment Bank				Total CIB			
30 June			31 December	30 June			31 December
2016	2015[1]	Change %	2015[1]	**2016**	2015[1]	Change %	2015[1]
1 358	1 078	26	2 220	**4 667**	3 674	27	7 851
2 404	1 977	22	4 166	**3 282**	2 790	18	5 890
3 762	3 055	23	6 386	**7 949**	6 464	23	13 741
(999)	(111)	>100	(285)	**(1 383)**	(238)	>100	(793)
(1 646)	(1 585)	4	(3 339)	**(3 730)**	(3 551)	5	(7 373)
(92)	(58)	59	(107)	**(120)**	(77)	56	(148)
1 025	1 301	(21)	2 655	**2 716**	2 598	5	5 427
(152)	(210)	(28)	(397)	**(568)**	(595)	(5)	(1 126)
873	1 091	(20)	2 258	**2 148**	2 003	7	4 301
787	1 027	(23)	2 140	**1 959**	1 856	6	3 999
51	30	70	52	**135**	93	45	195
35	34	3	66	**54**	54	—	107
873	1 091	(20)	2 258	**2 148**	2 003	7	4 301
820	1 028	(20)	2 140	**1 992**	1 857	7	3 999
1,61	1,79		1,72	**2,44**	2,30		2,38
1,36	0,20		0,24	**1,05**	0,23		0,37
63,9	64,7		65,2	**41,3**	43,2		42,9
23	1		3	**23**	4		8
4	9		15	**5**	6		9
43,8	51,9		52,3	**46,9**	55,0		53,7
107 956	82 085	32	103 781	**224 777**	177 881	26	213 625
37 142	32 171	15	42 476	**39 154**	32 650	20	43 990
15 567	13 608	14	15 864	**21 264**	16 864	26	20 126
196 022	134 221	46	181 257	**299 665**	252 729	19	295 593
356 687	262 085	36	343 378	**584 860**	480 124	22	573 334
28 120	30 374	(7)	29 435	**234 425**	233 571	0	241 689
17 401	14 921	17	16 391	**17 411**	14 982	16	16 401
307 371	211 937	45	290 983	**326 511**	226 720	44	307 730
352 892	257 232	37	336 811	**578 347**	475 273	22	565 820
1,31	2,03		1,87	**1,73**	1,93		1,93
0,45	0,77		0,75	**0,68**	0,79		0,81

CIB

Business profile

CIB structures 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.
  - **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

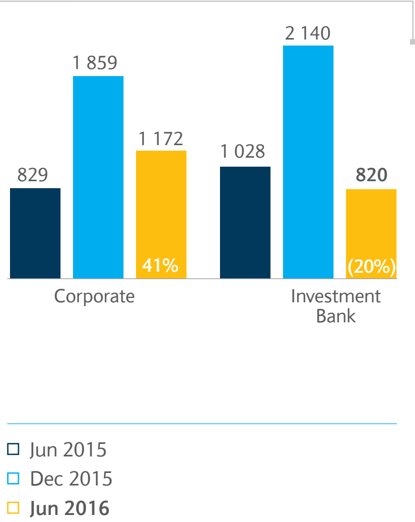
Headline earnings increased by 7% to **R1 992m** (30 June 2015: R1 857m); with CIB Rest of Africa headline earnings increasing by 47% to **R990m** (30 June 2015: R675m); and now contributing half of overall headline earnings.

CIB net income increased by 5% to **R6 566m** (30 June 2015: R6 226m), excluding impairments, total income was up 23%. Markets SA increased income by 33%, supported by increased client flow and strong risk management. Markets Rest of Africa showed continued growth momentum with income up **26%** (CCY 14%), benefiting from an expanded client base and improved product offering. The Corporate SA business increased income by 12%, the fourth consecutive year of double digit income growth, underpinned by strong growth in money market deposits and improved cheque and money markets margins. Corporate Rest of Africa income increased **36%** (CCY 20%) supported by good balance sheet growth and increased transactional volumes. Banking income increased 3% driven by strong loan book growth, offset by lower knowledge-based fees.

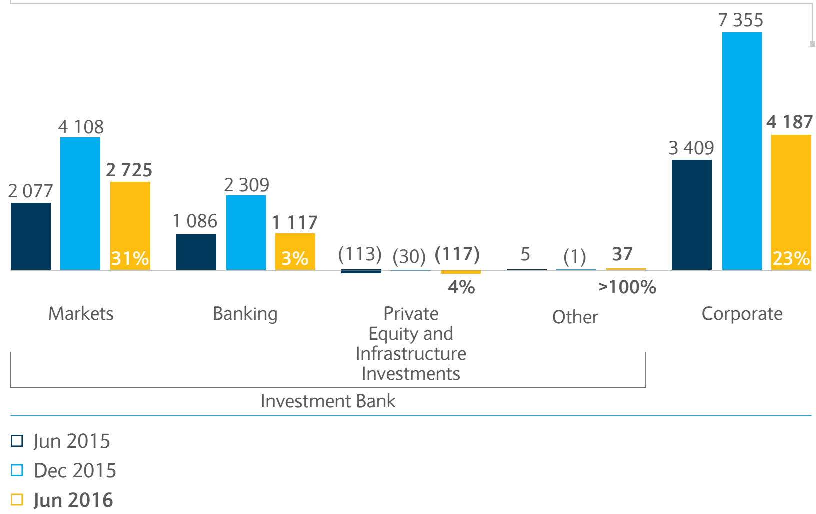
Impairments increased to **R1 383m** (30 June 2015: R238m) driven by specific impairments, mainly in the consumer and natural resources sectors and an increase in portfolio provisioning against the performing book.

Operating expenses increased by 5% to **R3 730m** (30 June 2015: R3 551m) reflecting good cost management without compromising on investment to enhance the client experience.

Headline earnings (Rm and change %)



Gross income mix (Rm and change %)



Financial performance *(continued)*

Loans and advances to customers increased by 26% to **R225bn** (30 June 2015: R178bn) continuing the strong momentum of last year, driven by long-term loans increasing by 31%. New business was written at a higher quality than the existing book and in sectors where we had previously been underweight.

Deposits to customers remained unchanged at **R234bn** (2015: R234bn), mainly from a decline in cheque account deposits of 6% to **R102bn** (2015: R108bn), offset by an increase in money market deposits. Average cheque margin improved despite the decline in balances.

Operating environment

The global economy grew by 3,2% in the first quarter of the current reporting period. Among advanced economies, very weak growth in the US (0,8% annualised) was offset by a surge in Euro area growth (2,2%), while in emerging markets the core story was China, where growth slowed further (to 6,3%). The US Fed did not follow up on the December 2015 25 bps rate hike, while policymakers in the EU enacted further monetary easing on deflation concerns. The UK referendum in favour of that country leaving the European Union is widely seen as negative for the global economic outlook.

Domestically, the current reporting period has also been challenging, with the economy shrinking 1,2% on an annualised basis in the first quarter of this reporting period as the mining sector was hit by safety-related stoppages and agriculture continued to be impacted by the drought. Even with some recovery in subsequent quarters, this year South Africa's economic growth will fall well short of 2015's disappointing 1,3%.

The SARB hiked the policy rate twice in 2016, totalling 75 bps and bringing the policy rate to 7,0%. Consumer inflation has been above 6% each month in the current reporting period, leaving the Monetary Policy Committee with little room to manoeuvre to the weak economic environment.

Business performance

Overview

The reporting period included the tenth anniversary of CIB's inception and was marked with continued progress on its Pan-African strategy. The Rest of Africa operations now contribute half of total CIB headline earnings (30 June 2015: 36%).

Shared growth is being embedded throughout CIB, with communities prospering from our commitment to making a positive impact on society, while delivering shareholder value across three pillars of education and skills, enterprise and supply chain development and financial inclusion.

The firm manages the elevated level of risk arising from the challenging economic conditions through proactive monitoring and mitigation of risks and by responsibly deploying an appropriate risk appetite to support our clients.

CIB has built on the client-centricity initiatives and continues to prioritise innovative technological solutions which will result in clients achieving their ambitions. The results of these long-term ambitions are evidenced by the numerous accolades achieved across the various product houses, examples of which are listed below:

- 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

CIB

Business performance *(continued)*

Investment Bank

Markets

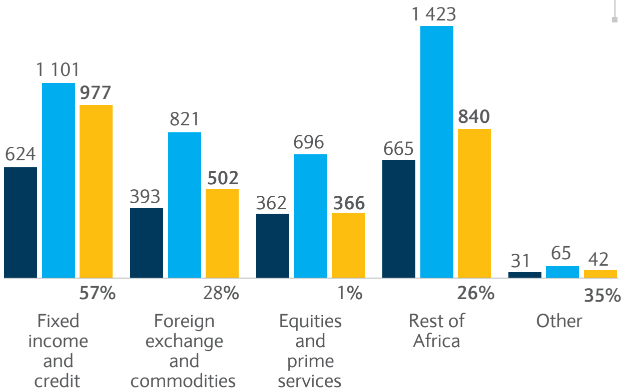
Markets income increased by 31% to **R2 725m** (30 June 2015: R2 077m); Rest of Africa revenue increased by **26%** (CCY 14%) to **R840m** (30 June 2015: R665m) and South Africa increased by 33% to **R1 885m** (30 June 2015: R1 412m).

The South African business performance was supported by:

- Fixed income and credit income which increased by 57% to **R977m** (30 June 2015: R624m) with client flow being well managed in volatile conditions.
- Foreign exchange and commodities income which increased by 28% to **R502m** (30 June 2015: R393m) driven by an increase in corporate and institutional client flow and focused risk management; at a time of heightened currency volatility. The market continues to experience lower margins as an increasing number of clients are choosing to transact through electronic channels.
- Equities and prime income which was largely unchanged at **R366m** (30 June 2015: R362m) off a high 2015 base, driven by quality client flow, growth in client numbers, sound risk management and inventory positioning.

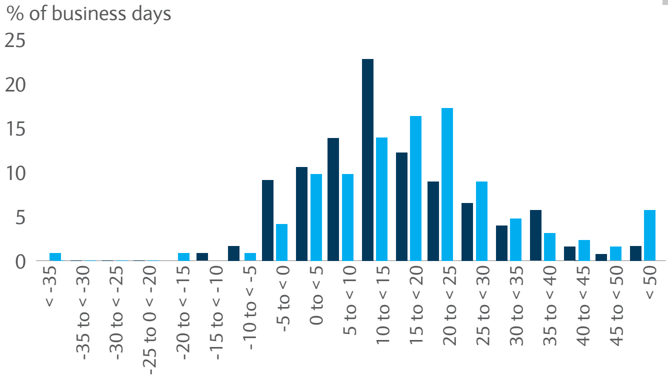
Rest of Africa achieved a 24% compound annual income growth since 2013 as the business profited from an increased client base and flows, new product penetration and effective risk management in uncertain policy and volatile markets. Factors such as lower commodity prices, global risk aversion as well as elections in many of our markets have made for mixed market conditions. The business is focused on servicing clients, technology, risk management and investment in infrastructure as well as people.

Markets net income split (Rm and change %)



Jun 2015
Dec 2015
Jun 2016

Daily markets income distribution South Africa (Rm)



Jun 2015
Jun 2016

Business performance *(continued)*

Investment Bank *(continued)*

Banking

Banking gross income increased 3% to **R1 117m** (30 June 2015: R1 086m) underpinned by strong advances growth, offset by lower net fee income.

Income from the margin business grew 12% to **R1 001m** (30 June 2015: R896m), benefiting from continued advances growth, particularly in the real estate and technology, media and telecommunications (TMT) sectors. There was a significant increase in impairments to **R1 019m** (30 June 2015: R109m) due to provisions raised on exposures to the consumer and natural resources sectors.

Income from the fee business was down 39% to **R116m** (30 June 2015: R190m), driven by large one-off deals booked in the prior year, partially offset by strong growth in debt capital markets. There is a robust advisory and capital markets mandated pipeline reflecting the continued focus on our core client relationships.

In the Rest of Africa, fee income increased by >100% off a low base, reflecting a strong commitment to deliver capital market and advisory solutions across our target client base.

	30 June			31 December
			Change	
Salient features	**2016**	2015[1]	%	2015[1]
Income (Rm)	**1 117**	1 086	3	2 309
Margin business (Rm)	**1 001**	896	12	1 927
Fee business (Rm)	**116**	190	(39)	382
Credit impairment (Rm)	**(1 019)**	(109)	>100	(283)
Net income (Rm)	**98**	977	(90)	2 026
Average loans and advances (Rbn)	**84,1**	65,1	29	66,6

Private Equity and Infrastructure Investments

Non-core Private Equity and Infrastructure Investments reported a loss of **R117m** (30 June 2015: R113m) as a result of negative revaluations within the portfolio. The portfolio reduced to **R2,2bn** (30 June 2015: R2,7bn) largely due to revaluations and realisations in the second half of the prior reporting period, in line with our strategy to dispose of non-core assets.

	30 June			31 December
			Change	
Salient features	**2016**	2015	%	2015
Revaluations (Rm)	**(162)**	(180)	(10)	(202)
Realisations, dividends, interest and fees (Rm)	**59**	82	(28)	200
Funding (Rm)	**(14)**	(15)	(7)	(28)
Net income (Rm)	**(117)**	(113)	4	(30)
Total portfolio size (Rbn)	**2,2**	2,7	(19)	2,4

Note

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

Overview 50
Per market and geographical segment 50
Operational reviews 61
RBB 61
CIB 93
WIMI 101

CIB

Business performance *(continued)*

Corporate

Corporate income increased by 23% to **R4 187m** (30 June 2015: R3 409m) with strong growth in both South Africa and the Rest of Africa.

In South Africa, income increased by 12% to **R2 110m** (30 June 2015: R1 885m) supported by:

- Growth in our money market deposit base and improved cheque margins;
- A solid trade performance underpinned by receivables and supplier finance, and structured commodity finance.
- A strong performance in the working capital business due to improved margins.

Impairments in South Africa increased to **R102m** (30 June 2015: R15m) mainly as a result of increased portfolio provisions against the performing book.

In the Rest of Africa, income increased by **36%** (CCY 20%) to **R2 077m** (30 June 2015: R1 524m) driven by strong average deposit and advances growth and increased transactional volumes. Impairments increased to **R282m** (30 June 2015: R112m) due to increased portfolio provisioning and a number of smaller specific impairments across a range of jurisdictions.

