Barclays Africa Group Limited

Interim financial results

For the reporting period ended 30 June 2017

BARCLAYS

Report overview

This financial results booklet for the reporting period ended 30 June 2017 is one of the publications released at the time of the Barclays Africa Group Limited's (Barclays Africa Group or the Group) financial results announcement made on 28 July 2017. 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

1. Barclays PLC disposed of 12,2% and 33,7% of the Group's shares on 5 May 2016 and 1 June 2017, respectively. As part of its divestment Barclays PLC contributed £765 million to the Group in June 2017, mainly in recognition of the investments required for the Group to separate from Barclays PLC. Investments will be made primarily in rebranding, technology and separation-related projects and it is expected that it will neutralise the capital and cash flow impact of separation investments on the Group over time. The separation process will increase the capital base of the Group in the near term and generate endowment revenue thereon, with increased costs over time as the separation investments are concluded. The Group has therefore also included normalised results that better reflect the underlying performance of the Group.
2. The requirements of IFRS 9 – Financial instruments (IFRS 9) relating to the presentation of gains and losses on financial liabilities designated at fair value were adopted during the current reporting period. As a result, the effects of changes in those liabilities' credit risk are presented in other comprehensive income with the remaining effect presented in profit or loss. In accordance with the transitional requirements of IFRS 9, comparatives have not been restated.
3. The Group's segmental disclosure has changed to align with how the banking operations are now run along geographic rather than divisional lines. Refer to page 55 for additional information.
4. The following business portfolio changes resulted in the restatement of financial results for the comparative period. None of the restatements have impacted the overall financial position or net earnings of the Group.

- The Group refined its cost allocation methodology, resulting in the restatement of operating expenses between and within segments.
- Commercial Property Finance (CPF) customers with loan balances exceeding R40m were moved from Retail and Business Banking (RBB) to Corporate Investment Banking (CIB) to reflect the Group's customer segmentation and coverage model.

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 2017

Date of publication: 28 July 2017

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

This report is printed on recycled paper that is 100% post-consumer 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 material and heat.

Icons used with this report

Positive | Negative | Remains the same | Increase/decrease

Dividend per share

Interim	475 cents

Key dates

Interim dividend payment	11 September 2017
Financial year-end	31 December 2017

Shareholder communications

Shareholder information	page 169
Contact details	page IBC

Contents

Group performance

Normalised Group performance overview

> ***"As Barclays Africa, we are in an exciting phase in defining and shaping our destiny as a standalone pan-African financial services provider."***
>
> **Maria Ramos,** *Chief Executive Officer*

- ▲ Normalised headline earnings increased by 7% (CCY +11%) to R7 770m as impairments were 27% lower from a high base in the first half of 2016.
- ▲ Return on equity improved to 16,8% from 16,1% on a normalised basis.
- ▲ Strong headline earnings growth from key focus areas in Rest of Africa Banking, which increased by 50% in constant currency and CIB South Africa which increased by 76%.
- ▲ Credit loss ratio improved from 1,29% to 0,96% mainly from lower impairments. Impairment coverage levels remain strong as performing coverage levels increased from 0,72% in June 2016 to 0,76% in June 2017 (December 2016: 0,79%) and macroeconomic provisions were increased moderately.
- ▲ Operating costs increased by 3% (CCY +6%) while continuing to invest in information technology and digital capability.
- = The Group's Common Equity Tier 1 (CET1) ratio increased to 12,1% on a normalised basis and remains above internal targets. The Group's liquidity coverage ratio increased to 118,9%, well above the minimum regulatory requirement.
- ▼ Revenues reduced by 1% partially from weaker exchange rates in markets outside SA (CCY +2%), regulatory changes and non-recurring items included in the base in the first half of 2016.
- ▼ Normalised pre-provision profits were 6% lower (CCY -3%) as operating costs grew 4% faster than income during the reporting period. Normalised cost-to-income ratio increased to 55,6% from 53,4%.
- ▼ Headline earnings reduced by 9% in RBB South Africa reflecting low growth in revenues, partially impacted by regulatory changes.
- ▼ WIMI headline earnings reduced by 8% mainly from large short-term insurance claims during Q2.

Normalised financial results as a consequence of Barclays PLC separation

On 1 March 2016, Barclays PLC announced its intention to sell down its 62,3% interest in the Group. A comprehensive separation programme was initiated to focus on the future state of Barclays PLC, the Group and possible interaction between the companies to ensure that the Group can operate as an independent and sustainable group without the involvement of Barclays PLC.

Barclays PLC disposed of 12,2% and 33,7% of the Group's shares on 5 May 2016 and 1 June 2017, respectively. Barclays PLC has forward-sold 7% of the afore-mentioned 33,7% shares to the Public Investment Corporation (PIC), with transfer pending receipt by PIC of regulatory approvals in Kenya, Mauritius and the Seychelles. Barclays PLC has agreed to contribute a further 1,5% of the Group's shares to a Broad-Based Black Economic Empowerment (BBBEE) scheme which will be implemented in due course, leaving Barclays PLC with a residual holding of 14,9%.

As part of its divestment Barclays PLC contributed £765 million to the Group in June 2017, primarily in recognition of the investments required for the Group to separate from Barclays PLC. Investments will be made primarily in rebranding, technology and separation-related projects and it is expected that it will neutralise the capital and cash flow impact of separation investments on the Group over time.

The separation process will have an impact on the Group's financial results for the next few years, most notably by increasing the capital base in the near term and generating endowment revenue thereon, with increased costs over time as the separation investments are concluded. International Financial Reporting Standards (IFRS) require that the Barclays PLC contribution be recognised directly in equity, while the subsequent investment expenditure (including the depreciation or amortisation of capitalised assets), will be recognised in profit or loss. The afore-mentioned will result in a disconnect between underlying business performance and the IFRS financial results during the separation period. Normalised financial results will therefore also be disclosed while the underlying business performance is materially different from the IFRS financial results.

Normalised Group performance overview

The following table presents the items which will be excluded from the normalised financial results:

Barclays PLC contribution (including the endowment benefit)