	30 June							31 December		
	2016			2015[1]				2015[1]		
Salient features	**South Africa**	**Rest of Africa**	**Total**	South Africa	Rest of Africa	Total	Change %	South Africa	Rest of Africa	Total
Income (Rm)	**2 110**	**2 077**	**4 187**	1 885	1 524	3 409	23	3 969	3 386	7 355
Credit impairments (Rm)	**(102)**	**(282)**	**(384)**	(15)	(112)	(127)	>100	(71)	(437)	(508)
Net income (Rm)	**2 008**	**1 795**	**3 803**	1 870	1 412	3 282	16	3 898	2 949	6 847
Average loans and advances to customers (Rbn)	**70,7**	**41,8**	**112,5**	57,8	32,8	90,6	24	61,3	33,8	95,1
Average deposits due to customers (Rbn)	**148,6**	**58,7**	**207,3**	145,0	47,5	192,5	8	143,9	49,7	193,6

Looking ahead

Our core strategy remains to help our clients achieve their ambitions in the right way. We are evolving our business to focus on clients' and our mutual desire to have both commercial and social impact across the African continent to deliver shared growth for clients, colleagues and communities by:

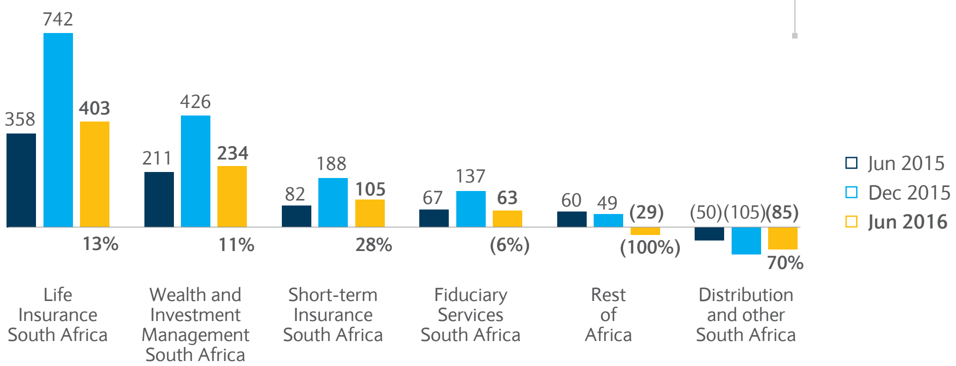
- Transforming our culture and capability to client and colleague-centred.
- Using technology, digital and data capabilities to redefine the way we go to market, interface with our clients and organise ourselves as a business.
- Disciplined cost and risk management through strategic investments and appropriate risk appetite.
- Using our assets and expertise to develop commercial solutions to the challenges facing society.

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

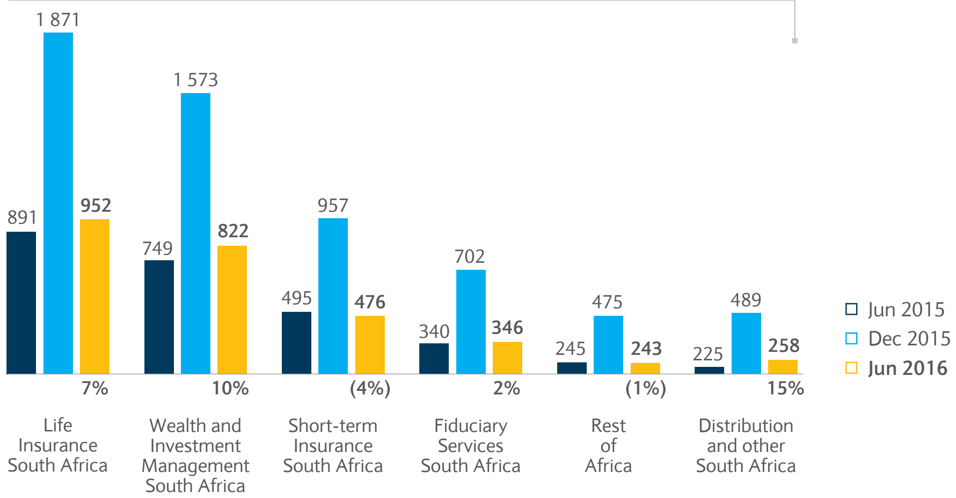
WIMI

- Life embedded value of new business up 21%.
- Net premiums increased by 19%.
- Delivered R11bn net flows in assets under management.
- Strong growth in earnings in Life SA of 13%.
- Various accolades received by our wealth, investments and fiduciary businesses.
- Successfully acquired Instant Life to support our digital ambitions.
- Investment income declined by 19%, adversely impacted by volatile market performance.
- Decline in Rest of Africa earnings impacted by standardising in reserving.
- Higher levels of claim estimates contributed to deteriorating underwriting margins.
- Growth in operating expenses of 12% impacted by African expansion strategy.

Headline earnings – Continuing business lines (Rm and change %)



Gross operating income – Continuing business lines (Rm and change %)



	30 June			31 December
Salient features	**2016**	2015[1]	Change %	2015[1]
Gross operating income (Rm)	**3 097**	2 925	6	6 041
Headline earnings (Rm)	**691**	728	(5)	1 452
Cost-efficiency ratio (%)	**31,4**	29,4		28,9
Combined ratio (%) (including terminating lines)	**98,2**	94,0		94,7
Assets under management and administration (Rbn)	**284**	274	4	274
Embedded value new business (EVNB) (Rm)	**221**	182	21	452
Return on embedded value (%)	**44,9**	23,0		22,7
Return on embedded value (excluding impact of acquired earnings) (%)	**28,2**	23,5		22,7
RoE (%)	**23,2**	25,4		24,7

Note

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

WIMI

	Continuing Business Lines			
	30 June			31 December
	2016	2015[1]	Change	2015[1]
	Rm	Rm	%	Rm
Statement of comprehensive income				
Net insurance premium income	**3 372**	2 918	16	6 101
Net insurance claims and benefits paid	**(1 845)**	(1 494)	23	(3 152)
Investment income				
Policyholder investment contracts	**344**	85	>100	384
Policyholder insurance contracts	**135**	88	53	84
Changes in investment and insurance contract liabilities				
Policyholder investment contracts	**(296)**	(48)	>100	(288)
Policyholder insurance contracts	**(129)**	13	<(100)	72
Other income	**1 516**	1 383	10	2 866
Gross operating income	**3 097**	2 945	5	6 067
Net commission paid by insurance companies	**(531)**	(522)	2	(1 085)
Operating expenses	**(1 622)**	(1 435)	13	(2 886)
Other	**(52)**	(86)	(40)	(204)
Net operating income	**892**	902	(1)	1 892
Investment income on shareholder funds	**129**	160	(19)	230
Shareholder expenses	**(59)**	(59)	—	(119)
Taxation expense	**(283)**	(289)	(2)	(603)
Profit for the period	**679**	714	(5)	1 400
Headline earnings	**691**	728	(5)	1 437

	30 June			31 December
	2016	2015	Change	2015
	Rm	Rm	%	Rm
Note				
Investment income				
Policyholder investment contracts	**344**	85	>100	384
Net interest income	**314**	176	78	413
Dividend income	**121**	141	(14)	267
Fair value gains	**(91)**	(232)	(61)	(296)
Policyholder insurance contracts	**135**	88	53	84
Net interest income	**79**	68	16	152
Dividend income	**10**	7	43	21
Fair value gains	**46**	13	>100	(89)
Shareholder funds	**129**	160	(19)	230
Net interest income	**106**	74	43	125
Dividend income	**18**	11	64	24
Fair value gains	**5**	75	(93)	81
Total	**608**	333	83	698
Net interest income	**499**	318	57	690
Dividend income	**149**	159	(6)	312
Fair value losses	**(40)**	(144)	(72)	(304)

Note

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

	Terminating Business Lines				Total WIMI			
	30 June			31 December	30 June			31 December
	2016	2015	Change	2015	**2016**	2015[1]	Change	2015[1]
	Rm	Rm	%	Rm	**Rm**	Rm	%	Rm
	—	(75)	<(100)	(79)	**3 372**	2 843	19	6 022
	1	48	(98)	47	**(1 844)**	(1 446)	28	(3 105)
	—	—	—	—	**344**	85	>100	384
	—	—	—	1	**135**	88	53	85
	—	—	—	—	**(296)**	(48)	>100	(288)
	—	—	—	—	**(129)**	13	<(100)	72
	(1)	7	<(100)	5	**1 515**	1 390	9	2 871
	—	(20)	<(100)	(26)	**3 097**	2 925	6	6 041
	—	51	<(100)	54	**(531)**	(471)	13	(1 031)
	—	(11)	<(100)	(13)	**(1 622)**	(1 446)	12	(2 899)
	—	—	—	—	**(52)**	(86)	(40)	(204)
	—	20	<(100)	15	**892**	922	(3)	1 907
	—	—	—	—	**129**	160	(19)	230
	—	—	—	—	**(59)**	(59)	—	(119)
	—	—	—	—	**(283)**	(289)	(2)	(603)
	—	20	<(100)	15	**679**	734	(7)	1 415
	—	20	<(100)	15	**691**	748	(8)	1 452

	30 June			31 December	30 June			31 December
	2016	2015	Change	2015	**2016**	2015	Change	2015
	Rm	Rm	%	Rm	**Rm**	Rm	%	Rm
	—	—	—	—	**344**	85	>100	384
	—	—	—	—	**314**	176	78	413
	—	—	—	—	**121**	141	(14)	267
	—	—	—	—	**(91)**	(232)	(61)	(296)
	—	—	—	1	**135**	88	53	85
	—	—	—	1	**79**	68	16	153
	—	—	—	—	**10**	7	43	21
	—	—	—	—	**46**	13	>100	(89)
	—	—	—	—	**129**	160	(19)	230
	—	—	—	—	**106**	74	43	125
	—	—	—	—	**18**	11	64	24
	—	—	—	—	**5**	75	(93)	81
	—	—	—	1	**608**	333	83	699
	—	—	—	1	**499**	318	57	691
	—	—	—	—	**149**	159	(6)	312
	—	—	—	—	**(40)**	(144)	(73)	(304)

This page has been left blank intentionally

WIMI

	Life Insurance			
	30 June			31 December
	2016 Rm	2015[1] Rm	Change %	2015[1] Rm
Statement of comprehensive income				
Net insurance premium income	**1 509**	1 300	16	2 851
Net insurance claims and benefits paid	**(498)**	(418)	19	(937)
Investment income				
Policyholder investment contracts	**369**	324	14	734
Policyholder insurance contracts	**108**	64	69	27
Changes in investment contracts and insurance contract liabilities				
Policyholder investment contracts	**(321)**	(287)	12	(638)
Policyholder insurance contracts	**(129)**	5	<(100)	64
Other income[2]	**8**	24	(67)	25
Gross operating income	**1 046**	1 012	3	2 126
Net commission paid by insurance companies[2]	**(260)**	(243)	7	(547)
Operating expenses	**(260)**	(215)	21	(424)
Other	**(42)**	(46)	(9)	(97)
Net operating income	**484**	508	(5)	1 058
Investment income on shareholder funds	**47**	36	31	56
Shareholder expenses	**—**	—	—	—
Taxation expense	**(163)**	(152)	7	(319)
Profit for the period	**368**	392	(6)	795
Headline earnings	**385**	394	(2)	794
Note				
Investment income				
Policyholder investment contracts	**369**	324	14	734
Net interest income	**310**	176	76	407
Dividend income	**89**	89	—	175
Fair value gains	**(30)**	59	<(100)	152
Policyholder insurance contracts	**108**	64	69	27
Net interest income	**51**	44	16	95
Dividend income	**10**	7	43	21
Fair value gains	**47**	13	>100	(89)
Shareholder funds	**47**	36	31	56
Net interest income	**31**	19	63	35
Dividend income	**13**	6	>100	14
Fair value gains/(losses)	**3**	11	(73)	7
Total	**524**	424	24	817
Net interest income	**392**	239	64	537
Dividend income	**112**	102	10	210
Fair value gains/(losses)	**20**	83	(76)	70

	30 June			31 December
Net fee and commission income – Continuing Business Lines	2016 Rm	2015[1] Rm	Change %	2015[1] Rm
Employee benefit-related fees	**188**	193	(3)	387
Investment management and related fees	**660**	611	8	1 222
Net commission from distribution business	**198**	210	(6)	426
Net commission paid by insurance companies[3]	**(530)**	(471)	13	(1 031)
Trust and estate income	**157**	149	5	318
Other	**17**	28	(39)	53
Total	**690**	720	(4)	1 375

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			
30 June			31 December	30 June			31 December	30 June			31 December
2016	2015[1]	Change	2015[1]	**2016**	2015	Change	2015	**2016**	2015	Change	2015
Rm	Rm	%	Rm	**Rm**	Rm	%	Rm	**Rm**	Rm	%	Rm
—	—	—	—	**1 863**	1 612	16	3 246	**—**	6	<(100)	4
—	—	—	—	**(1 347)**	(1 076)	25	(2 214)	**—**	—	—	(1)
—	—	—	—	**—**	—	—	—	**—**	—	—	—
—	—	—	—	**27**	24	13	57	**—**	—	—	—
—	—	—	—	**—**	—	—	—	**—**	—	—	—
—	—	—	—	**—**	—	—	—	**—**	—	—	—
822	749	10	1 573	**85**	45	89	73	**346**	341	1	706
822	749	10	1 573	**628**	605	4	1 162	**346**	347	—	709
—	—	—	—	**(271)**	(279)	(3)	(538)	**—**	—	—	—
(514)	(464)	11	(957)	**(224)**	(187)	20	(349)	**(270)**	(255)	6	(528)
(4)	(4)	—	(10)	**(1)**	(27)	(96)	(74)	**1**	(3)	>100	(11)
304	281	8	606	**132**	112	18	201	**77**	89	(13)	170
23	15	53	(3)	**55**	42	31	76	**10**	9	11	20
—	—	—	—	**—**	—	—	—	**—**	—	—	—
(91)	(83)	10	(171)	**(43)**	(52)	(17)	(83)	**(24)**	(29)	(17)	(54)
236	213	11	432	**144**	102	41	194	**63**	69	(9)	136
234	211	11	426	**141**	115	23	237	**63**	70	(10)	137
—	—	—	—	**—**	—	—	—	**—**	—	—	—
—	—	—	—	**—**	—	—	—	**—**	—	—	—
—	—	—	—	**—**	—	—	—	**—**	—	—	—
—	—	—	—	**—**	—	—	—	**—**	—	—	—
—	—	—	—	**27**	24	13	57	**—**	—	—	—
—	—	—	—	**27**	24	13	57	**—**	—	—	—
—	—	—	—	**—**	—	—	—	**—**	—	—	—
—	—	—	—	**—**	—	—	—	**—**	—	—	—
23	15	77	(3)	**55**	42	31	76	**10**	9	11	20
23	13	77	(7)	**44**	39	13	80	**3**	1	>100	4
—	—	—	—	**5**	5	—	10	**—**	—	—	—
—	2	<(100)	4	**6**	(2)	>100	(14)	**7**	8	(13)	16
23	15	53	(3)	**82**	66	24	133	**10**	9	11	20
23	13	53	(7)	**71**	63	13	137	**3**	1	>100	4
—	—	—	—	**5**	5	—	10	**—**	—	—	—
—	2	<(100)	4	**6**	(2)	>100	(14)	**7**	8	(13)	16

	South Africa				Rest of Africa			
	30 June			31 December	30 June			31 December
Segment report per geographical segment	**2016**	2015[1]	Change	2015[1]	**2016**	2015	Change	2015
	Rm	Rm	%	Rm	**Rm**	Rm	%	Rm
Statement of comprehensive income (Rm)								
Net insurance premium income	**2 780**	2 583	8	5 326	**592**	335	77	775
Net insurance claims and benefits paid	**(1 482)**	(1 354)	9	(2 813)	**(363)**	(140)	>100	(339)
Gross operating income	**2 854**	2 700	6	5 592	**243**	245	(1)	475
Operating expenses	**(1 438)**	(1 331)	8	(2 662)	**(184)**	(104)	77	(224)
Net operating income	**926**	821	13	1 787	**(34)**	81	>100	105
Profit for the reporting period	**723**	656	10	1 347	**(44)**	58	>100	53
Headline earnings	**720**	668	8	1 388	**(29)**	60	>100	49

Distribution				Other				Total Continuing Business Lines			
30 June			31 December	30 June			31 December	30 June			31 December
2016	2015	Change	2015	**2016**	2015	Change	2015	**2016**	2015[1]	Change	2015[1]
Rm	Rm	%	Rm	**Rm**	Rm	%	Rm	**Rm**	Rm	%	Rm
—	—	—	—	**—**	—	—	—	**3 372**	2 918	16	6 101
—	—	—	—	**—**	—	—	—	**(1 845)**	(1 494)	23	(3 152)
—	—	—	—	**(25)**	(239)	(90)	(350)	**344**	85	>100	384
—	—	—	—	**—**	—	—	—	**135**	88	53	84
—	—	—	—	**25**	239	(90)	350	**(296)**	(48)	>100	(288)
—	—	—	—	**—**	8	<(100)	8	**(129)**	13	<(100)	72
254	232	9	487	**1**	(8)	<(100)	2	**1 516**	1 383	10	2 866
254	232	9	487	**1**	—	>100	10	**3 097**	2 945	5	6 067
—	—	—	—	**—**	—	—	—	**(531)**	(522)	2	(1 085)
(237)	(229)	4	(475)	**(117)**	(85)	(38)	(153)	**(1 622)**	(1 435)	13	(2 886)
(4)	(5)	(20)	(9)	**(2)**	(1)	>100	(3)	**(52)**	(86)	(40)	(204)
13	(2)	<(100)	3	**(118)**	(86)	37	(146)	**892**	902	(1)	1 892
—	2	<(100)	6	**(6)**	56	<(100)	75	**129**	160	(19)	230
—	—	—	—	**(59)**	(59)	—	(119)	**(59)**	(59)	—	(119)
(1)	—	<(100)	—	**39**	27	44	24	**(283)**	(289)	(2)	(603)
12	—	>100	9	**(144)**	(62)	>100	(166)	**679**	714	(5)	1 400
12	—	>100	9	**(144)**	(62)	>100	(166)	**691**	728	(5)	1 437
—	—	—	—	**(25)**	(239)	(90)	(350)	**344**	85	>100	384
—	—	—	—	**4**	—	>100	6	**314**	176	78	413
—	—	—	—	**32**	52	(38)	92	**121**	141	(14)	267
—	—	—	—	**(61)**	(291)	(79)	(448)	**(91)**	(232)	(61)	(296)
—	—	—	—	**—**	—	—	—	**135**	88	53	84
—	—	—	—	**—**	—	—	—	**79**	68	16	152
—	—	—	—	**—**	—	—	—	**10**	7	43	21
—	—	—	—	**—**	—	—	—	**46**	13	>100	(89)
—	2	<(100)	6	**(6)**	56	<(100)	75	**129**	160	(19)	230
—	—	—	—	**5**	2	>100	13	**106**	74	43	125
—	—	—	—	**—**	—	—	—	**18**	11	64	24
—	2	<(100)	6	**(11)**	54	<(100)	62	**5**	75	(93)	81
—	2	<(100)	6	**(31)**	(183)	83	(275)	**608**	333	83	698
—	—	—	—	**9**	2	>100	19	**499**	318	57	690
—	—	—	—	**32**	52	(38)	92	**149**	159	(6)	312
—	2	<(100)	6	**(72)**	(237)	(70)	(386)	**(40)**	(144)	(72)	(304)

Total Continuing Business Lines			
30 June			31 December
2016	2015[1]	Change	2015[1]
Rm	Rm	%	Rm
3 372	2 918	16	6 101
(1 845)	(1 494)	23	(3 152)
3 097	2 945	5	6 067
(1 622)	(1 435)	13	(2 886)
892	902	(1)	1 892
679	714	(5)	1 400
691	728	(5)	1 437

WIMI

	30 June 2016 Rm	30 June 2015[1] Rm	Change %	31 December 2015[1] Rm
Statement of financial position				
Assets				
Cash balances and loans and advances to banks[2]	**2 251**	1 596	41	1 729
Non-current assets held for sale	**—**	479	<(100)	244
Investment securities[2]	**317**	183	73	336
Financial assets backing investment and insurance liabilities				
Policyholder investment contracts	**28 191**	22 773	24	24 283
Cash balances and loans and advances to banks	**1 135**	836	36	800
Investment securities	**27 056**	21 937	23	23 483
Policyholder insurance contracts	**3 540**	3 604	(2)	3 602
Cash balances and loans and advances to banks	**572**	988	(42)	764
Investment securities	**2 154**	2 149	0	2 257
Reinsurance assets	**814**	467	74	581
Shareholder funds	**4 740**	4 442	7	4 332
Cash balances and loans and advances to banks	**2 508**	2 264	11	2 283
Investment securities	**2 232**	2 178	2	2 049
Other assets[3]	**10 839**	7 929	37	9 047
Property and equipment	**312**	112	>100	325
Total assets	**50 190**	41 118	22	43 898
Liabilities				
Non-current liabilities held for sale	**—**	468	<(100)	233
Liabilities under investment contracts	**28 035**	22 722	23	24 225
Policyholder liabilities under insurance contracts	**4 488**	3 625	24	4 323
Other liabilities	**12 141**	8 881	37	9 574
Other liabilities[3]	**11 914**	8 786	36	9 479
Other liabilities relating to investment contracts	**227**	95	>100	95
Deferred tax liabilities	**71**	39	82	31
Total liabilities	**44 735**	35 735	25	38 386
Equity				
Capital and reserves	**5 248**	5 387	(3)	5 317
Non-controlling interest	**207**	(4)	>100	195
Total equity	**5 455**	5 383	1	5 512
Total liabilities and equity	**50 190**	41 118	22	43 898

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.

Reconciliation with Group	30 June 2016 WIMI Rm	Inter-segment elimination Rm	Other[1] Rm	Group Rm
Statement of financial position[2]				
Investment securities				
Investments linked to investment contracts	**27 056**	**(7 146)**	**—**	**19 910**
Policyholder liabilities under insurance contract	**4 488**	**—**	**18**	**4 506**
Statement of comprehensive income[2]				
Net insurance premium income	**3 372**	**—**	**144**	**3 516**
Net insurance claims and benefits paid	**(1 844)**	**6**	**(31)**	**(1 869)**
Gains and losses from investment activities – net gains on investments from insurance activities – policyholder investment contracts	**344**	**(372)**	**—**	**(28)**

Reconciliation with Group	30 June 2015 WIMI Rm	Inter-segment eliminations Rm	Other[1] Rm	Group Rm
Statement of financial position[2]				
Investment securities				
Investments linked to investment contracts	21 937	(2 912)	—	19 025
Policyholder liabilities under insurance contract	3 625	(17)	43	3 651
Statement of comprehensive income[2]				
Net insurance premium income	2 843	—	139	2 982
Net insurance claims and benefits paid	(1 446)	—	(21)	(1 467)
Gains and losses from investment activities – net gains on investments from insurance activities – policyholder investment contracts	85	(66)	—	19

Reconciliation with Group	31 December 2015 WIMI Rm	Inter-segment eliminations Rm	Other[1] Rm	Group Rm
Statement of financial position[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[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

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.

WIMI

Cost-efficiency ratio – WIMI	30 June 2016 Rm	30 June 2015[1] Rm	Change %	31 December 2015[1] Rm	Where included in Group's statement of comprehensive income
Income	**5 358**	5 121	5	10 447	Net fee and commission income; other operating income; net interest income
Gross premium income	**3 931**	3 758	5	7 688	Net insurance premium income
Net commission from distribution business	**191**	207	(8)	420	Net fee and commission income
Non-insurance-related income[2]	**852**	844	1	1 688	Net fee and commission income
Banking-related income	**148**	126	17	277	Net fee and commission income
Other income	**236**	186	27	374	Net fee and commission income; other operating income; net interest income
Operating expenses	**(1 681)**	(1 505)	12	(3 018)	Operating expenses
Cost-efficiency ratio (%)	**31,4**	29,4	—	28,9	

Reconciliation of WIMI non-interest income to Group	30 June 2016 Rm	30 June 2015[1] Rm	Change %	31 December 2015[1] Rm	Where included in Group's statement of comprehensive income
Aforementioned income	**5 358**	5 121	5	10 447	
Net commission paid by insurance companies	**(530)**	(471)	13	(1 031)	Net fee and commission income
Reinsurance premiums	**(560)**	(915)	(39)	(1 666)	Net insurance premium income
Net insurance claims and benefits paid	**(1 844)**	(1 446)	28	(3 105)	Net claims and benefits paid on insurance contracts
Changes in investment and insurance contract liabilities	**(425)**	(35)	<(100)	(216)	Changes in investment and insurance contract liabilities
Gains and losses from investment activities	**608**	334	82	698	Gains and losses from investment activities
Other income	**43**	28	54	112	Other operating income
Banking-related income	**(148)**	(126)	17	(277)	Net interest income
Non-interest income	**2 502**	2 490	—	4 962	

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.

Key business areas

- **Life Insurance** – offers life insurance, covering death, disability and retrenchment, as well as funeral and investment products.
- **Wealth and Investments segment** – 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.
  - The **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.

Notes

[1] These numbers have been restated, refer to the reporting changes overview on the inside front cover.
[2] Fee income relating to employee benefits, trust, estate and portfolio management fees.

Business profile *(continued)*

- **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 expenses.

Operating environment

South African economic growth contracted in the first half of 2016 with domestic economic activity remaining constrained. This was further exacerbated by the recent exit of the UK from the EU, which resulted in severe market volatility and more uncertainty about future economic growth. Weaker household consumption as a result of interest rate hikes and eroding disposable income from rising inflation are expected to weigh on consumers. This downward pressure on household consumption, low investor confidence and the UK's exit will continue to weigh down on growth in the South African insurance and investment markets. Pressure on household disposable income raises the risk of higher lapse rates for insurance policies and puts pressure on demand for savings and risk protection products. Higher volatility in the financial markets is also likely to result in changing investment preferences with shifts to alternative sources of returns, including passive investment solutions, low equity multi-asset and guaranteed offerings.

The last six months have been difficult for many markets in sub-Saharan Africa (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 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 heightened violence and political tensions around the general elections. Zambia and Botswana's macroeconomic environment was impacted by commodity prices and increased inflation which adversely impacted on credit lending. 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 sub-Saharan Africa.

The changing regulatory environment remains focused on the implementation of the first phase of proposals contained in the Financial Services Board's Retail Distribution Review (RDR). WIMI continues to make progress with regards to its preparations ahead of RDR and remains committed to providing customers with affordable, fair and sustainable advice. Regulators in Africa continued to make progress to align with more sophisticated capital and reserving requirements with notable new developments in capital and reserving requirements in Kenya.

To meet the demands of the shifting consumer dynamics, new regulations and changing distribution models, WIMI continues to evolve its business model by harnessing data, introducing innovative technology and developing digital capabilities over the short to medium term. 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/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 aim is to be the preferred non-banking financial services partner to Barclays Africa and other partners on the continent. Our main effort is to gather assets and premium income delivered through a number of key focus areas described below. We continue to make progress to execute in these areas with key highlights being:

- By continuously enhancing our bancassurance relationship with the Bank we want to **improve cross-sell** of insurance and investment products between WIMI and RBB. Improved collaboration and alignment of targets and priorities between WIMI and RBB have resulted in revenue uplift from a significant increase in new policies sold through the Bank branch network. We have also seen a significant increase in leads received from RBB with our focus now on improving productivity to extract maximum value from the significantly increasing leads.
- We continued to drive growth in selected markets across the **African continent** with the integration of our acquisition (Q4 2015) of First Assurance (short-term insurance business) in Kenya and Tanzania. Going forward the focus of our integration activities will be to continue alignment of risk, control and conduct culture and processes to Group best practice. Opportunities still exist to maximise the bancassurance synergies presented to all of our African operations with cross sell remaining low. With the challenging economic backdrop, we have refocused our expansion strategy on opportunities that will maximise value.
- In delivering on our **asset-gathering ambition** we have started to build out our external distribution capabilities to maximise access to asset inflows. We continue to progress with the establishment of a solid track record for asset classes where we established enhanced product capabilities. Investment performance of underlying funds continues to improve translating in growth in assets under management during the year.
- We have concluded our journey to **refocus** our **short-term** insurance business with the sale of our Intermediated Commercial lines, which is subject to Regulatory approval and expected to be concluded in the second half of 2016. A significant focus of the business is now to deliver growth from the refocused product set. We will achieve this by leveraging customer-led data insights enabled by our omni-channel distribution capabilities.
- To build a **customer-centric culture** we established a "Customer Propositions" business unit, ensuring a dedicated customer-centric approach across the WIMI organisation and delivered an improvement in the number of customer complaints.

WIMI

Business performance *(continued)*

- We continued to develop our **digital and data** capabilities to enable insights-led sales. We have delivered foundation platforms including flexible infrastructure with one source of real time customer master data. We launched "Customer Life stage Moment" sales campaigns leveraging Big Data to pro-actively offer customers (going through the selected life stage moments) products and solutions in an educational and engaging way. We have also concluded the acquisition of Instant Life, an online life insurance distribution platform. The acquisition introduces technology platforms that will improve our capability to fulfil, service and manage life products, while resulting in increased customer leads.
- We are pleased to have been awarded the following accolades during the first half of 2016:
  - 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;
  - Silver Arrow Award for Absa Consulting and Actuarial Firm in the Leader and Achiever category (PMR.Africa);
  - Absa Multi-Managed Bond Fund won Best Bond Fund; and
  - The Wealth Family Office came second in the Intellidex SA's Top Private Bank Award in the categories of "Services to Internationally Wealthy Families" and "Wealthy Executives".

Financial performance

Operating conditions during the first half of the current reporting period were characterised by volatile equity market performance, pressure on economic growth in South Africa and a slowdown in growth on the African continent outside South Africa. WIMI headline earnings from continuing lines of business declined by 5% to **R691m** (30 June 2015: R728m).

Despite tough operating conditions WIMI's continuing lines of business achieved a 16% growth in net premium income and a 10% growth in other (fee) income. The growth in revenue was offset by an increase in policyholder liabilities (R84m net of investment income) attributable to increased new business strain and changes in valuation methodology in Kenya and Mozambique. Investment income earned from shareholder funds declined by 19% (R31m) as a result of relatively lower equity market returns in South Africa and currency fluctuations adversely impacting returns from our Africa equity portfolios. Excluding the impact of changes in valuation methodology and market returns, underlying headline earnings increased by 9%.