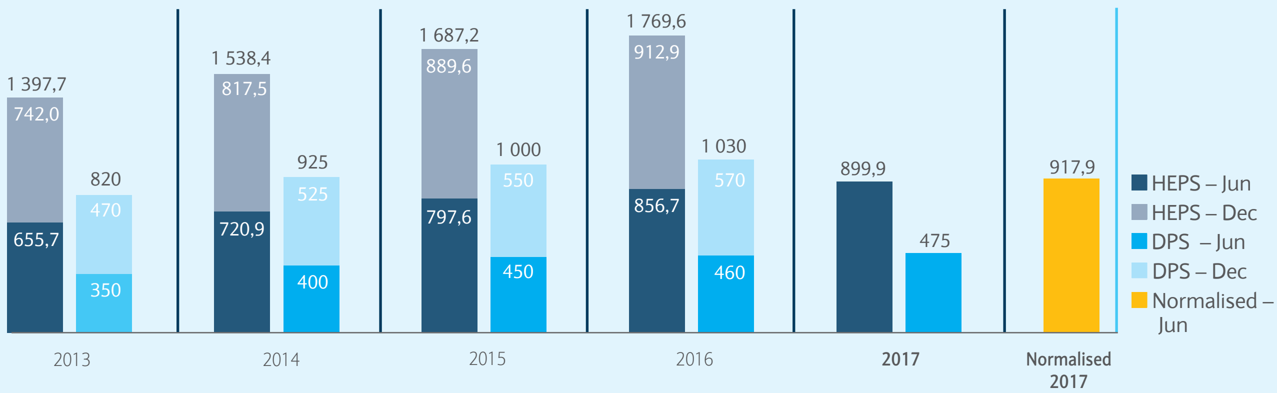
Hedging linked to separation activities

Technology and **brand separation projects**

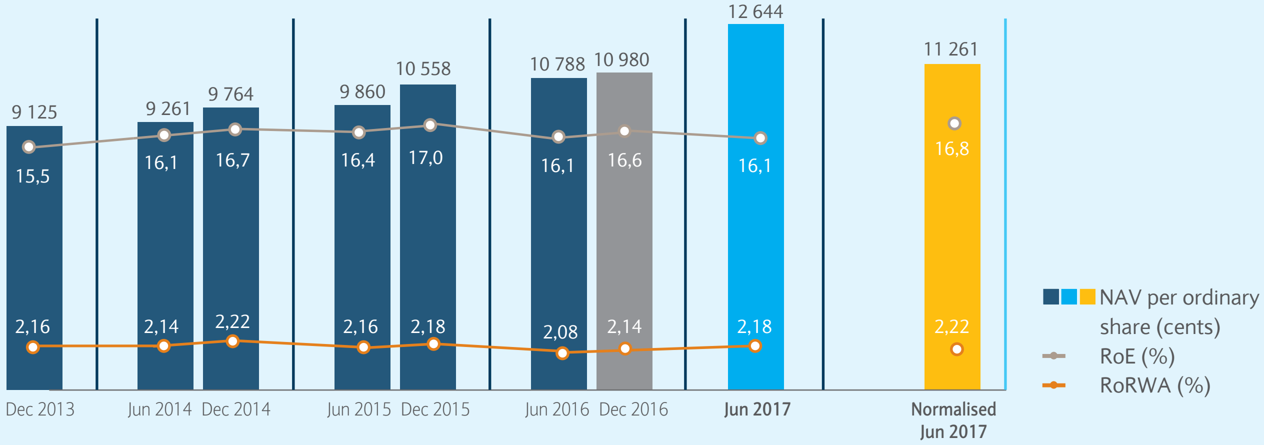
Depreciation and **amortisation on the afore-mentioned projects**

Transitional service payments to Barclays PLC

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 %)



Normalised Group performance overview

Consolidated normalised salient features

	30 June 2017	30 June 2016	Change %	31 December 2016
Statement of comprehensive income (Rm)				
Income	**36 040**	36 508	(1)	72 394
Operating expenses	**20 038**	19 487	3	39 956
Profit attributable to ordinary equity holders	**7 781**	7 019	11	14 708
Headline earnings	**7 770**	7 252	7	14 980
Statement of financial position				
Total assets (Rm)	**1 126 057**	1 142 469	(1)	1 101 023
Financial performance (%)				
Return on equity (RoE)	**16,8**	16,1		16,6
Return on average assets (RoA)	**1,40**	1,29		1,34
Return on risk-weighted assets (RoRWA)	**2,22**	2,08		2,14
Operating performance (%)				
Net interest margin on average interest-bearing assets	**4,93**	5,01		4,95
Non-interest income as percentage of total income	**42,3**	42,2		42,0
Cost-to-income ratio	**55,6**	53,4		55,2
Jaws	**(4,11)**	5,11		1,64
Effective tax rate	**27,7**	28,3		26,9
Share statistics (million)				
Number of ordinary shares in issue	**847,8**	847,8		847,8
Number of ordinary shares in issue (excluding treasury shares)	**847,1**	846,9		846,7
Weighted average number of ordinary shares in issue	**846,5**	846,5		846,5
Diluted weighted average number of ordinary shares in issue	**846,7**	846,5		846,6
Share statistics (cents)				
Headline earnings per ordinary share	**917,9**	856,7	7	1 769,6
Diluted headline earnings per ordinary share	**917,7**	856,7	7	1 769,4
Basic earnings per ordinary share	**919,2**	829,2	11	1 737,5
Diluted basic earnings per ordinary share	**919,0**	829,2	11	1 737,3
Dividend cover (times)	**1,9**	1,9	—	1,7
NAV per ordinary share	**11 261**	10 788	4	10 980
Tangible NAV per ordinary share	**10 823**	10 359	4	10 501
Capital adequacy (%)				
Barclays Africa Group Limited	**14,5**	14,6		14,8
Absa Bank Limited	**15,2**	14,0		15,1
Common Equity Tier 1 (%)				
Barclays Africa Group Limited	**12,1**	12,1		12,1
Absa Bank Limited	**11,9**	10,8		11,6

Normalised Group performance overview

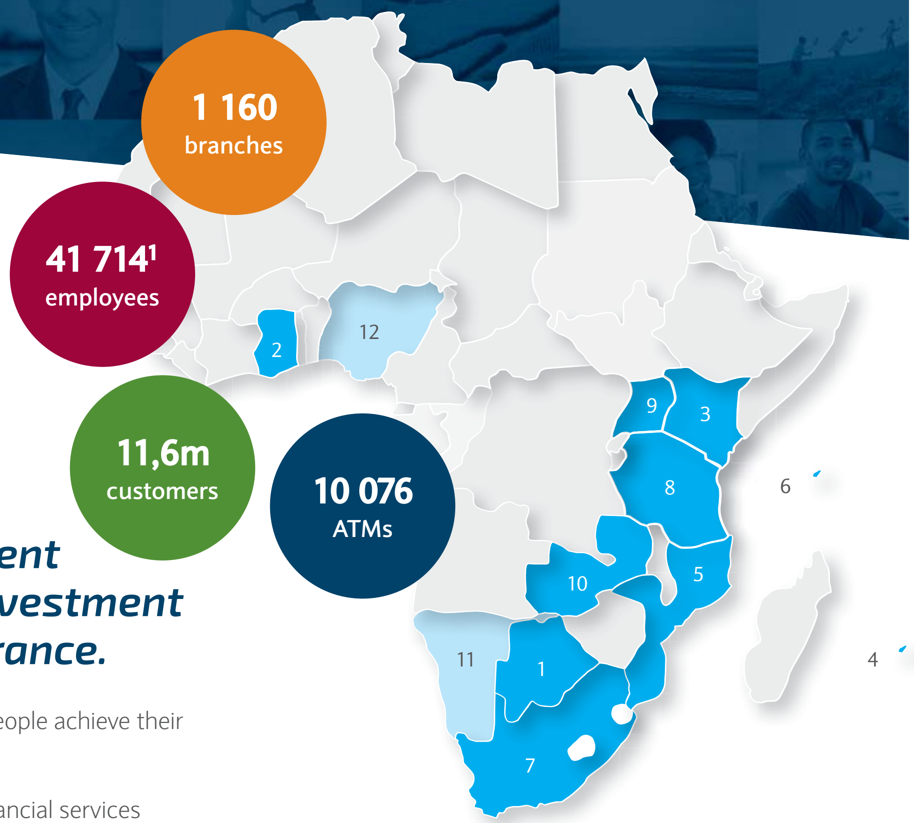
Reconciliation of normalised to IFRS results	Total Group normalised performance 2017	Barclays separation 30 June 2017	IFRS Group performance 2017
Statement of comprehensive income (Rm)			
Net interest income	20 791	46	20 837
Non - interest income	15 249	238	15 487
Total income	36 040	284	36 324
Impairment losses on loans and advances	(3 773)	—	(3 773)
Operating expenses	(20 038)	(460)	(20 498)
Other operating expenses	(716)	(325)	(1 041)
Operating profit before income tax	11 513	(501)	11 012
Tax expenses	(3 191)	111	(3 080)
Profit for the reporting period	8 322	(390)	7 932
Profit attributable to:			
Ordinary equity holders	7 781	(390)	7 391
Non-controlling interest – ordinary shares	361	—	361
Non-controlling interest – preference shares	180	—	180
	8 322	(390)	7 932
Headline earnings	7 770	(152)	7 618
Operating performance (%)			
Net interest margin on average interest-bearing assets	4,93	n/a	4,93
Credit loss ratio on gross loans and advances to customers and banks	0,96	n/a	0,96
Non-interest income as % of total income	42,3	n/a	42,6
Income growth	(1)	n/a	(1)
Operating expenses growth	3	n/a	5
Cost-to-income ratio	55,6	n/a	56,4
Statement of financial position (Rm)			
Loans and advances to customers	728 985	—	728 985
Loans and advances to banks	63 451	—	63 451
Investment securities	115 834	—	115 834
Other assets	217 787	11 819	229 606
Total assets	1 126 057	11 819	1 137 876
Deposits due to customers	696 362	—	696 362
Debt securities in issue	140 192	—	140 192
Other liabilities	184 887	104	184 991
Total liabilities	1 021 441	104	1 021 545
Equity	104 616	11 715	116 331
Total equity and liabilities	1 126 057	11 819	1 137 876
Financial performance (%)			
RoRWA	2,22	n/a	2,18
RoA	1,40	n/a	1,37
RoE	16,8	n/a	16,1
Dividend cover (times)	1,9	n/a	1,9
Capital adequacy	14,5	n/a	16,1
Common Equity Tier 1	12,1	n/a	13,7

Barclays separation financial results

'Net interest income' includes the endowment benefit received on the Barclays PLC investment, while foreign exchange hedging gains linked to the separation activities have been disclosed as 'non-interest income'. 'Operating expenses' includes R460m professional fees, information technology costs, marketing and salary costs incurred during the reporting period. 'Other operating expenses' reflects the impairment of an intangible asset utilised by CIB.

This page has been left blank intentionally

Barclays Africa, a strong African franchise...



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

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

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

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

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

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

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

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

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

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

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

	Branches	ATMs	Customers	Employees[1]
1 Botswana	34	111	262 506	1 207
2 Ghana	62	170	351 339	1 110
3 Kenya	98	216	519 230	2 626[2]
4 Mauritius	19	39	75 421	761
5 Mozambique	48	108	287 729	941
6 Seychelles	8	20	16 947	232
7 South Africa	736	8 937	9 300 000	31 234
8 Tanzania BBT[2]	18	52	51 721	510
8 Tanzania NBC[3]	51	230	432 725	1 234
9 Uganda	39	71	132 154	898
10 Zambia	47	122	208 215	961

Barclays Africa representative offices

11 Namibia

12 Nigeria

[1] Includes permanent and temporary employees.
[2] Barclays Bank Tanzania.
[3] National Bank of Commerce.

…delivering our One Africa strategy.

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

We continue our journey to distinguish ourselves …

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

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

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

Driving change through four strategic themes …

African opportunity

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

Customer and client experience

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

Simplify and accelerate

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

Powered by people and technology

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

By focusing on …

African opportunity

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

Customer and client experience

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

Simplify and accelerate

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

Powered by people and technology

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

Measured against our medium-term targets …

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

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

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

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

While building the Group of the future …

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

Consolidated salient features

	30 June 2017	30 June 2016	Change %	31 December 2016
Statement of comprehensive income (Rm)				
Income	**36 324**	36 508	(1)	72 394
Operating expenses	**20 498**	19 487	5	39 956
Profit attributable to ordinary equity holders	**7 391**	7 019	5	14 708
Headline earnings	**7 618**	7 252	5	14 980
Statement of financial position				
Loans and advances to customers (Rm)	**728 985**	715 209	2	720 309
Total assets (Rm)	**1 137 876**	1 142 469	(0)	1 101 023
Deposits due to customers (Rm)	**696 362**	676 968	3	674 865
Loans to deposits and debt securities ratio (%)	**87,1**	87,1		88,4
Financial performance (%)				
Return on equity (RoE)	**16,1**	16,1		16,6
Return on average assets (RoA)	**1,37**	1,29		1,34
Return on risk-weighted assets (RoRWA)	**2,18**	2,08		2,14
Non-performing loans (NPLs) ratio on gross loans and advances	**3,73**	3,84		3,94
Operating performance (%)				
Net interest margin on average interest-bearing assets[1]	**4,93**	5,01		4,95
Credit loss ratio on gross loans and advances to customers and banks	**0,96**	1,29		1,08
Non-interest income as a percentage of total income	**42,6**	42,2		42,0
Cost-to-income ratio	**56,4**	53,4		55,2
Jaws	**(5,69)**	5,11		1,64
Effective tax rate	**28,0**	28,3		26,9
Share statistics (million)				
Number of ordinary shares in issue	**847,8**	847,8		847,8
Number of ordinary shares in issue (excluding treasury shares)	**847,1**	846,9		846,7
Weighted average number of ordinary shares in issue	**846,5**	846,5		846,5
Diluted weighted average number of ordinary shares in issue	**846,7**	846,5		846,6
Share statistics (cents)				
Headline earnings per ordinary share	**899,9**	856,7	5	1 769,6
Diluted headline earnings per ordinary share	**899,7**	856,7	5	1 769,4
Basic earnings per ordinary share	**873,1**	829,2	5	1 737,5
Diluted basic earnings per ordinary share	**872,9**	829,2	5	1 737,3
Dividend per ordinary share relating to income for the reporting period	**475**	460	3	1 030
Dividend cover (times)	**1,9**	1,9	—	1,7
NAV per ordinary share	**12 644**	10 788	17	10 980
Tangible NAV per ordinary share	**12 206**	10 359	18	10 501
Capital adequacy (%)				
Barclays Africa Group Limited	**16,1**	14,6		14,8
Absa Bank Limited	**17,4**	14,0		15,1
Common Equity Tier 1 (%)				
Barclays Africa Group Limited	**13,7**	12,1		12,1
Absa Bank Limited	**14,1**	10,8		11,6

Note

[1] The Group changed its definition of “Interest-bearing assets and liabilities” to only include assets and liabilities that generate “Net interest income”. This resulted in certain inter-group assets and liabilities being excluded from “Interest-bearing assets and liabilities” as these generate “Non-interest income”. Consequently, interest-bearing assets and liabilities have been restated for 30 June 2016 and 31 December 2016.