Key features impacting our results include the following:

- We have made progress to **improve cross sell** between RBB and WIMI in the Bank branch channel. We continued to experience an increase in 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. **EVNB increased by 21%** in the period under review.
- **Life insurance South Africa** achieved strong headline earnings growth of 13% on the back of a 12% net premium income growth. The Life SA 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 net flows in our assets under management and administration** by R11bn. The growth was driven mainly by net institutional flows of R7bn and money market net flows of R4bn.
- Building out our **bancassurance competencies on the African continent** has contributed to a 77% growth in net premium income. Headline earnings growth however declined by 148% to a R29m loss, largely due to higher levels of actuarial reserving in Barclays Life Kenya associated with a change in valuation methodology for policyholder liabilities and higher new business strain. Sales of credit life and Commercial and industrial lines were under pressure during the first half of the year as a result of the weak macroeconomic environment in Zambia and Mozambique.
- **South African Short-term Insurance (continuing business lines)** has made significant progress in delivering on its strategic commitments which has resulted in an underwriting margin of **4,0%** (30 June 2015: 4,5%) and a 28% improvement in headline earnings. Underwriting margins were impacted by higher levels of claims, while growth in headline earnings was pleasing in the face of increased frequency and severity of Personal lines and direct insurance claims.
- Overall operating expenses increased by 13% to **R1 622m** (30 June 2015: R1 435m). Operating expenses growth for **South Africa** was contained at 8%, while operations in the Rest of Africa recorded an increase of 77% to **R184m** (30 June 2015: R104m). This was mainly affected by investments undertaken to implement our African expansion strategy. Excluding the impact of foreign exchange translations (26%) operating expenses for rest of Africa increased by 50%.
- In addition the volatile economic environment adversely impacted market performance, which resulted in **income from shareholder funds** declining by 19% to **R129m** (30 June 2015: R160m). Other includes WIMI shareholder investment portfolios which were adversely impacted by currency and market movements (R62m).

Life insurance

Pan African Life insurance headline earnings declined by 2% to **R385m** (30 June 2015: R394m), while net premium income increased by 16% to **R1 509m** (30 June 2015: R1 300m). The decline in earnings was mainly attributed to the Rest of Africa which was negatively impacted by the alignment of reserving methodology in Kenya.

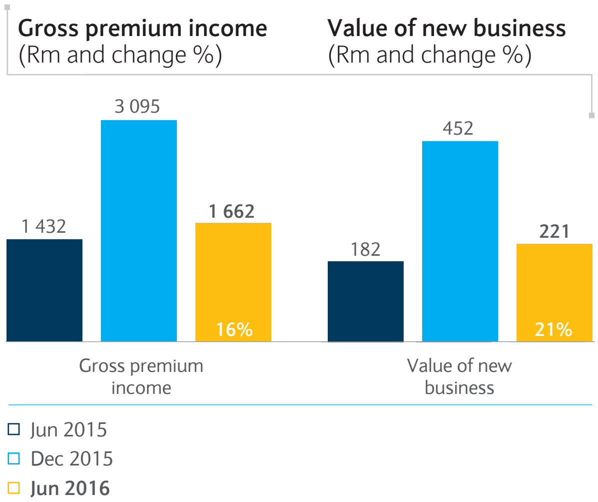
EVNB increased by 21% largely due to growth in insurance sales from RBB branches, an increase in the value per policy for unsecured credit protection and higher demand for guaranteed investment products. Further improvement in sales of standalone policies remained the focus taking into account the expected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

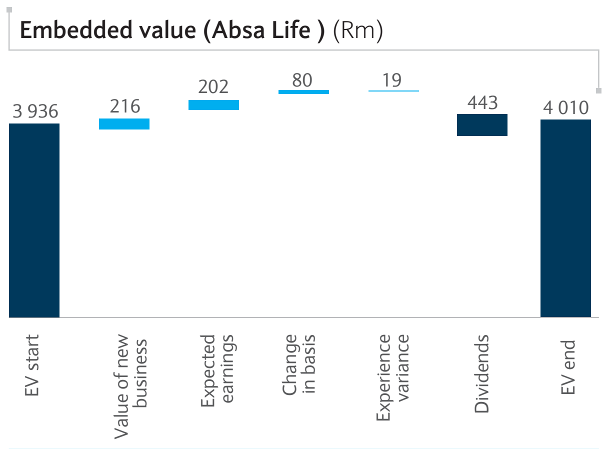
Operating expenses increased by 21% to **R260m** (30 June 2015: R215m), mainly attributed to increased actuarial spend, costs associated with the acquisition and integration of Instant Life (R10m) and our expansion into Kenya (R24m).

Financial performance *(continued)*

Our **South African** operations reported strong growth in headline earnings of 13% to **R403m** (30 June 2015: R358m). Net premium income reflected growth of 12%, mainly due to increased Group Scheme business, improved premium collection on the funeral product and significant growth in branch insurance sales. Economic basis changes contributed negatively to the PBT by **R16,3m** (30 June 2015: R7,8m positive).

Rest of Africa reported a **R18m** loss in headline earnings for the current reporting period (30 June 2015: R36m profit). This was mainly due to increased new business strain and a change in valuation methodology for Kenya policyholder liabilities. Changes in valuation methodologies were required to align to changes in regulation and Group-wide valuation practices. The change in methodology and increased new business strain has resulted in a reserve of **R42m** for the current reporting period (30 June 2015: R6m). Revenue in the Rest of Africa continued to show significant growth for the period with an increase in net premium income of 42% to **R233m** (30 June 2015: R164m). This is largely due to the contribution of Barclays Life Assurance Kenya, a greenfield startup entity, which commenced operations in May 2015. Botswana and Zambia reported lower levels of growth impacted by the continued strain on credit lending by the respective RBB partner banks and slower Group Life uptake. However, growth in standalone insurance sales continued to gain momentum with the addition of the third-party sales channels and better productivity from the Bank branch sales kiosks.





Salient features	30 June 2016	30 June 2015	Change %	31 December 2015
Shareholders' net assets (Rm)	**1 432**	1 368	5	1 402
Cost of solvency capital (Rm)	**(278)**	(245)	13	(218)
Value of business in force (Rm)	**3 551**	3 033	17	3 158
Embedded value (Rm)	**4 705**	4 156	13	4 342
Embedded value earnings (Rm)	**846**	410	106	923
Return on embedded value (%)	**44,9**	23,0		22,7
Return on embedded value (excluding impact of acquired earnings) (%)	**28,2**	23,5		22,7
EVNB (Rm)	**221**	182	21	452
Value of new business as a percentage of the present value of future premiums (%) (gross)	**4,3**	6,2		5,9

Wealth and Investments

Wealth and Investments achieved satisfactory results with net operating income and headline earnings increasing by 8% to **R304m** (30 June 2015: R281m) and 11% to **R234m** (30 June 2015: R211m) respectively. Wealth and Investments comprises the Investment cluster (Asset Management, LISP, Multi-Manager and Alternative Asset Management) and Wealth Management cluster (Wealth Advisory, Stock brokers and Private Clients).

Headline Earnings for our **Investment** cluster increased by 6% to **R202m** (30 June 2015: R190m). This was mainly driven by the 10% growth in revenue on the back of the R11bn net inflows in assets under management. This was partially offset by an increase of 15% in costs, mainly attributed to growth in staff costs with senior hires to build out investment capabilities concluded in the second half of 2015.

Net flows in assets under management and administration of R11bn were achieved, driven by growth in institutional flows of R7bn and money market flows of R4bn.

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.

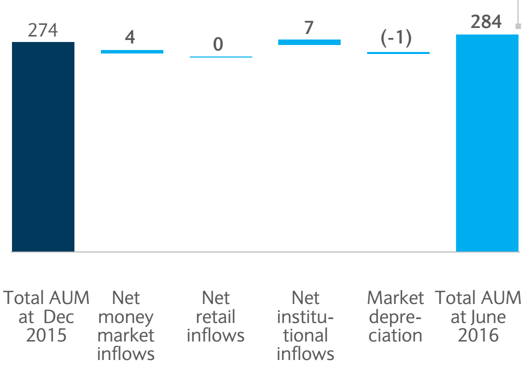
WIMI

Wealth and Investments *(continued)*

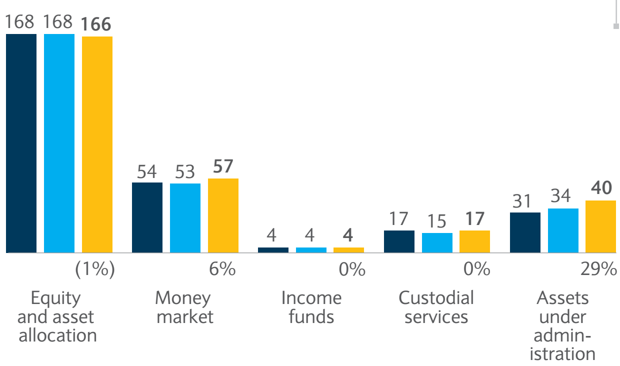
Salient features – Investments cluster	30 June 2016	30 June 2015[1]	Change %	31 December 2015[1]
Headline earnings (Rm)	**202**	190	6	353
Gross operating income (Rm)	**552**	504	10	1 035
Net flows (Rbn)	**11**	10	10	5
Money market	**4**	3	33	2
Non-money market – retail	**—**	1	<100	(7)
Non-money market – institutional	**7**	6	17	10
Net assets under management and administration (Rbn)	**284**	274	4	274

Salient features	30 June 2016	30 June 2015	Change %	31 December 2015
Assets under management and administration (Rbn)	**284**	274	4	274
ETF	**36**	32	13	31
Money market	**59**	53	11	55
Non-money market	**197**	197	—	196
Intra-segment eliminations	**(8)**	(8)	—	(8)
Alternative asset management and exchange-traded funds (Rbn)	**87**	85	2	90
Deceased estates	**2**	3	(33)	2
Other	**14**	15	(7)	13
Portfolio management	**40**	45	(11)	39
Trusts	**4**	2	100	3
Unit trusts	**137**	124	10	127
Total	**284**	274	4	274

Movement in assets under management and administration (Rbn)



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



Headline earnings for the **Wealth Management** cluster increased by 52% to **R32m** (30 June 2015: R21m), benefiting from a 10% revenue growth and favourable impairments as a result of an improvement in the credit quality of the overall book. Costs were well contained to a 2% growth level. Revenue growth is driven by higher transactional activity, which resulted in net interest income increasing by 20%.

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

Note

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

Business performance *(continued)*

Salient features – Wealth management cluster	30 June 2016	30 June 2015	Change %	31 December 2015
Headline earnings (Rm)	**32**	21	52	73
Gross operating income (Rm)	**270**	245	10	538
Net interest income	**147**	122	20	272
Non-interest revenue	**121**	126	(4)	261
Credit impairments (Rm)	**2**	(3)	(167)	5
Average loans and advances to customers (Rbn)	**5,9**	5,1	15	5,4
Client assets (Rbn)	**4,9**	5,2	(5)	5,2

Short-term Insurance

Pan Africa Short-term Insurance achieved headline earnings of **R141m** (30 June 2015: R115m), an increase of 23% on the previous comparable reporting period. Net insurance premium income increased by 16% to **R1 863m** (30 June 2015: R1 612m), while underwriting margins declined to **1,8%** (30 June 2015: 5,0%), mainly due to a deterioration in the loss ratio to **72,4%** (30 June 2015: 66,2%). Higher levels of claims were experienced in South Africa, while the rest of Africa operations were impacted by higher levels of claims estimates (R50m) in Mozambique due to a change in methodology.

The personal lines underwriting surplus decreased to **R294m** (30 June 2015: R345m) due to higher than expected claims experience of **62,6%** (30 June 2015: 56,9%).

Headline earnings for the **South African continuing lines of business** increased by 28% to **R105m** (30 June 2015: R82m) with an underwriting margin of **4,0%** (30 June 2015: 4,5%). Net insurance premium income increased by 4% to **R1 504m** (30 June 2015: R1 447m). From an operational perspective the business renewed its focus on the bancassurance business which resulted in an improvement in the bancassurance premium growth. However, this growth was fully offset by higher claims experience from Personal lines and Direct lines of business. Personal lines claims increased due to an increase in frequency and severity of claims with plans in place to address escalating claims cost. We are in the process of developing new Commercial bancassurance products which will utilise the Business Bank leads base. The business was successful in efficiently managing its cost base which declined by 20% when compared to the previous comparable reporting period. The commercial intermediated 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 capital cost. During April 2016 a transaction was finalised to affect a Section 36(1) transfer of this business. The regulatory and Competition Commission process is currently in process and the transaction is expected to be finalised by the end of the financial year, should required approvals be obtained.

Operations in the **rest of Africa** achieved an increase of 9% in headlines earnings to **R36m** (30 June 2015: R33m). The increase in headline earnings was mainly attributed to our East Africa expansion which contributed R25m, fully offsetting the decline in Mozambique. Mozambique faced a tough macroeconomic environment which impacted client renewals, loss of accounts due to multinational exits and currency depreciation. Despite economic headwinds, the rest of Africa operations achieved strong net premium income growth of 118% while gross operating income increased by 38%, mainly impacted by a large increase in claims resulting in a lower level of growth when compared to the net premium income growth. Excluding the impact of the Kenya acquisition, net premium income and headline earnings decreased by 9% and 67% respectively.

The underwriting loss for the rest of Africa operations deteriorated to **8%** mainly due to the increase in the loss ratio to **78%** (30 June 2014: 55%). The loss ratio was adversely impacted by increased estimates for outstanding claims and incurred but not reported reserves.

Salient features – Continuing business lines	30 June 2016	30 June 2015	Change %	31 December 2015
Headline earnings (Rm)	**141**	115	23	237
Net premium income (Rm)	**1 863**	1 612	16	3 246
Underwriting surplus (Rm)	**257**	271	(5)	511
Underwriting margin (%)[1]	**1,8**	5,0		4,9
Loss ratio (%)	**72,4**	66,2		67,8
Solvency margin (%)	**39,6**	53,5		57,7
NAV (Rm)	**1 476**	1 723		1 872

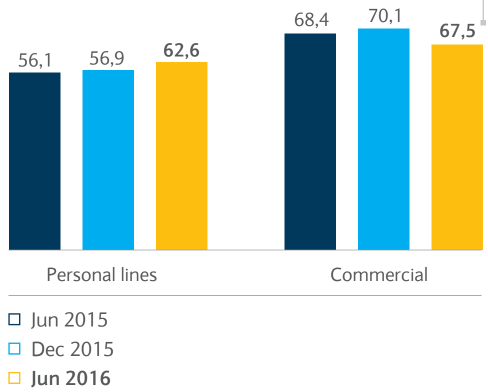
Note

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

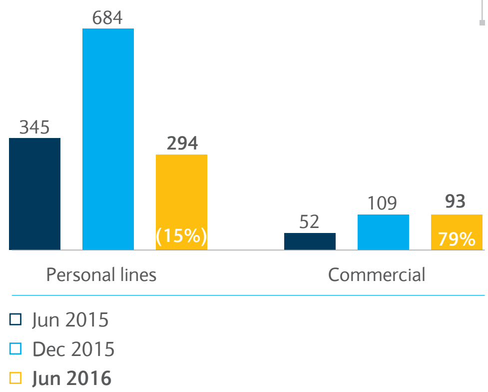
WIMI

Business performance *(continued)*

Loss ratio (%)



Underwriting surplus (pre-expenses Rm)



Fiduciary Services

Headline earnings decreased by 10% to **R63m** (30 June 2015: R70m).

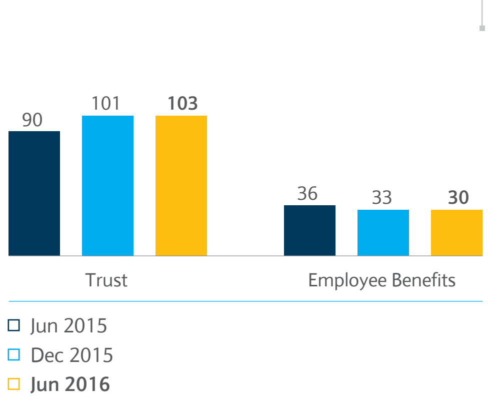
Absa Trust continued to be a significant cash-generating business and reported a 10% increase in headline earnings to **R43m** (30 June 2015: R39m). A return on equity of 103% was achieved and the business delivered attractive returns in line with our target range. The business showed stable growth in new Wills written in the high-net-worth segment and achieved 9% growth in trust assets under management to R12bn.

Employee Benefits' headline earnings decreased by 35% to **R20m** (30 June 2015: R31m) due to revenue declining by 2% as a result of declining pension fund membership. The business received the PMR Africa Silver Arrow business excellence award and achieved a return on average equity of 30% and new business of R9m for the reporting period under review.

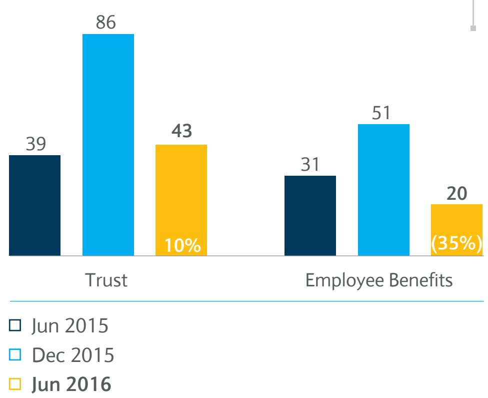
The focus of Fiduciary Services has shifted to maximise its contribution to the Group through executing cross-sell opportunities and enhancing Group value created from customer/client relationships. The business continued to deliver annuity revenue and generated net new assets under management from cross-sell opportunities of R1,2bn.

Salient features	30 June 2016	30 June 2015	Change %	31 December 2015
Headline earnings (Rm)	**63**	70	(10)	137
Average value of estates distributed (R'000)	**1 353**	1 399	(3)	1 410
Net assets under management (Rbn)	**14,2**	13,5	5	13,4
Third party	**5,9**	5,3	11	5,1
Investments	**8,3**	8,2	1	8,3

RoE (%)



Headline earnings (Rm and change %)



Business performance *(continued)*

Distribution

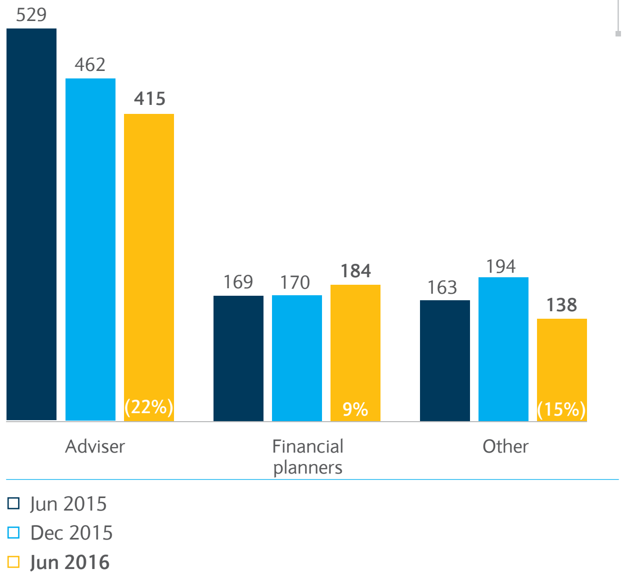
Distribution recorded revenue of **R254m** (30 June 2015: R232m) for the reporting period despite only maintaining revenue levels in the face-to-face channel in line with previous year. Subdued revenue from face-to-face advice channels was supported largely by continued growth in our direct distribution business, as well as increased investment returns as a result of balance sheet growth.

In spite of challenging economic conditions and further adviser attrition, Distribution generated value to our product houses in the form of **R512m** (30 June 2015: R1,6bn) net asset flows into Wealth and Investment Management funds, **R44m** (30 June 2015: R28m) of embedded value to Life Insurance from new policies and **R306m** (30 June 2015: R347m) premium income to Short-term Insurance from the in-force book.

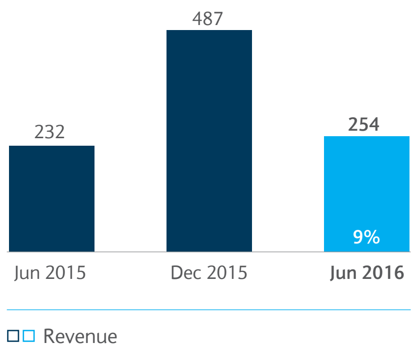
Remuneration paid to our sales force as a percentage of gross revenue increased to **61%** (31 Dec 2015: 60,2%). The net impact of a stable cost environment combined with muted sales volumes, resulted in headline earnings of **R12m** (30 June 2015: nil) for the reporting period.

We are focusing on developing our digital distribution capability, further embedding our system capabilities to ensure a seamless front-end experience for our adviser force and strengthening our regional leadership capability through focused programmes. Our key focus areas include adviser enablement, simplified remuneration structures, client and adviser retention and rolling out improved sales data capabilities.

Distribution force (number and change %)



Income (Rm and change %)



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 current 2015/2016 season, all policies are underwritten by the acquirer. The existing Absa Insurance crop team has formed an Underwriting Management Agency and continues to offer their services to Absa clients and the crop insurance market in general. We are also in the process of transferring the Commercial and Industrial lines business, which will, once we have received the necessary regulatory approvals, be reported as a terminating line of business.

	30 June			31 December
Salient features	**2016**	2015	Change %	2015
Net premium income (Rm)	—	(75)	>(100%)	(79)
Underwriting surplus (Rm)	**1**	24	>(100%)	21
Underwriting margin (%)	—	(16,5)		(11,9)
Loss ratio (%)	—	63,6		59,0
Solvency margin (%)	—	(45,7)		81,3
NAV (Rm)	**64,7**	69,0	(6)	64,5

WIMI

Business performance *(continued)*

Looking ahead

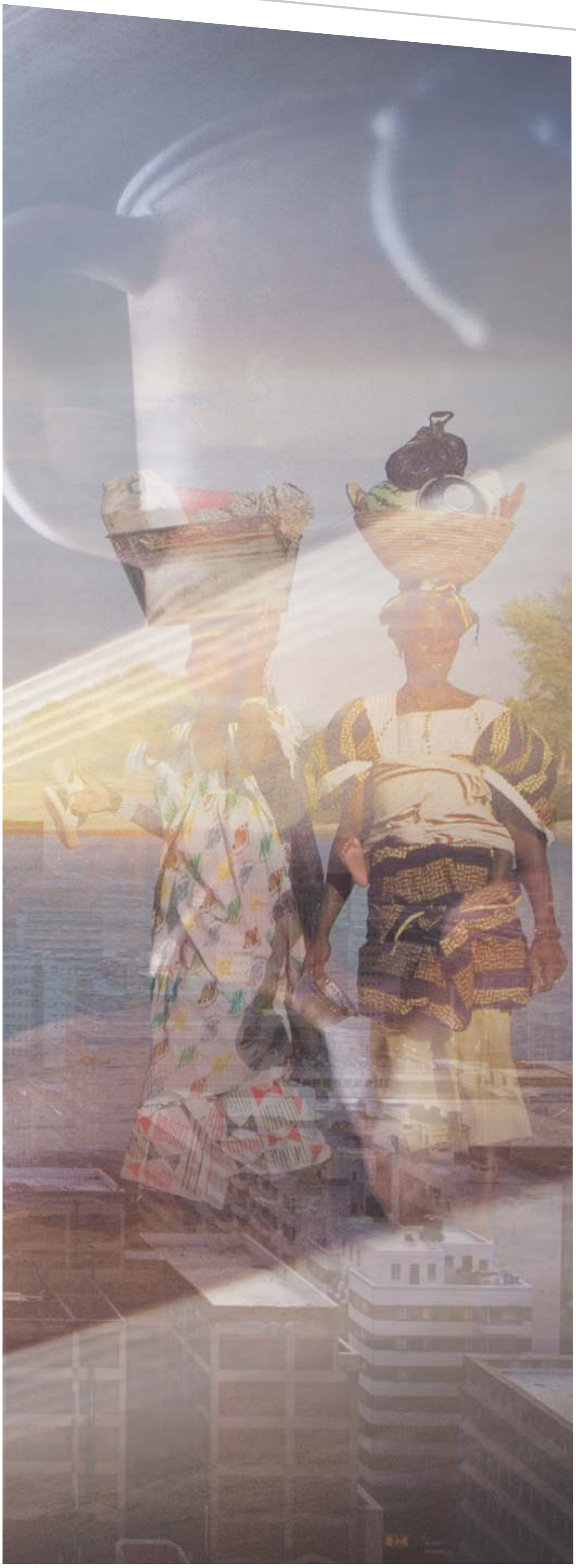
Our aim is to be the leading provider of integrated non-banking financial services, across wealth, investment management, insurance, trust and employee benefits solutions, in select African countries in order to deliver profitable growth. Our strategy remains in place and we have made progress with the execution of our key priorities. Our execution has shifted gears from foundational activities to accelerating growth through increased customer focus and digital enablement.

Our main effort is to grow assets under management and premium income through the following key execution priorities:

- Growing **premium flows** (risk) and **assets under management** (investments).
- Leveraging internal and external **distribution channels** and continuing to improve face-to-face sales channel performance.
- Supporting RBB customer focus by embedding and expanding the WIMI partnership model to realise the **RBB cross-sell opportunity** in South Africa.
- Strengthening our operational foundation in the rest of Africa in preparation for continued growth. Continuing to improve alignment with Bank partners on the continent to improve cross-sell of WIMI products to the Bank customer base. Leveraging partnerships in rest of Africa to access new customers.

We will achieve the afore-mentioned by building-out and leveraging the following core capabilities:

- To shift towards being more customer centric, innovative, data and digitally enabled and delivering a simple and efficient business model.
- Accelerating digital enablement and customer data analytics and propositions.
- Leveraging technology to drive operational efficiencies and automation.
- Attracting and retaining top talent – attracting the right people in an effort to build the right culture.
- Embedding a robust risk and control environment.
- Increasing market visibility to build brand and attract new customers.
- To stay abreast of economic headwinds in our operating environment by constantly reviewing strategic choices, including where we allocate cost and effort.



Risk management

Risk management overview 120
Capital management 128

Risk management overview

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

The role of risk management is to evaluate, respond to, and monitor risks 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). Risk culture is closely aligned to that of the business. The Risk Function retains independence in analysis and decision-making.

The approach to managing risk is outlined in the ERMF, which 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 prevent detriment to 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 support 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, while promoting collaboration and the flow of information between all areas.

The ERMF is reviewed and approved annually by the Board.

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:

- Macroeconomic conditions continued to deteriorate. The Group extended its framework of macroeconomic triggers and management actions in response, which were regularly reported to the Board;
- Loans and advances to customers increased 9% year-on-year, driven by growth in the Wholesale and Rest of Africa portfolios;
- The credit loss ratio increased to **129 bps** (June 2015: 97 bps[1]) and impairment charges increased to **R5,2bn** (June 2015: R3,6bn). Increased impairment charges were most prominent in the Wholesale, Mortgages, Consumer and Retail Rest of Africa portfolios, while additional macroeconomic provisions (R252m) also contributed to the increase;
- Non-performing loans as a percentage of loans and advances to banks and customers increased to **3,8%** (June 2015: 3,5%[2]);
- Overall coverage on performing loans increased to **72 bps** (June 2015: 65 bps[1]);
- Market risk exposures remained within overall risk appetite;
- Total operational risk losses were higher than the first half of the prior reporting period. The main contributors to operational risk losses were technology/system failure, transaction processing-related issues, and fraud, comprising 35%, 33% and 25% 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. The liquidity position remained healthy and supported the year-end dividend;
- The Group implemented and embedded an approach to the management of conduct risk; and
- The Own Risk and Solvency Assessment (ORSA) report under the Solvency Assessment and Management comprehensive parallel run will be submitted to the Financial Services Board in the third quarter of the current reporting period.

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 **1,48%** (30 June 2015: 1,11%; 31 December 2015: 1,05%).

[2] 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 **4,28%** (30 June 2015: 3,97%; 31 December 2015: 3,88%).

Future priorities

- Regularly review and alter risk appetite (where appropriate) to take account of global and local macroeconomic deterioration;
- Increase focus on governance and model risk across the Group;
- Continue to focus on technology, fraud (including cybercrime) and anti-money laundering;
- Enhance conduct risk management controls, tools and reporting;
- Increase focus on data initiatives, including those arising from regulations (e.g. BCBS 239 and IFRS 9); and
- Continue to enhance our scenario development and stress testing processes.

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 was 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 Group Risk and Capital Management Committee (GRCMC) on a quarterly basis.

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

Credit risk

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

Credit risk: Wholesale[1]

	Trend	30 June 2016	30 June 2015	31 December 2015
Growth in loans and advances (%)	▲	**21,3**	12,2	22,9
Risk-weighted assets (RWA) as a percentage of gross credit extended (%)[2, 3]	▲	**31,3**	31,1	29,2
Non-performing loans as a percentage of gross loans and advance (%)	▲	**3,2**	2,7	2,7
Non-performing loans coverage ratio (%)	▲	**39,6**	35,0	36,8
Credit loss ratio (%)[4]	▲	**1,10**	0,41	0,49

- Loans and advances: Growth was robust at **21,3%**, with increases in the technology, media and telecommunications, property and retail and wholesale portfolios. Excluding growth in repos and exchange rate movement, growth was 14,7%.
- Risk-weighted assets as a percentage of gross credit extended: Marginal increase as a result of additional capital demand due to distressed restructured exposures being categorised as regulatory default.
- Non-performing loans (NPLs): The balance of non-performing loans increased by 44,3% due to new defaults. NPLs as a percentage of gross loans and advances increased to **3,2%** (June 2015: 2,7%) as a result. The NPL coverage ratio increased to **39,6%** (June 2015: 35,0%) due to new defaults at higher coverage levels.
- Impairments: The wholesale credit impairment charge increased to **R1 855m** (June 2015: R568m) due to new impairments in CIB, Business Bank and Rest of Africa and additional macroeconomic provisions of R252m.

Future priorities

- Actively manage risk trends arising as a result of macroeconomic uncertainty;
- Undertake regular portfolio reviews;
- Ensure continuing alignment of business strategy with risk appetite;
- Implement agreed management actions in response to changing economic conditions; and
- Implement enhanced models and data management.

Notes

1 Wholesale incorporates CIB, BB and WIMI for South Africa and Rest of Africa.
2 Gross credit extended includes off-balance sheet exposures as well as exposures to banks and sovereigns.
3 The percentages include only portfolios subject to the IRB approaches.
4 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.