Consolidated salient features by segment

	30 June 2017	30 June 2016[1]	Change %	31 December 2016[1]
Headline earnings (Rm)				
South Africa Banking	**5 969**	5 612	6	11 678
RBB South Africa	**4 205**	4 611	(9)	8 822
CIB South Africa	**1 764**	1 001	76	2 856
Rest of Africa Banking	**1 512**	1 266	19	2 756
WIMI	**574**	621	(8)	1 258
Head Office, Treasury and other operations in South Africa	**(285)**	(247)	15	(712)
Barclays separation	**(152)**	—	100	—
Return on average risk-weighted assets (%)				
South Africa Banking	**2,39**	2,32		2,38
RBB South Africa	**2,68**	2,95		2,81
CIB South Africa	**1,91**	1,16		1,61
Rest of Africa Banking	**1,91**	1,47		1,64
Return on regulatory capital (%)				
South Africa Banking	**20,8**	20,2		20,9
RBB South Africa	**22,8**	25,5		24,4
CIB South Africa	**17,1**	10,3		14,4
Rest of Africa Banking[2]	**17,4**	13,5		15,1
WIMI[3]	**19,3**	21,1		21,7
Credit loss ratio (%)				
South Africa Banking	**0,91**	1,28		1,03
RBB South Africa	**1,28**	1,43		1,33
CIB South Africa	**0,18**	0,97		0,44
Rest of Africa Banking	**1,38**	1,68		1,62
WIMI	**0,09**	(0,05)		0.13
Loans and advances to customers (Rm)				
South Africa Banking	**643 851**	626 370	3	636 154
RBB South Africa	**439 167**	433 165	1	434 139
CIB South Africa	**204 684**	193 205	6	202 015
Rest of Africa Banking	**78 938**	81 874	(4)	77 877
WIMI	**5 485**	5 895	(7)	5 660
Head Office, Treasury and other operations in South Africa	**711**	1 070	(34)	618
Deposits due to customers (Rm)				
South Africa Banking	**472 999**	452 539	5	460 080
RBB South Africa	**289 695**	276 123	5	286 297
CIB South Africa	**183 304**	176 416	4	173 783
Rest of Africa Banking	**119 996**	123 162	(3)	111 993
WIMI	**4 904**	4 925	(0)	5 144
Head Office, Treasury and other operations in South Africa	**98 463**	96 342	2	97 648
Off-statement of financial position (Rbn)				
Assets under management and administration	**295**	284	4	288
Exchange traded funds	**31**	36	(14)	28
Money market	**63**	59	7	64
Non-money market	**209**	197	6	204
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 Rest of Africa Banking consists primarily of a set of legal entities, the denominator in the RoRC for the Rest of Africa Banking calculation is the sum of the average equity of the legal entities.

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 including the regulatory capital (RC) contribution for the Wealth division.

This page has been left blank intentionally

Profit and dividend announcement

Salient features

- Barclays Africa Group disclosed IFRS financial results together with a normalised view, which adjusts for the financial consequences of separating from Barclays PLC.
- Diluted HEPS increased 5% to 899,7 cents, while normalised diluted HEPS grew 7% to 917,7 cents.
- Declared a 3% higher interim DPS of 475 cents.
- South Africa Banking headline earnings grew 6% to R6,0bn, Rest of Africa Banking rose 19% to R1,5bn and WIMI decreased 8% to R0,6bn.
- RoE stable at 16,1%, while normalised RoE increased to 16,8%.
- Normalised revenue decreased 1% to R36,0bn and operating expenses grew 3% to R20,0bn.
- Normalised pre-provision profit declined 6% to R16,0bn.
- Credit impairments fell 27% to R3,8bn, resulting in a 0,96% credit loss ratio from 1,29%.
- Barclays Africa Group Limited's normalised common equity tier 1 (CET1) ratio of 12,1% remains above regulatory requirements and our board target range.
- NAV per ordinary share rose 17% to 12 644 cents, or 4% to 11 261 cents on a normalised basis.

Introduction of normalised reporting

With the process of separating from Barclays PLC under way, including receipt of the R12bn settlement contribution from Barclays PLC in June 2017, Barclays Africa Group Limited (BAGL) has presented reporting both IFRS compliant financial results and a normalised view. The latter adjusts for the consequences of the separation and better reflects the Group's underlying performance. It will present normalised results for all future periods where the financial impact of separation is considered to be material. Normalisation will adjust for the following items: endowment income on Barclays PLC's R12bn separation contribution (1H17: R46m); hedging revenue linked to separation activities (1H17: R238m); operating expenses (1H17: R460m) such as change spend, including depreciation, amortisation and impairment (1H17: R325m on Barclays.Net), and Transitional Services Agreement costs; plus the tax impact of the aforementioned (1H17: R111m). In total, these adjustments added R152m to normalised group headline earnings during the period under review. Since normalisation occurs at a group level, it does not affect divisional disclosures.

Overview of results

On a normalised basis, BAGL's headline earnings grew 7% to R7 770m from R7 252m and diluted HEPS rose 7% to 917,7 cents from 856,7 cents. The Group's normalised RoE increased to 16,8% from 16,1% and its return on assets increased to 1,40% from 1,29%. Net interest income and non-interest income both declined 1%. The Group's net interest margin (on average interest-bearing assets) reduced to 4,93% from 5,01%. Loans and advances to customers grew 2% to R729bn, while deposits due to customers increased 3% to R696bn. With operating expenses increasing 3%, the normalised cost-to-income ratio increased to 55,6% from 53,4%, and pre-provision profit decreased 6% to R16,0bn. Rand strength reduced the Group's revenue by 3% and headline earnings by 4%. In constant currency, pre-provision profit declined 3%. Credit impairments fell 27% to R3,8bn, resulting in a 0,96% credit loss ratio from 1,29%. The ratio of NPLs to gross loans and advances improved to 3,7% from 3,8%, and portfolio provisions increased to 76 basis points (bps) of performing loans from 72 bps. The Group's NAV per share increased 4% to 11 261 cents on a normalised basis.

Excluding normalisation, BAGL's headline earnings increased 5% to R7 618m from R7 252m and diluted HEPS rose 5% to 899,7 cents. The Group's RoE was stable at 16,1% and its return on assets increased to 1,37% from 1,29%. Net interest income declined 1% and non-interest income was flat, resulting in 1% lower total revenue. Operating expenses grew 5%, increasing the cost to income ratio to 56,4% from 53,4%, and pre-provision profit decreased 7% to R15,8bn. The Group's NAV per share increased 17% to 12 644 cents, reflecting Barclays PLC's R12bn separation contribution in equity.

South African Banking headline earnings increased 6% to R5 969m. Within this, RBB SA headline earnings fell 9% due to negative operating Jaws. Retail Banking fell 10% to R3 092m, while Business Banking decreased 5% to R1 113m. CIB grew 76%, given 81% lower credit impairments. Corporate rose 35% to R558m and Investment Banking increased 105% to R1 206m. Rest of Africa Banking headline earnings grew 19%, or 50% in constant currency. RBB Rest of Africa declined 18% to R336m as a result of the strong Rand, while CIB Rest of Africa rose 30%, reflecting positive operating Jaws and lower credit impairments. WIMI's headline earnings decreased 8% to R574m, largely due to higher claims on two natural disasters.