Credit risk *(continued)*

Retail credit risk: Retail

	Trend	30 June 2016	30 June 2015	31 December 2015
Growth in loans and advances (%)	▼	**1,9**	2,7	3,2
RWA as a percentage of gross credit extended (%)[1, 2]	▲	**37,8**	37,3	33,4
Non-performing loans as a percentage of gross loans and advances (%)	▲	**5,1**	4,8	4,7
Non-performing loans coverage ratio (%)	▼	**45,7**	46,5	45,6
Credit loss ratio[3] (%)	▲	**1,59**	1,40	1,31

- Loans and advances: Overall growth in loans and advances declined to **1,9%**. There was growth of 12,0% in Personal and Term Loans and 15,3% in Rest of Africa, offset by decreases of 1,0% in Home Loans and 1,4% in Cards.
- Risk-weighted assets as a percentage of gross credit extended: Marginal increase in line with new Retail model implementation incorporating new regulatory requirements on restructured exposures.
- Non-performing loans (NPLs): NPLs as a percentage of gross loans and advance increased to **5,1%** (June 2015: 4,8%) as a result of deterioration in NPL ratios of Credit Cards, Instalment Credit Agreements and ROA. The NPL coverage ratio decreased to **45,7%** (June 2015: 46,5%) due to write-offs in the mortgages legal book in the second half of the prior reporting period.
- Impairments: The impairment charge increased to **R3 381m** (June 2015: R2 874m). As a result, the credit loss ratio increased to **1,59%** (June 2015: 1,40%), reflecting the impact of adverse economic conditions.

Future priorities

- Further enhance collection programmes to ensure appropriate management of customers in financial difficulty;
- Continue to focus on improvements to data sources, and models/analytics to improve the Group's risk profile, measurement and risk-adjusted returns;
- Continue to improve internal risk measurement models and processes; and
- Actively manage risk trends arising as a result of macroeconomic uncertainty.

Notes

1 Gross credit extended includes off-balance sheet exposures as well as exposures to banks and sovereigns.
2 The percentages include only portfolios subject to the IRB approaches.
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.

Risk management overview

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: The risk that future experiences relating to claims, expenses, policyholder behaviour and investment returns differ from the assumptions made when setting premiums or valuing policyholder liabilities.
- Pension risk: The risk that arises when an adverse movement between pension assets and liabilities results in a pension deficit.

	Trend	30 June 2016	30 June 2015	31 December 2015
Average traded market risk – daily value at risk (Rm)[1]	▽	**25,0**	28,0	27,0
Traded market risk regulatory capital (Rm)	△	**2 516**	2 340	2 501
Banking book annual earnings at risk for a 2% interest rate shock (% of Group net interest income)	=	**<6**	<6	<6
Insurance short-term loss ratio (%) South Africa only	△	**70,7**	69,8	69,4
Life insurance new business margin (%) South Africa only	▽	**4,3**	5,8	5,5

- Traded market risk: Trading exposures were managed within overall risk appetite and the trading business remained resilient despite macroeconomic conditions. The slight decrease in average Daily Value at Risk (DVaR) was as a result of the Markets business actively managing its risk on the back of client flow.
- 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 to hedge.
- Insurance risk: The ORSA report under the Solvency Assessment Management comprehensive parallel run will be submitted to the Financial Services Board in the third quarter of the current reporting period.
- 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. A liability-driven investment strategy for Absa Pension Fund was implemented to mitigate inflation and interest rate risks and to ensure there are sufficient assets in the pension fund to meet its current and future liabilities.

Future priorities

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

Note

[1] Daily value at risk 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

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 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.

Funding Risk: Capital risk

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

The capital management process includes:

- Meeting capital ratios required by regulators and the target ranges approved by the Board;
- Maintaining an adequate level of capital resources prudently in excess of regulatory and economic capital requirements; and
- Maintaining a sustainable dividend to enhance shareholder value.

	Trend	30 June 2016	30 June 2015	31 December 2015
Cost of equity[1] (%)	=	**13,75**	13,75	13,75
Total RWA (Rm)	▲	**698 685**	647 472	702 663
Common Equity Tier 1 capital adequacy ratio (%)[2]	▲	**12,1**	11,7	11,9
RoRWA (%)	▼	**2,08**	2,16	2,18
Return on average economic capital (%)	▼	**16,4**	18,8	19,0
RoE (%)	▼	**16,1**	16,4	17,0

- Cost of equity: Remained unchanged at **13,75%** over the period under review.
- Risk-weighted assets (RWA): Increased 7,9% to **R698,7bn** (30 June 2015: R647,5bn) due to book growth, particularly corporate advances, increased regulatory requirements, and the negative impact of the economic environment on certain portfolios.
- Capital: : Remained above the minimum regulatory requirements and above the Board-approved CET1 and Tier 1 target ranges.

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; and
  - Issuance of Basel III compliant Tier 2 instruments to replace instruments being called.
- Continue engagement with the South African Reserve Bank to finalise the total loss-absorbing capacity requirements as part of the Resolution Framework for South African operations.

Notes

[1] The average CoE is based on the capital asset pricing model.
[2] Board target range 9,5 – 11,5%.

Risk management overview

Funding risk *(continued)*

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.

	Trend	30 June 2016	30 June 2015	31 December 2015
Sources of liquidity (Rm)	▲	**233 746**	202 007	199 024
High-quality liquid assets (Rm)	▲	**120 812**	98 106	105 332
Other liquid assets (Rm)[1]	▲	**39 552**	28 126	31 640
Other sources of liquidity (Rm)	▼	**73 382**	75 775	62 052
Long-term funding ratio (%)	▲	**22,1**	20,9	21,0
Loan-to-deposit ratio (%)	▲	**87,1**	85,5	86,1
Liquidity coverage ratio (%)[2]	▲	**83,5**	78,9	69,9

- **Liquidity risk position:** Remained healthy and within key limits and metrics. During the first half of 2016, the Group continuously maintained a liquidity coverage ratio (LCR) in excess of the required 70%.
- **Long-term funding ratio:** Increased by 1,2% to **22,1%** (2015: 20,9%) 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 1,6% to **87,1%** (2015: 85,5%) primarily due to increased loans and advances to customers.
- **The net stable funding ratio (NSFR):** Will become effective on 1 January 2018.

Future priorities

- Manage the funding and high-quality liquid asset position in line with the Board-approved liquidity risk appetite framework and regulatory liquidity requirements;
- Continue to grow and diversify the funding base to support asset growth and other strategic initiatives; and
- Continue to work with regulatory authorities and other stakeholders on the Net Stable Funding Ratio (NSFR), Recovery and Resolution, and Deposit Guarantee Scheme.
- Embed and enhance contingency funding planning across BAGL and subsidiaries.

Operational risk

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

	Trend	30 June 2016	30 June 2015	31 December 2015
Total losses as a percentage of gross income (%)	▲	**1,0**	0,7	0,8
Total losses (Rm)	▲	**380**	244	541
Operational RWA (Rm)	▲	**100 310**	95 883	98 668

Notes

[1] Rest of Africa.

[2] The Group LCR represents the simple average of the relevant three month-end data points prior to June 2016. 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.

Operational risk *(continued)*

- Total operational risk losses: Were within the Group's annual appetite, but higher than the first half of the prior reporting period. The main contributors to operational risk losses are technology/system failure, transaction processing-related issues and fraud, comprising 35%, 33% and 25% respectively.
- Operational risk RWA: Increased due to a higher Standardised Approach (TSA) capital, driven by higher operating income.
- Technology risk: Improvements have been made in stabilising the technology environment. The mainframe has been migrated to a best in class datacentre, and other key systems will be migrated over the next 12 months. The performance of underlying technology infrastructure supporting payments systems is undergoing improvement.
- Fraud risk: Plastic card fraud losses remain the major driver to overall fraud losses, although their proportion of overall losses is decreasing. Digital fraud has also been on an upward trend in South Africa.
- Information risk: Further progress has been made in enhancing the protection of secret and confidential data by embedding logical access controls and data held or accessible by external suppliers.
- Financial crime: Customer on-boarding processes have been enhanced. We continue to remediate non-compliant customers and intend to continue building analytical capability to detect money laundering threats and activities.

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;
- Compliance with financial crime regulations will be strengthened through further investment in technology; and
- Improve the Group's fraud capability with a focus on digital banking, branch network and operations in the Rest of Africa. Continue implementing fraud tools to protect customers, particularly within the Digital business.

Conduct risk

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

The Group has enhanced the existing conduct risk key indicators to align with the refreshed Principal and Key Risk Frameworks as well as introducing forward-looking indicators to manage conduct risk effectively.

The key inherent risk themes for the half-year were resilience of technology, product simplification and the development of a single customer view.

The Group managed a number of conduct and reputational risks:

- Enhancement of several regulatory controls, particularly those related to know your client, anti-money laundering, and the National Credit Act;
- A number of accounts deemed non-compliant with know your customer (KYC) regulations were blocked and some client relationships were exited; and
- Enhanced due diligence on clients that provide payday lending was implemented.

Future priorities

- Progress has been made in embedding a conduct focused culture and risk assessments. Further enhancement of the use of forward-looking management information and the monitoring of action plans from material risk assessments is planned;
- Focus on improving customer outcomes through remediation activities, and enhancements such as our focus on customers in vulnerable circumstances, new product development and review processes and complaints management process;
- Raise awareness across the Group to ensure conduct risks and issues are identified, captured and escalated in a timely manner;
- Maintain a robust awareness and understanding of the drivers of political, regulatory and policy changes across the continent; and
- Assess the impact of Twin Peaks regulations, specifically the Retail Distribution Review proposals.
- Develop and embed business standards which are aligned to the new and revised Group conduct policies.

Capital management

Review of the first half of the current reporting period

- 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 above the minimum regulatory capital requirements during the period under review.
- Issuance of R0,2bn bonds qualifying as Tier 2 on 4 May 2016, at holding company and Absa Bank level.
- RWA precision and capital allocation remain key focus areas for the Group.
- The net generation of equity resulted in dividend growth and stable capital adequacy.
- 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 CAR capital target ranges were increased by 50 bps.

Key performance indicators

Group	Trend	30 June 2016 %	30 June 2015 %	31 December 2015 %
Common Equity Tier 1 capital adequacy ratio[1]	▲	**12,1**	11,7	11,9
Return on average risk-weighted assets	▼	**2,08**	2,16	2,18
Return on average economic capital	▼	**16,4**	18,8	19,0
Cost of equity[2]	=	**13,75**	13,75	13,75

Absa Bank Limited[3]	Trend	30 June 2016 %	30 June 2015[4] %	31 December 2015[4] %
Common Equity Tier 1 capital adequacy ratio[1]	▲	**10,8**	9,9	10,5
Return on average risk-weighted assets	▼	**1,87**	1,88	2,03

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. As in the current reporting period, RWA precision, generation of equity and capital allocation 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.

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.

Internal capital adequacy assessment process (ICAAP)

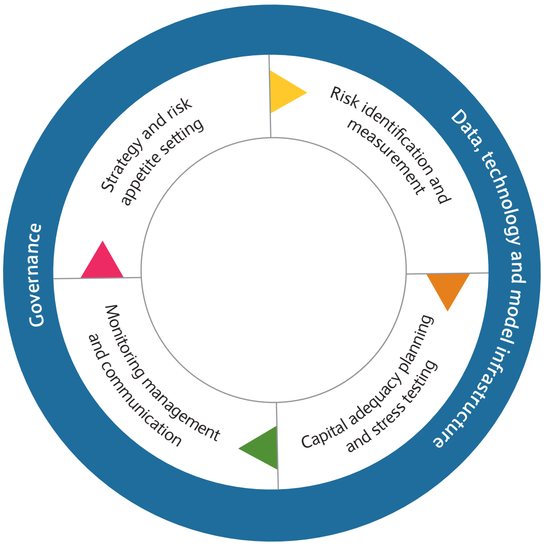
The efficient use of capital and careful deployment of capital resources is fundamental to enhance shareholder value. The ICAAP framework ensures that internal systems, controls and management information are in place to enable the Board and senior management to track changes in the economic environment, which may require adjustments to the business strategy in order to remain within the risk appetite. 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. From a Group consolidated perspective, capital adequacy is considered for each regulated entity as well as the Group. Capital management is an integral part of decision-making within the Group. Progress is measured against predetermined 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 regulatory capital.

Notes
1 Reported ratios include unappropriated profits.
2 The average 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) *(continued)*

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



The Group's ICAAP approach is dynamic and relies on robust risk management systems and processes underpinned by data, technology and model infrastructure as well as strong governance.

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. 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 objectives of the risk appetite framework are to:

- assist in protecting the Group's financial performance;
- improve management responsiveness and debate 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.

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.

Capital management

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

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 regulatory capital 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 proactive 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 solid Basel III capital and leverage[1] 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

As part of the global regulatory reforms, regulators have 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 stress (recovery plans) and to enable an orderly restructure/wind-down (resolution plans). To this effect, the Group has a Board-approved Recovery Plan in place which was developed in line with SARB guidance.

The key objectives of the Group Recovery Plan are to:

- Provide the Group with a range of plausible options to ensure its viability during severe stressed conditions;
- Set consistent and objective EWIs that allow the Group to monitor its capital and liquidity position and identify when BAGL is under stress that could lead to the Group Recovery Plan being invoked;
- Enable the Group to be adequately prepared to respond to stressed conditions in an informed, controlled and effective manner. This will be done through the provision of an early understanding of the execution approach, risks and potential impacts of the recovery options, and will enable the most appropriate options to be selected during a stress; and
- Provide the Group with an understanding of the potential effectiveness of recovery options under varying forms of 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 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, whilst 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.

The Group continues to engage with the SARB to finalise the total loss-absorbing capacity (TLAC) requirements as part of the Resolution Framework for South Africa.

Note

[1] Basel III leverage is a non-risk sensitive ratio used to restrict the build-up of leverage in the banking sector to avoid destabilising deleveraging processes that can damage the broader financial system and the economy.

Capital management

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 capital adequacy requirements. The Group's target capital ranges for the current reporting period were set after considering the following:

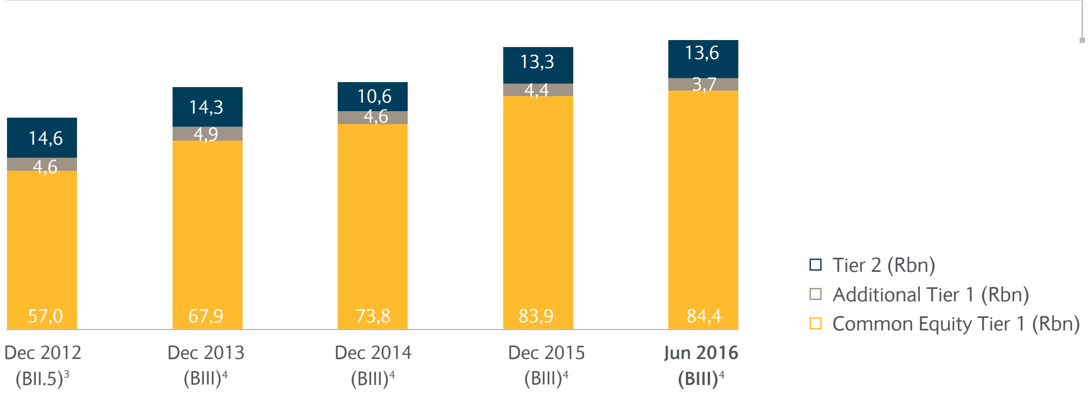
- Capital risk appetite;
- The preference of rating agencies for loss-absorbing capital;
- Stress scenarios;
- Current and future Basel III requirements including capital conservation buffer, domestic-systemically important bank buffer; and
- Peer analysis.

The Group maintained capital ratios in excess of capital risk appetite post the financial crisis.

The Group continued operating within its overall risk appetite post the implementation of Basel III.