South Africa's headline earnings grew 2% to R6 149m, and Rest of Africa rose 19% to R1 469m, to account for 19% of group earnings from 17%.

Operating environment

The global economy and markets were generally well supported in the first half. US monetary policy continued on its gradually tightening trajectory, and the evolution of the UK's new relationship with the EU remained at an early stage.

South Africa's economy shrank 0,7% on an annualised basis in the first quarter, pulling the economy into recession. Credit rating agencies downgraded South Africa's sovereign ratings in response to this economic slowdown, concerns over governance and financial performance in state-owned enterprises, and greater uncertainty in economic policy. Though there is evidence of agriculture recovering in many parts of the country from the drought conditions that persisted in late 2015 and much of 2016, other sectors of the economy are taking strain. Household incomes are under pressure, with a poor job market and weak consumer confidence contributing to weak underlying demand. Business sector surveys continue to point to very weak confidence and a concern over the lack of clarity on economic policy. The prime rate was flat in the first half, as the Reserve Bank balanced a better inflation outlook with concern of the potential that the downgrade of the country's credit ratings could trigger higher inflation. Economic performance in the Group's presence markets in the rest of Africa was mixed, with generally improving outcomes in countries like Ghana, Mozambique and Uganda and somewhat weaker trends in countries like Kenya, Zambia and Botswana.

Profit and dividend announcement

Group performance

Statement of financial position

Total assets decreased marginally to R1 138bn at 30 June 2017, due to 24% lower loans and advances to banks. On a normalised basis, excluding the R12bn contribution from Barclays PLC, total assets declined 1% to R1 126bn.

Loans and advances to customers

Net loans and advances to customers increased 2% to R729bn, or 3% on a constant currency basis. South African Banking loans rose 3% to R644bn. Retail Banking South Africa's loans grew 1% to R377bn, reflecting 6% growth in Vehicle and Asset Finance (VAF) and 3% higher Personal Loans, while Home Loans and Card declined 1% and 3% respectively. Business Banking South Africa's loans rose 7% to R62bn. CIB South Africa's loans grew 6% to R205bn. Rest of Africa Banking loans decreased 4% to R79bn, despite increasing 8% in constant currency.

Funding

The Group's liquidity position remains strong. Deposits due to customers grew 3% to R696bn. The Group's loans to deposit and debt securities was flat at 87,1%. Deposits due to customers constituted 78,6% of total funding from 75,2%, due to a reduction in deposits from banks. Retail Banking South Africa maintained its leading market share and increased deposits 7% to R181bn. Business Banking South Africa's deposits grew 2% to R109bn. CIB's deposits grew 4% to R183bn, including 8% higher cheque account deposits. Rest of Africa Banking deposits decreased 3% to R120bn, despite increasing 9% in constant currency including CIB growing 14%.

Net asset value

The Group's NAV rose 17% to R107bn and its NAV per share grew 17% to 12 644 cents. On a normalised basis, both increased 4%. During the half it generated profits of R7,4bn, from which it paid R4,8bn in ordinary dividends. Its foreign currency translation reserve reduced from R2,4bn to R1,8bn.

Capital to risk-weighted assets

Group risk-weighted assets (RWAs) increased 4% to R725bn at 30 June 2017, due to increased credit risk RWAs. The Group remains well capitalised, comfortably above minimum regulatory requirements. The Group's CET1 and Tier 1 capital adequacy ratios were 13,7% and 14,0% respectively (from 12,1% and 12,6%). On a normalised basis, its CET1 was 12,1%. The Group generated 1,0% of CET1 capital internally during the period. Its total normalised capital adequacy ratio was 14,5%. Declaring a 3% higher DPS of 475 cents on a dividend cover of 1,9 times took into account the difficult and volatile macro economy, the Group's strong capital position, internal capital generation, strategy and growth plans.

Statement of comprehensive income

Net interest income

Net interest income decreased 1% to R20 837m (or R20 791m on a normalised basis) from R21 093m, while average interest-bearing assets grew 1%. Normalised net interest income grew 3% in constant currency, excluding the impact of the strong Rand.

The Group's net interest margin (to average interest-bearing assets) narrowed to 4,93% from 5,01%. Loan pricing had a 5 bps negative impact, primarily due to the impact of lower National Credit Act (NCA) caps on unsecured retail portfolios in South Africa and suspended interest on NPL. Loan composition reduced the Group's margin by 3 bps, due to a higher proportion of CIB loans.

The Group's deposit margin declined 1 bp, as higher wholesale liquidity premiums and the negative mix impact of increased wholesale funding offset improved pricing in Business Banking and Corporate.

Higher South African interest rates resulted in a 7 bps greater endowment benefit on deposits and equity. Despite releasing R97m to the income statement, the benefit from structural hedging declined 3 bps. Rest of Africa reduced the Group margin by 4 bps, reflecting regulatory caps in Kenya and its lower weighting in the overall composition due to the stronger Rand.

South Africa's net interest margin narrowed to 4,47% from 4,50% and Rest of Africa's decreased to 7,15% from 7,29%.

Non-interest income

Non-interest income was largely flat at R15 487m from R15 415m to account for 43% of total revenue. On a normalised basis, excluding a R238m separation-related hedging gain, non-interest income declined 1% to R15 249m. On a constant currency basis, normalised non-interest income increased 1%.

Net fee and commission income grew 3% to R10 618m, which represented 68% of total non-interest revenue. Electronic banking fees and commissions increased 3% to R2 512m and cheque accounts rose 11% to R2 391m. Credit cards fees and commissions fell 1% to R1 256m and savings accounts decreased 4% to R1 067m. Card merchant income grew 5% to R889m. Investment, markets execution and investment banking fees increased 195% to R357m. Retail Banking South Africa fees and commissions increased 3% to R6 128m.

Net trading declined 2% to R2 646m, reflecting a reduction in South Africa trading revenue and the effect of the strong Rand.

Within other operating income, there was a R320m foreign currency translation reserve gain from the group's London branch in the first half of 2016, which did not recur. This item was excluded from headline earnings.

Group performance *(continued)*

Statement of comprehensive income *(continued)*

Non-interest income *(continued)*

South Africa Banking's non-interest income grew 3% to R10 452m, 69% of the Group total. Retail Banking South Africa increased 4% to R6 512m, as Transactional and Deposits grew 2% and Card 3%, including 10% growth in acquiring volumes. Business Banking's non-interest income grew 4% to R1 832m, composed of 9% growth excluding equities and 48% lower equities non-interest income due to reduced revaluation gains in the portfolio. CIB South Africa was flat at R2 108m, with Corporate up 16% and the Investment Bank down 6% due to lower Markets revenue.

Rest of Africa Banking's non-interest income declined 7% to R2 469m due to the strong Rand, which outweighed 9% growth in constant currency. CIB Rest of Africa increased 3% to R1 214m, or 21% in constant currency, given strong growth in trading revenue. RBB Rest of Africa fell 14% to R1 257m, or by 1% in constant currency, due to lower fees on transactional accounts.

WIMI's non-interest revenue was flat at R2 509m, despite Life Insurance net premium income growing 5%, as Short-term Insurance net premium income declined 9%.

Non-interest income in South Africa grew 2% to R12 828m, or 83% of the total, while Rest of Africa fell 5% to R2 659m, despite growing 10% in constant currency.

Impairment losses on loans and advances

Group credit impairments decreased 27% to R3 773m from R5 197m, producing a 0,96% credit loss ratio from 1,29% of customer loans and loans to banks. Credit impairments included collection costs of R142m.

Group NPLs decreased 4% to R30 252m, or 3,7% of gross loans and advances from 3,8% (and 3,9% at 31 December 2016). Total NPL coverage was largely flat at 43,5% from 43,8%. Total balance sheet provisions decreased 2% to R19 067m. Portfolio provisions increased 4% to R5 908m, constituting 0,76% of total performing loans from 0,72%. This includes 11% higher macroeconomic impairments of R1 457m.

South Africa Banking credit impairments decreased 28% to R3 124m, resulting in a 0,91% credit loss ratio from 1,28%. RBB South Africa's charge fell 9% to R2 911m.

Retail Banking credit impairments declined 6% to R2 716m, improving its credit loss ratio to 1,39% from 1,48%. Home Loans' charge reduced 8% to R466m, a 0,41% credit loss ratio from 0,44%. Mortgage NPL cover reduced to 20,9% from 21,9%, reflecting an improved legal portfolio construct, while its performing loan portfolio provision was flat at 0,55%. Vehicle and Asset Finance's credit impairments decreased 6% to R477m, reducing its credit loss ratio to 1,01% from 1,13%. Card credit impairments decreased 12% to R1 141m, due to a reduction in the store card book and lower early arrears, resulting in a 5,38% credit loss ratio from 5,95%. Personal Loans credit impairments rose 10%, reflecting stricter write off criteria which increased its credit loss ratio to 6,23% from 5,85%.

Business Banking South Africa credit impairments fell 41% to R195m, reflecting lower early arrears across all its portfolios and improved collection capabilities. Its credit loss ratio decreased to 0,62% from 1,12%.

CIB South Africa credit impairments decreased 81% to R213m from R1 101m. The first half 2016 base included two large single name exposures and increased portfolio provisions. Its credit loss ratio reduced to 0,18% from a high prior year base of 0,97%. CIB's watchlists continue to improve, with reduced early and late stage arrears.

Rest of Africa Banking credit impairments decreased 31%, or 21% in constant currency, to R638m from R928m. Its credit loss ratio decreased to 1,38% from 1,68%. RBB Rest of Africa's charge fell 19%, or 6% in constant currency, to R522m reflecting an improved portfolio construct and increased focus on collections. CIB Rest of Africa's credit impairments decreased 59%, or 54% in constant currency, off a high base that included an adjustment to emergence periods and some specific exposures.

Operating expenses

Group operating expenses grew 5% to R20 498m from R19 487m, resulting in a 56,4% cost-to-income ratio from 53,4%. On a normalised basis, excluding R460m of separation-related costs, expenses increased 3% to R20 038m and the cost-to-income ratio was 55,6%. Normalised operating expenses increased 6% in constant currency, adjusting for the stronger Rand.

Staff costs grew 4% and accounted for 55% of total expenses. Salaries rose 3% or 5% in constant currency excluding Barclays PLC separation costs. Bonuses increased 13%, while deferred cash and share-based payments grew 24% as new schemes were introduced.

Non-staff costs grew 6%, with property-related costs flat at R1 654m and depreciation up 14% to R937m. Total IT spend grew 7% to R3 836m and constituted 19% of Group expenses. Professional fees increased 23% to R1 015m, due entirely to separation-related consultancy and IT development costs, since business as usual professional fees fell 5%. Marketing grew 29% to R785m, including an element of separation costs, plus retail product campaigns and the Group's Shared Growth initiative. Amortisation of intangible assets increased 11% due to investment in digital, data and automation capabilities.

South Africa Banking costs grew 6% to R14 435m. RBB South Africa increased 7%, reflecting continued investment in frontline staff, marketing campaigns and retail product launches, and in digital and channels. CIB South Africa expenses grew below inflation at 4%, as efficiency initiatives allowed continued investment in technology, which increased 15%.

Group performance *(continued)*

Statement of comprehensive income *(continued)*

Operating expenses *(continued)*

Rest of Africa Banking expenses decreased 11% due to the strong Rand. Its costs increased 3% in constant currency, with CIB growing 8% and RBB rising 2%. Rest of Africa Banking's cost-to-income ratio improved from 58,9% to 55,8%, which is similar to the 55,0% of South Africa Banking.

Other expenses decreased 12% to R1 120m, reflecting 40% lower 'other impairments' to R376m and 15% higher indirect taxation of R744m. On a normalised basis, other expenses decreased 38%, excluding a R325m computer software impairment on Barclays.Net, which the Group will no longer use following the separation from Barclays PLC.

Taxation

The Group's taxation expense increased 3% to R3 080m, slightly less than the 4% growth in pre-tax profit, resulting in a 28,0% effective tax rate from 28,3%. Adjusting for the R111m effect of separation, taxation rose 6% to R3 191m on a normalised basis.

Segment performance

The Group's segmental disclosure has changed to align with how the banking operations are now run along geographic rather than divisional lines.

South Africa Banking

Headline earnings grew 6% to R5 969m, due to 28% lower credit impairments, as its pre-provision profit declined 5% to R11 795m. Revenue grew 1% to R26 230m, with non-interest income increasing 3%. Costs grew 6% to R14 435m, which increased the cost-to-income ratio to 55,0% from 52,3%. The credit loss ratio improved to 0,91% from 1,28%, as all the divisions improved. South Africa Banking constituted 74% of total normalised headline earnings (excluding the Group centre) and generated an RoRC of 20,8%.

Retail Banking South Africa

Headline earnings decreased 10% to R3 092m, as pre-provision profits declined 7%, partially offset by 6% lower credit impairments. Transactional and Deposits earnings dropped 14% to R1 204m, given negative operating Jaws as costs grew 11%. Home Loans' earnings fell 9% to R764m, largely due to 5% lower net interest income as loans declined 1% and its margin narrowed because of increased interest suspended. Card earnings decreased 7%, reflecting 3% lower loans and margin compression as a result of the reduced NCA caps.

Vehicle and Asset Finance earnings rose 5%, largely due to 6% loan growth and 6% lower credit impairments. Personal Loans earnings fell 16%, given 10% higher credit impairments and margin pressure due to the NCA caps. Retail Banking South Africa accounted for 38% of total earnings, excluding the Group centre.

Business Banking South Africa

Headline earnings declined 5% to R1 113m, due to negative operating Jaws. Higher funding costs reduced net interest income and costs grew 9%, reflecting continued investment in frontline staff and systems. Credit impairments dropped 41%. Business Banking South Africa generated 14% of overall earnings excluding the Group centre.