		30 June		31 December	2016	
Group	Trend	**2016**	2015	2015	**Board target ranges %**	**Minimum regulatory capital requirements[1] %**
Capital adequacy ratios (%)[2]						
Common Equity Tier 1		**12,1**	11,7	11,9	**9,5 – 11,5**	**6,9**
Tier 1		**12,6**	12,3	12,6	**10,5 – 12,5**	**8,1**
Total		**14,6**	14,1	14,5	**13,0 – 15,0**	**10,4**
Capital supply and demand for the reporting period (Rm)						
Net generated equity		**902**	(703)	1 261		
Qualifying capital		**101 735**	90 983	101 628		
Total RWA		**698 685**	647 472	702 663		

Group capital adequacy (Rbn)



Dec 2012	Dec 2013	Dec 2014	Dec 2015	Jun 2016	
13,0	12,1	11,9	11,9	**12,1**	Common Equity Tier 1 ratio (%)
17,4	15,5	14,4	14,5	**14,6**	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 Domestic Systemically Important Banks (D-SIB) add-on.

2 Reported ratios include unappropriated profits.

3 BII.5: Basel II.5.

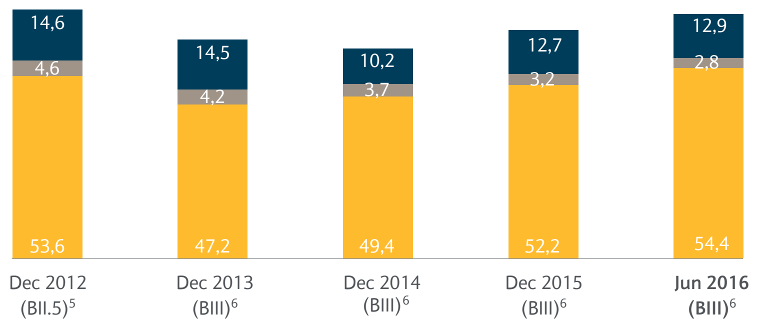
4 BIII: Basel III.

Capital management

Statutory capital adequacy *(continued)*

Absa Bank Limited[2]	Trend	30 June 2016	30 June 2015[3]	31 December 2015[3]	2016 Board target ranges %	2016 Minimum regulatory capital requirements[1] %
Capital adequacy ratios (%)[4]						
Common Equity Tier 1	▲	**10,8**	9,9	10,5	**9,0 – 10,5**	**6,9**
Tier 1	▲	**11,4**	10,6	11,2	**10,0 – 11,5**	**8,1**
Total	▲	**14,0**	12,8	13,8	**12,5 – 14,0**	**10,4**
Capital supply and demand for the reporting period (Rm)						
Net generated equity	▲	**1 693**	(1 730)	(676)		
Qualifying capital	▲	**70 091**	61 834	68 084		
Total RWA	▲	**501 840**	481 925	494 793		

Absa Bank Limited capital adequacy (Rbn)



13,5	11,3	10,8	10,5	**10,8**	Common Equity Tier 1 ratio (%)
18,4	15,8	13,9	13,8	**14,0**	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 Domestic Systemically Important Banks (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

Capital management

Statutory capital adequacy *(continued)*

Capital demand

	30 June				31 December	
	2016		2015		2015	
Group	**RWA Rm**	**Minimum required capital[1] Rm**	RWA Rm	Minimum required capital[2] Rm	RWA Rm	Minimum required capital[2] Rm
Basel measurement approach						
Credit risk	**533 349**	**55 336**	494 407	49 441	539 778	53 978
Portfolios subject to the AIRB approach	**355 747**	**36 909**	347 079	34 708	353 052	35 305
Portfolios subject to the standardised approach	**150 375**	**15 602**	130 918	13 092	162 161	16 216
Securitisation	**454**	**47**	532	53	482	48
Counterparty credit risk	**26 773**	**2 778**	15 878	1 588	24 083	2 409
Equity investment risk	**10 611**	**1 101**	10 303	1 030	9 574	957
Market-based approach (simple risk-weighted approach)						
Market risk	**25 160**	**2 610**	23 395	2 340	25 012	2 501
Standardised approach	**8 124**	**843**	10 426	1 043	9 232	923
IMA	**17 036**	**1 767**	12 969	1 297	15 780	1 578
Operational risk	**100 310**	**10 407**	95 883	9 588	98 668	9 867
BIA	**4 252**	**441**	3 825	383	4 288	429
TSA	**25 864**	**2 683**	20 723	2 072	26 115	2 611
AMA	**70 194**	**7 283**	71 335	7 133	68 265	6 827
Other assets	**29 255**	**3 035**	23 484	2 348	29 631	2 963
Non-customer assets	**23 108**	**2 397**	22 043	2 204	23 428	2 343
Threshold deduction items	**6 147**	**638**	1 441	144	6 203	620
	698 685	**72 489**	647 472	64 747	702 663	70 266
Pillar 1 requirement (8%)		**55 895**		51 798		56 213
Pillar 2a requirement (1,75%)		**12 227**		12 949		14 053
Capital conservation buffer (0,625%)[3]		**4 367**		—		—

Notes

[1] The 2016 minimum regulatory capital requirements of 10,375% include the RSA minimum of 8%, Pillar 2a of 1,75% and capital conservation buffer of 0,625% but excludes the bank-specific individual capital requirement (Pillar 2b add-on) and the Domestic Systemically Important Banks (D-SIB) add-on.

[2] The 2015 minimum regulatory capital requirements of 10% include the RSA minimum of 8% and Pillar 2a of 2%.

[3] The capital conservation buffer is phased in between 1 January 2016 and 1 January 2019 reaching 2.5% by 1 January 2019.

Capital management

Statutory capital adequacy *(continued)*

Capital demand *(continued)*

	30 June				31 December	
	2016		2015[5]		2015[5]	
Absa Bank Limited[1]	**RWA Rm**	**Minimum required capital[2] Rm**	RWA Rm	Minimum required capital[3] Rm	RWA Rm	Minimum required capital[3] Rm
Basel measurement approach						
Credit risk	**390 721**	**40 537**	371 977	37 198	385 332	38 533
Portfolios subject to the AIRB approach	**348 521**	**36 159**	339 428	33 943	344 677	34 468
Portfolios subject to the standardised approach	**15 146**	**1 571**	16 474	1 648	16 834	1 683
Securitisation	**454**	**47**	532	53	482	48
Counterparty credit risk	**26 600**	**2 760**	15 543	1 554	23 339	2 334
Equity investment risk						
Market-based approach (simple risk-weighted approach)	**3 146**	**326**	5 151	515	3 556	356
Market risk	**20 950**	**2 174**	19 476	1 948	20 539	2 054
Standardised approach	**3 914**	**406**	6 507	651	4 759	476
IMA	**17 036**	**1 768**	12 969	1 297	15 780	1 578
Operational risk	**69 859**	**7 248**	70 478	7 048	68 005	6 800
BIA	**4 190**	**435**	3 776	378	4 215	421
AMA	**65 669**	**6 813**	66 702	6 670	63 790	6 379
Other assets	**17 164**	**1 781**	14 843	1 484	17 361	1 736
Non-customer assets	**16 472**	**1 709**	14 749	1 475	16 468	1 647
Threshold deduction items	**692**	**72**	94	9	893	89
	501 840	**52 066**	481 925	48 193	494 793	49 479
Pillar 1 requirement (8%)		**40 147**		38 554		39 583
Pillar 2a requirement (1,75%)		**8 782**		9 639		9 896
Capital conservation buffer (0,625%)[4]		**3 137**		—		—

Notes
1 Absa Bank Limited includes subsidiary undertakings, special-purpose entities, joint ventures, associates and offshore holdings.
2 The 2016 minimum regulatory capital requirements of 10,375% include the RSA minimum of 8%, Pillar 2a of 1,75% and capital conservation buffer of 0,625% but excludes the bank-specific individual capital requirement (Pillar 2b add-on) and the Domestic Systemically Important Banks (D-SIB) add-on.
3 The 2015 minimum regulatory capital requirements of 10% include the RSA minimum of 8% and Pillar 2a of 2%.
4 The capital conservation buffer is phased in between 1 January 2016 and 1 January 2019 reaching 2.5% by 1 January 2019.
5 Restated to reflect Absa Bank Limited.

Statistical capital adequacy *(continued)*

Capital supply

The Group's total qualifying capital supply increased by R10,8bn from 30 June 2015 to R101,7bn.

Breakdown of qualifying capital

	30 June				31 December	
	2016		2015		2015	
Group	**Rm**	**%[1]**	Rm	%[1]	Rm	%[1]
Common Equity Tier 1	**79 249**	**11,3**	69 698	10,8	77 640	11,0
Ordinary share capital	**1 694**	**0,2**	1 694	0,3	1 691	0,2
Ordinary share premium	**4 412**	**0,6**	4 530	0,7	4 250	0,6
Reserves[2]	**75 621**	**10,8**	67 086	10,4	72 568	10,3
Non-controlling interest	**2 219**	**0,3**	2 386	0,4	2 556	0,4
Deductions	**(4 697)**	**(0,6)**	(5 998)	(1,0)	(3 425)	(0,5)
Goodwill	**(771)**	**(0,1)**	(749)	(0,1)	(783)	(0,1)
Amount by which expected loss exceeds eligible provisions	**(1 082)**	**(0,1)**	(1 443)	(0,3)	(1 176)	(0,2)
Other deductions	**(2 844)**	**(0,4)**	(3 806)	(0,6)	(1 466)	(0,2)
Additional Tier 1 capital	**3 713**	**0,6**	4 265	0,6	4 413	0,7
Tier 1 capital	**82 962**	**11,9**	73 963	11,4	82 053	11,7
Tier 2 capital	**13 645**	**1,9**	11 226	1,8	13 302	1,9
Instruments recognised as Tier 2 capital	**13 039**	**1,9**	10 807	1,7	12 760	1,8
General allowance for impairment losses on loans and advances – standardised approach	**606**	**0,0**	419	0,1	542	0,1
Total qualifying capital (excluding unappropriated profits)	**96 607**	**13,8**	85 189	13,2	95 355	13,6
Qualifying capital (including unappropriated profits)						
Tier 1 capital	**88 090**	**12,6**	79 757	12,3	88 326	12,6
Common Equity Tier 1 (excluding unappropriated profits)	**79 249**	**11,3**	69 698	10,8	77 640	11,0
Unappropriated profits	**5 128**	**0,8**	5 794	0,9	6 273	0,9
Additional Tier 1	**3 713**	**0,5**	4 265	0,6	4 413	0,7
Tier 2 capital	**13 645**	**2,0**	11 226	1,8	13 302	1,9
Total qualifying capital (including unappropriated profits)	**101 735**	**14,6**	90 983	14,1	101 628	14,5

Leverage

	30 June		31 December
Group	**2016**	2015	2015
Leverage ratio exposure (Rm)	**1 336 240**	**1206 720**	**1 318 677**
Leverage ratio (excluding unappropriated profit) (%)	**6,2**	**6,1**	**6,2**
Leverage ratio (including unappropriated profit) (%)	**6,6**	**6,6**	**6,7**
Board target leverage ratio (%)	**≥4,5**	**≥4,5**	**≥4,5**
Minimum required leverage ratio (%)	**4,0**	**4,0**	**4,0**

Notes

[1] Percentage of capital to RWAs.

[2] Reserves exclude unappropriated profits.

Capital management

Statutory capital adequacy *(continued)*

Capital supply *(continued)*

Absa Bank Limited[2]	30 June 2016 Rm	30 June 2016 %[3]	30 June 2015[1] Rm	30 June 2015[1] %[3]	31 December 2015[1] Rm	31 December 2015[1] %[3]
Common Equity Tier 1	**50 908**	**10,1**	41 526	8,6	49 806	10,1
Ordinary share capital	**304**	**0,1**	303	0,1	303	0,1
Ordinary share premium	**22 964**	**4,6**	16 465	3,4	21 455	4,3
Reserves[4]	**31 791**	**6,2**	29 355	6,1	30 766	6,2
Deductions	**(4 151)**	**(0,8)**	(4 597)	(1,0)	(2 718)	(0,5)
Amount by which expected loss exceeds eligible provisions	**(2 162)**	**(0,4)**	(2 302)	(0,5)	(2 095)	(0,4)
Other deductions	**(1 989)**	**(0,4)**	(2 295)	(0,5)	(623)	(0,1)
Additional Tier 1 capital	**2 768**	**0,6**	3 251	0,7	3 234	0,6
Tier 1 capital	**53 676**	**10,7**	44 777	9,3	53 040	10,7
Tier 2 capital	**12 913**	**2,6**	10 738	2,2	12 677	2,6
Instruments recognised as Tier 2 capital	**12 731**	**2,5**	10 500	2,1	12 500	2,5
General allowance for impairment losses on loans and advances – standardised approach	**182**	**0,1**	238	0,1	177	0,1
Total qualifying capital (excluding unappropriated profits)	**66 589**	**13,3**	55 515	11,5	65 717	13.3
Qualifying capital (including unappropriated profits)						
Tier 1 capital	**57 178**	**11,4**	51 096	10,6	55 407	11,2
Common Equity Tier 1 (excluding unappropriated profits)	**50 908**	**10,1**	41 526	8,6	49 806	10,1
Unappropriated profits	**3 502**	**0,7**	6 319	1,3	2 367	0,4
Additional Tier 1	**2 768**	**0,6**	3 251	0,7	3 234	0,7
Tier 2 capital	**12 913**	**2,6**	10 738	2,2	12 677	2,6
Total qualifying capital (including unappropriated profits)	**70 091**	**14,0**	61 834	12,8	68 084	13,8

Leverage

Absa Bank Limited[2]	30 June 2016	30 June 2015[1]	31 December 2015[1]
Leverage ratio exposure (Rm)	**1 148 984**	1 064 899	1 113 924
Leverage ratio (excluding unappropriated profit) (%)	**4,7**	4,2	4,8
Leverage ratio (including unappropriated profit) (%)	**5,0**	4,8	5,0
Board target leverage ratio (%)	**≥4,5**	≥4,5	≥4,5
Minimum required leverage ratio (%)	**4,0**	4,0	4,0

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

Economic capital adequacy

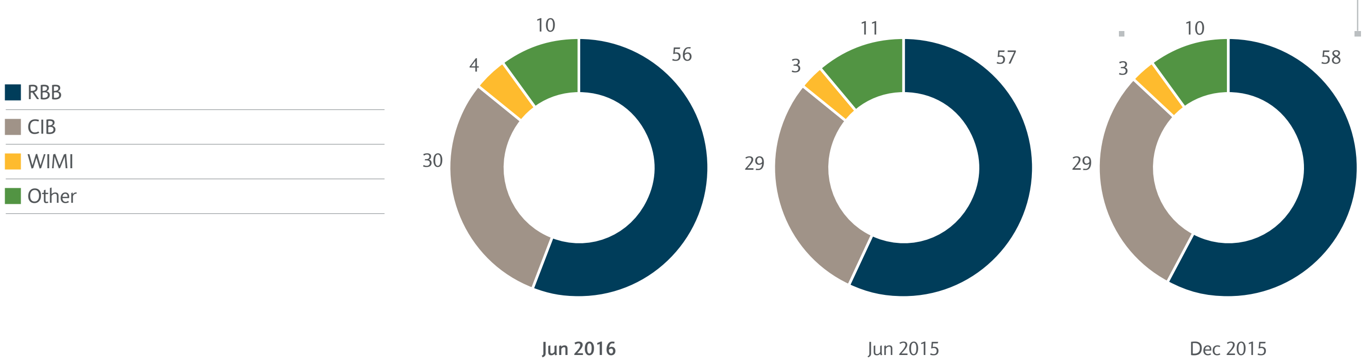
The economic capital (EC) framework covers Basel III Pillar 1 risks as well as additional risks such as interest rate risk in the banking book. Based on BAGL's current risk profile, EC is an estimate of the maximum downward deviation from expectation in the Group's equity value, measured on an economic 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.

Economic capital demand

Economic capital demand[1]	30 June 2016 Rm	30 June 2015 Rm	31 December 2015 Rm
Retail credit risk	**21 553**	18 259	18 711
Securitisation	**58**	48	47
Wholesale credit risk	**40 098**	32 165	33 180
Residual value risk	**396**	346	358
Operational risk	**6 200**	5 911	5 872
Traded market risk	**1 896**	1 795	1 878
Non-traded market risk	**7 351**	5 623	6 471
Equity investment risk	**1 729**	1 867	1 830
Property and equipment risk	**6 500**	5 301	5 626
Insurance risk	**2 681**	1 245	1 224
	88 462	72 560	75 197

Economic capital demand per segment (%)



Economic capital supply

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

EC supply includes:

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

Note

[1] Represents the average required economic capital.

Capital management

Economic capital supply *(continued)*

The following are excluded from EC available financial resources:

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

The following are deducted from EC supply:

- Goodwill; and
- Intangible assets

Economic capital supply	30 June **2016** Rm	30 June 2015 Rm	31 December 2015 Rm
Ordinary share capital and share premium	**6 106**	6 224	5 941
Preference share capital and share premium	**4 644**	4 644	4 644
Retained earnings	**78 078**	72 399	75 785
Other reserves	**7 180**	5 139	9 438
Non-controlling interest	**4 667**	3 708	4 710
Other deductions	**(3 635)**	(3 095)	(3 772)
	97 040	89 019	96 746
Average capital for the reporting period	**93 567**	87 977	88 902

Credit ratings

	June 2016		
	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)

Appendices

Transition to Barclays Africa Group Limited	140
Share performance	142
Shareholder information and diary	143
Glossary	144
Abbreviations and acronyms	152
Administration and contact details	IBC

Transition to BAGL 140
Share performance 142
Shareholder information 142
Glossary 144
Abbreviations and acronyms 152

Transition to Barclays Africa Group Limited

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			
	30 June			31 December
	2016	2015[2]	Change	2015[2]
	Rm	Rm	%	Rm
Statement of comprehensive income				
Net interest income	**16 284**	14 786	10	30 579
Non-interest income	**13 152**	12 230	8	24 967
Total income	**29 436**	27 016	9	55 546
Impairment loss on loans and advances	**(4 317)**	(3 082)	40	(5 780)
Operating expenses	**(15 671)**	(14 965)	5	(31 167)
Other	**(1 183)**	(545)	117	(1 248)
Operating profit before tax	**8 265**	8 424	(2)	17 351
Taxation expense	**(2 319)**	(2 344)	(1)	(4 782)
Profit for the reporting period	**5 946**	6 080	(2)	12 569
Profit attributable to:				
Ordinary equity holders of the Group	**5 636**	5 806	(3)	11 980
Non-controlling interest – ordinary shares	**142**	115	23	269
Non-controlling interest – preference shares	**168**	159	6	321
	5 946	6 080	(2)	12 570
Headline earnings	**5 871**	5 789	1	11 936
Operating performance (%)				
Net interest margin on average interest-bearing assets	**4,46**	4,30		4,41
Credit loss ratio[3]	**1,22**	0,94		0,87
Non-interest income as percentage of income	**44,7**	45,3		44,9
Income growth	**9**	6		5
Cost growth	**5**	4		4
Cost-to-income ratio	**53,2**	55,4		56,1
Statement of financial position				
Loans and advances to customers	**641 996**	598 375	7	625 011
Loans and advances to banks	**66 129**	73 564	(10)	61 186
Investment securities	**83 892**	72 398	16	81 886
Other assets	**202 924**	167 471	21	214 634
Total assets	**994 941**	911 808	9	982 717
Deposits due to customers	**567 817**	554 961	2	571 230
Debt securities in issue	**144 185**	118 974	21	128 190
Other liabilities	**201 640**	161 460	25	204 838
Total liabilities	**913 642**	835 395	9	904 258
Total equity	**81 299**	76 413	6	78 459
Total liabilities and equity	**994 941**	911 808	9	982 717

	Barclays Africa Group Limited pre-acquisition			
	30 June			31 December
	2016	2015[2,4]	Change %	2015[2,5]
RoE (%)	**16,1**	17,0		17,2
Headline earnings per ordinary share (cents)	**818,9**	807,0	1	1 664,1
NAV per ordinary share (cents)	**10 392**	9 771	6	10 012
Tangible NAV per ordinary share (cents)	**9 958**	9 403	6	9 557

The headline earnings relating to the Barclays Africa acquisition grew by 43% relative to a 1% growth for Barclays Africa Group Limited pre-acquisition.

The RoE relating to the Barclays Africa Limited acquisition increased from 14,2% to 16,1% year on year. The increase in RoE is attributable to the 43% growth in headline earnings, countered by an increase in average equity of 6%.

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 Calculations exclude shares issued by Absa Group Limited for the Barclays Africa Limited acquisition.

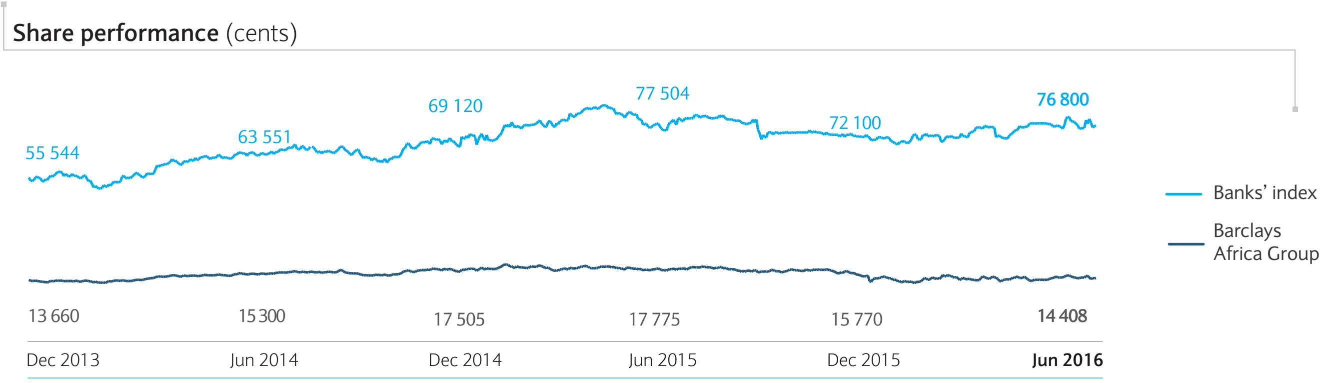
5 Calculations based on Absa Group Limited share issue of 129 540 636 shares for Barclays Africa Limited acquisition to illustrate the per share values of the acquisition in isolation.

Barclays Africa acquisition and consolidation[1]				Barclays Africa Group Limited			
30 June			31 December	30 June			31 December
2016	2015	Change	2015	**2016**	2015	Change	2015
Rm	Rm	%	Rm	**Rm**	Rm	%	Rm
4 809	3 677	31	7 828	**21 093**	18 463	14	38 407
2 263	1 730	31	3 824	**15 415**	13 960	10	28 791
7 072	5 407	31	11 652	**36 508**	32 423	13	67 198
(880)	(468)	88	(1 140)	**(5 197)**	(3 550)	46	(6 920)
(3 816)	(3 164)	21	(6 495)	**(19 487)**	(18 129)	7	(37 662)
(34)	(23)	48	(66)	**(1 217)**	(568)	<(100)	(1 314)
2 342	1 752	34	3 951	**10 607**	10 176	4	21 302
(678)	(563)	20	(1 117)	**(2 997)**	(2 907)	3	(5 899)
1 664	1 189	40	2 834	**7 610**	7 269	5	15 403
1 383	964	43	2 351	**7 019**	6 770	4	14 331
281	225	25	483	**423**	340	24	752
—	—	—	—	**168**	159	6	321
1 664	1 189	40	2 834	**7 610**	7 269	5	15 404
1 381	966	43	2 352	**7 252**	6 755	7	14 287
8,13	7,72		7,91	**4,97**	4,70		4,81
1,76	1,14		1,25	**1,29**	0,97		0,92
32,0	32,0		32,8	**42,2**	43,1		42,8
31	6		13	**13**	6		6
21	7		9	**7**	5		5
54,0	58,5		55,7	**53,4**	55,9		56,0
73 213	59 037	24	78 348	**715 209**	657 412	9	703 359
17 534	19 971	(12)	24 765	**83 663**	93 535	11	85 951
17 671	15 612	13	19 079	**101 563**	88 010	15	100 965
39 110	32 517	20	39 695	**242 034**	199 988	21	254 329
147 528	127 137	16	161 887	**1 142 469**	1 038 945	10	1 144 604
109 151	94 265	16	117 189	**676 968**	649 226	4	688 419
337	570	(41)	493	**144 522**	119 544	21	128 683
18 664	16 856	11	24 017	**220 304**	178 316	24	228 855
128 152	111 691	15	141 699	**1 041 794**	947 086	10	1 045 957
19 376	15 446	25	20 188	**100 675**	91 859		98 647
147 528	127 137	16	161 887	**1 142 469**	1 038 945		1 144 604

Barclays Africa acquisition and consolidation[1]				Barclays Africa Group Limited			
30 June			31 December	30 June			31 December
		Change				Change	
2016	2015	%	2015[2]	**2016**	2015	%	2015
16,1	13,8		16,0	**16,1**	16,4		17,0
1 066,1	746,0	43	1 816	**856,8**	797,6	7	1 687,2
12 984	10 359	25	13 576	**10 788**	9 860	9	10 558
12 579	10 006	26	13 183	**10 359**	9 495	9	10 112

Transition to BAGL 140
Share performance 142
Shareholder information 142
Glossary 144
Abbreviations and acronyms 152

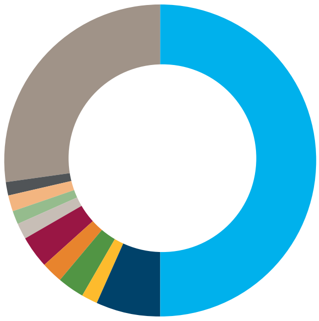
Share performance



Share performance on the JSE	30 June 2016	2015	Change %	31 December 2015
Number of shares in issue, which includes **878 850** (2015: 2 025 369) treasury shares	**847 750 679**	847 750 679		847 750 679
Market prices (cents per share):				
closing	**14 408**	18 298	(21)	14 349
high	**15 744**	20 371	(23)	20 371
low	**12 273**	17 001	(28)	10 662
average	**14 124**	18 445	(23)	17 786
Closing price/NAV per share (excluding preference shares) (%)	**1,33**	1,86		1,36
Price-to-earnings ratio (closing price/HEPS) (%)	**16,8**	22,9		8,5
Volume of shares traded (million)	**484,8**	153,3	>100	334,88
Value of shares traded (Rm)	**26 427,0**	28 365,6	(7)	58 640,7
Market capitalisation (Rm)	**122 143,9**	155 121,4	(21)	121 643,7
Annual total return (%)	**(15,8)**	19,0	<(100)	(15,8)

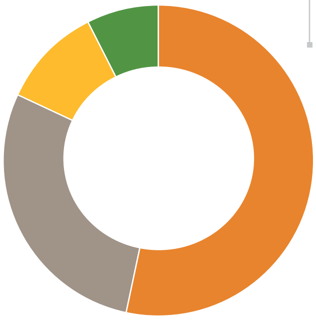
Shareholder information and diary

Major ordinary shareholders % (top 10)



50,10	(62,32)	Barclays Bank PLC (UK)
6,81	(5,60)	Public Investment Corporation (SA)
1,48	(1,42)	Allan Gray (SA)
2,89	(1,76)	Old Mutual Asset Managers (SA)
2,21	(1,57)	Investec Asset Management (SA)
3,42	(2,18)	STANLIB Asset Management (SA)
1,55	(1,21)	The Vanguard Group Incorporated (US, AU)
1,54	(1,28)	Black Rock Inc (US)
1,52	(1,37)	Prudential Portfolio Managers (SA)
1,48	(1,42)	Dimensional Fund Advisors (US, UK, AU)
27,00	(20,19)	Other

Major shareholding split by geography (%)



52,97	(64,3)	United Kingdom
28,46	(20,7)	South Africa
10,49	(7,9)	United States and Canada
8,08	(7,2)	Other countries

Shareholder diary

Financial year-end	31 December 2016
Announcement of the 2016 final results[1]	23 February 2017
Annual general meeting[1]	16 May 2017

Dividend	Declaration date	Last day to trade	Ex-dividend date	Record date	Payment date
Interim	29 July 2016	2 September 2016	5 September 2016	9 September 2016	12 September 2016
Final	23 February 2017	4 April 2017	5 April 2017	7 April 2017	10 April 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.

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.

Transition to BAGL 140
Share performance 142
Shareholder information 142
Glossary 144
Abbreviations and acronyms 152

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.

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.

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.

Transition to BAGL 140
Share performance 142
Shareholder information 142
Glossary 144
Abbreviations and acronyms 152

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.

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

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

Barclays Africa Group Limited

Incorporated in the Republic of South Africa

Registration number: 1986/003934/06

Authorised financial services and registered credit provider (NCRCP7)

JSE share code: BGA

ISIN: ZAE000174124

Registered office

7th Floor, Barclays Towers West
15 Troye Street, Johannesburg, 2001
PO Box 7735, Johannesburg, 2000

Switchboard: +27 11 350 4000

barclaysafrica.com

Head Investor Relations

Alan Hartdegen

Telephone: +27 11 350 2598

Group Company Secretary

Nadine Drutman

Telephone: +27 11 350 5347

Head of Finance

Jason Quinn

Telephone: +27 11 350 7565

Queries

Please direct investors relations queries to IR@barclaysafrica.com

Please direct media queries to groupmedia@barclaysafrica.com

For all customer and client queries, please go to the relevant country website (see details below) for the local customer contact information

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

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

Transfer secretary

Computershare Investor Services (Pty) Ltd

Telephone: +27 11 370 5000

computershare.com/za/

ADR depositary

BNY Mellon

Telephone: +1 212 815 2248

bnymellon.com

Auditors

Ernst & Young Inc.

Telephone: +27 11 772 3000

ey.com/ZA/en/Home

PricewaterhouseCoopers Inc.

Telephone: +27 11 797 4000

pwc.co.za

Sponsors

Lead independent sponsor

J.P. Morgan Equities South Africa (Pty) Ltd

Telephone: +27 11 507 0300

jpmorgan.com/pages/jpmorgan/emea/local/za

Joint sponsor

Absa Bank Limited (Corporate and Investment Bank)

Telephone: +27 11 895 6843

equitysponsor@absacapital.com

Significant banking subsidiaries

Information on the entity and the products and services provided (including banking, insurance and investments) can be found at:

Absa Bank Limited	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

Absa Namibia Proprietary Limited	absanamibia.com.na
Absa Capital Representative Office Nigeria Limited	cib.absa.co.za