CIB South Africa

Headline earnings increased 76% to R1 764m, largely due to an 81% reduction in credit impairments off a high base. Pre-provision profits grew 6% as 5% revenue growth exceeded 4% higher costs. Corporate earnings grew 35% to R558m due to 11% revenue growth and 54% lower credit impairments. Investment Bank earnings increased 105% to R1 206m, largely due to 83% lower credit impairments. CIB South Africa accounted for 22% of total earnings excluding the Group centre.

Rest of Africa Banking

Headline earnings grew 19%, or 50% in constant currency, to R1 512m, due to positive operating Jaws and 31% lower credit impairments. Pre-provision profit increased 1%, or 20% in constant currency, to R3 391m. Revenue fell 6% to R7 670m, masking 10% growth in constant currency. While costs fell 11% to R4 279m, it increased 3% in constant currency, still well below inflation across the portfolio. Its cost-to- income ratio declined to 55,8% from 58,9%. Credit impairments fell 31% to R638m, resulting in a 1,38% credit loss ratio from 1,68%. Rest of Africa Banking accounted for 19% of total earnings excluding the Group centre and generated a 17,4% RoE from 13,5%.

RBB Rest of Africa

Headline earnings fell 18% to R336m, although it increased 5% in constant currency. Revenue declined 15%, or 1% in constant currency reflecting margin pressure due to regulatory changes in Kenya and 12% lower loans (down 1% in constant currency). Costs fell 12% (increased 2% in constant currency), resulting in a 70,9% cost-to-income ratio from 68,9%. Credit impairments decreased 19% (6% in constant currency), improving its credit loss ratio to 2,49% from 2,72%. RBB Rest of Africa contributed 4% of total earnings excluding the Group centre.

CIB Rest of Africa

Headline earnings grew 30% to R1 206m, or 60% in constant currency. Revenue grew 9% (or 28% in constant currency) to exceed 6% lower costs (up 8% in constant currency) and produced 19% higher pre-provision profits. Its cost-to-income ratio fell to 35,0% from 40,5%. Credit impairments dropped 59% (54% in constant currency), resulting in a 0,60% credit loss ratio from 1,34%. CIB Rest of Africa contributed 15% of total earnings excluding the Group centre.

Profit and dividend announcement

WIMI

Headline earnings decreased 8% to R574m, with continuing business lines declining 6%. South African earnings from continuing lines decreased 4% to R616m, while the losses in Rest of Africa increased 48% to R43m. Gross operating income from continuing lines grew 1% to R3 061m, while costs rose 5% to R1 668m. Life insurance earnings were flat at R384m, impacted by a decrease in single premium investment fees, higher claims and new business strain. WIMI's earnings were also flat at R234m, although its assets under management grew 4% to R295bn. Short-term insurance earnings in South Africa declined 15% to R82m, reflecting claims on two natural disasters. Excluding these events, its underwriting margin improved to 7,4%. WIMI's return on equity declined to 19,3% from 21,1% and it generated 7% of total earnings excluding the Group centre..

Prospects

The economic cycle is currently more consistent across major economies than it has been for some time, providing some confidence that the favourable global economic backdrop is likely to continue in the near term. For 2017 as a whole the global economy is expected to grow by 3,8%, slightly faster than in recent years.

We have cut our GDP growth forecast for South Africa to just 0,3% in 2017, on a par with 2016's outcome. Inflation, already well within the Reserve Bank's target, is likely to moderate further as the weak economic environment heightens price competition among retailers and a bumper harvest in staple commodities helps bring food inflation down further. Responding to this combination of a weaker economy and a more comfortable inflation performance, the prime rate was reduced by 25 bps in July, the first rate cut in five years. We currently see potential for another 25 bps rate cut in September, which our structural hedging programme will provide some protection against. Key risks facing South Africa in the second half include heightened political and policy uncertainty in the run up to the ruling party's December elective conference, the potential for the country's sovereign credit rating to be downgraded further, and for weak business and consumer confidence to lead to a longer, more protracted recession. For the Group's Rest of Africa economies the outlook looks somewhat stronger and for the full year GDP is expected to expand by 5,3% in 2017, slightly ahead of 2016's growth.

Against this backdrop, and barring any unforeseen regulatory and macroeconomic developments, we continue to expect low to mid-single digit loan growth, with CIB growing faster than RBB and South Africa below the Rest of Africa in constant currency. The Group's net interest margin is expected to decline slightly this year. Slower revenue growth, in part due to regulatory changes, is likely to produce negative Jaws near-term, despite continued cost management. However, the Group's credit loss ratio should improve in 2017, in part due to the large single name provision in the base, while the reduction in retail early delinquencies in South Africa also bodes well. The Group's CET1 ratio is likely to remain above board targets and its normalised RoE should be broadly similar to 2016's. While separating from Barclays PLC will impact our near-term returns, we still believe that our stated longer-term targets currently remain appropriate for our group. Lastly, we continue to expect that the Group's dividend cover is likely to increase slightly in the medium term.

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 2016, except for the adoption of the own credit exemption of IFRS 9 *Financial instruments*, changes to the Group's operating segments and business portfolios between operating segments, which have been presented in the report overview on the inside front cover.

Events after the reporting period

The directors are not aware of any events after the reporting date of 30 June 2017 and the date of authorisation of these consolidated financial statements (as defined per 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

27 July 2017

Profit and dividend announcement

Declaration of interim ordinary dividend number 62

Shareholders are advised that an interim ordinary dividend of 475 cents per ordinary share was declared on 28 July 2017, for the period ended 30 June 2017. The interim ordinary dividend is payable to shareholders recorded in the register of members of the Company at the close of business on 8 September 2017. The directors of Barclays Africa Group Limited confirm that the Group will satisfy the solvency and liquidity test immediately after completion of the dividend distribution.

The dividend will be subject to local dividends withholding tax at a rate of 20%. In accordance with paragraphs 11.17 (a) (i) to (ix) and 11.17 (c) of the JSE Listings Requirements, the following additional information is disclosed:

- The dividend has been declared out of income reserves.
- The local dividend tax rate is twenty per cent (20%).
- The gross local dividend amount is 475 cents per ordinary share for shareholders exempt from the dividend tax.
- The net local dividend amount is 380 cents per ordinary share for shareholders liable to pay the dividend tax.
- Barclays Africa Group Limited currently has 847 750 679 ordinary shares in issue (includes 680 929 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, 5 September 2017
Shares commence trading ex dividend	Wednesday, 6 September 2017
Record date	Friday, 8 September 2017
Payment date	Monday, 11 September 2017

Share certificates may not be dematerialised or rematerialised between Wednesday, 6 September 2017 and Friday, 8 September 2017, both dates inclusive. On Monday, 11 September 2017, the dividend will be electronically transferred to the bank accounts of certificated shareholders. The accounts of those shareholders who have dematerialised their shares (which are held at their participant or broker) will also be credited on Monday, 11 September 2017.

On behalf of the Board

N R Drutman

Group Company Secretary

Johannesburg

28 July 2017

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

Condensed consolidated statement of comprehensive income

for the reporting period ended

	Note	30 June 2017 Rm	30 June 2016 Rm	Change %	31 December 2016 Rm
Net interest income	2	**20 837**	21 093	(1)	42 003
Interest and similar income		**42 938**	42 559	1	85 114
Interest expense and similar charges		**(22 101)**	(21 466)	3	(43 111)
Non-interest income	3	**15 487**	15 415	0	30 391
Net fee and commission income		**10 618**	10 305	3	20 723
Fee and commission income	3.1	**12 084**	11 859	2	23 972
Fee and commission expense	3.1	**(1 466)**	(1 554)	(6)	(3 249)
Net insurance premium income	3.2	**3 250**	3 516	(8)	6 986
Net claims and benefits incurred on insurance contracts	3.3	**(1 694)**	(1 869)	(9)	(3 691)
Changes in investment and insurance contract liabilities	3.4	**(558)**	(422)	32	(493)
Gains and losses from banking and trading activities	3.5	**3 104**	2 989	4	5 691
Gains and losses from investment activities	3.6	**448**	277	62	51
Other operating income	3.7	**319**	619	(48)	1 124
Total income		**36 324**	36 508	(1)	72 394
Impairment losses on loans and advances	4	**(3 773)**	(5 197)	(27)	(8 751)
Operating income before operating expenditure		**32 551**	31 311	4	63 643
Operating expenditure	5	**(20 498)**	(19 487)	5	(39 956)
Other expenses		**(1 120)**	(1 272)	(12)	(2 120)
Other impairments		**(376)**	(624)	(40)	(690)
Indirect taxation	6	**(744)**	(648)	15	(1 430)
Share of post-tax results of associates and joint ventures		**79**	55	44	115
Operating profit before income tax		**11 012**	10 607	4	21 682
Taxation expense	7	**(3 080)**	(2 997)	3	(5 835)
Profit for the reporting period		**7 932**	7 610	4	15 847
Profit attributable to:					
Ordinary equity holders		**7 391**	7 019	5	14 708
Non-controlling interest – ordinary shares		**361**	423	(15)	788
Non-controlling interest – preference shares		**180**	168	7	351
		7 932	7 610	4	15 847
Earnings per share:					
Basic earnings per share (cents)	1	**873,1**	829,2	5	1 737,5
Diluted basic earnings per share (cents)	1	**872,9**	829,2	5	1 737,3

Condensed consolidated statement of comprehensive income

for the reporting period ended

	30 June 2017 Rm	30 June 2016 Rm	Change %	31 December 2016 Rm
Profit for the reporting period	**7 932**	7 610	4	15 847
Other comprehensive income				
Items that will not be reclassified to profit or loss	**(31)**	(41)	(24)	(220)
Changes in own credit risk on liabilities measured at FVTPL	**(26)**	—	100	—
Fair value losses arising from changes in own credit risk during the reporting period	**(26)**	—	100	—
Movement in retirement benefit fund assets and liabilities	**(5)**	(41)	(88)	(220)
Decrease in retirement benefit surplus	**(6)**	(11)	(45)	(120)
Increase in retirement benefit deficit	**2**	(28)	<(100)	(141)
Deferred tax	**(1)**	(2)	(50)	41
Items that are or may be subsequently reclassified to profit or loss	**(414)**	(641)	(35)	(2 942)
Movement in foreign currency translation reserve	**(675)**	(2 327)	(71)	(4 529)
Differences in translation of foreign operations	**(623)**	(2 007)	(69)	(4 209)
Gains released to profit or loss	**(52)**	(320)	(84)	(320)
Movement in cash flow hedging reserve	**518**	1 568	(67)	1 726
Fair value gains arising during the reporting period	**874**	2 399	(64)	2 721
Amount removed from other comprehensive income and recognised in profit or loss	**(157)**	(221)	(29)	(321)
Deferred tax	**(199)**	(610)	(67)	(674)
Movement in available-for-sale reserve	**(257)**	118	<(100)	(139)
Fair value (losses)/gains arising during the reporting period	**(349)**	130	<(100)	(197)
Release to profit or loss	**18**	—	100	(3)
Deferred tax	**74**	(12)	<(100)	61
Total comprehensive income for the reporting period	**7 487**	6 928	8	12 685
Total comprehensive income attributable to:				
Ordinary equity holders	**7 036**	6 487	8	11 931
Non-controlling interest – ordinary shares	**271**	273	(1)	403
Non-controlling interest – preference shares	**180**	168	7	351
	7 487	6 928	8	12 685

Condensed consolidated statement of financial position

as at

	Note	30 June 2017 Rm	30 June 2016 Rm	Change %	31 December 2016 Rm
Assets					
Cash, cash balances and balances with central banks		**45 078**	47 734	(6)	50 006
Investment securities		**115 834**	101 563	14	114 315
Loans and advances to banks		**63 451**	83 663	(24)	49 789
Trading portfolio assets		**101 554**	111 651	(9)	96 236
Hedging portfolio assets		**2 278**	1 455	57	1 745
Other assets		**36 091**	37 275	(3)	25 542
Current tax assets		**536**	1 714	(69)	894
Non-current assets held for sale		**2 601**	1 623	60	823
Loans and advances to customers	8	**728 985**	715 209	2	720 309
Reinsurance assets		**814**	814	—	985
Investments linked to investment contracts		**19 131**	19 910	(4)	18 816
Investments in associates and joint ventures		**1 144**	1 005	14	1 065
Investment properties		**268**	894	(70)	478
Property and equipment		**15 044**	13 336	13	14 643
Goodwill and intangible assets		**3 714**	3 635	2	4 049
Deferred tax assets		**1 353**	988	37	1 328
Total assets		**1 137 876**	1 142 469	(0)	1 101 023
Liabilities					
Deposits from banks		**49 290**	77 927	(37)	53 192
Trading portfolio liabilities		**42 564**	53 020	(20)	47 429
Hedging portfolio liabilities		**1 478**	2 357	(37)	2 064
Other liabilities		**38 082**	37 085	3	27 696
Provisions		**1 974**	2 126	(7)	3 005
Current tax liabilities		**—**	94	(100)	244
Non-current liabilities held for sale		**114**	9	>100	9
Deposits due to customers	9	**696 362**	676 968	3	674 865
Debt securities in issue	10	**140 192**	144 522	(3)	139 714
Liabilities under investment contracts		**29 918**	28 019	7	29 198
Policyholder liabilities under insurance contracts		**4 495**	4 506	(0)	4 469
Borrowed funds	11	**15 963**	13 548	18	15 673
Deferred tax liabilities		**1 113**	1 613	(31)	1 185
Total liabilities		**1 021 545**	1 041 794	(2)	998 743
Equity					
Capital and reserves					
Attributable to ordinary equity holders:					
Share capital	11	**1 694**	1 694	—	1 693
Share premium	11	**12 868**	4 412	>100	4 467
Retained earnings		**87 799**	78 078	12	81 604
Other reserves		**4 750**	7 180	(34)	5 293
		107 111	91 364	17	93 057
Non-controlling interest – ordinary shares		**4 576**	4 667	(2)	4 579
Non-controlling interest – preference shares		**4 644**	4 644	—	4 644
Total equity		**116 331**	100 675	16	102 280
Total liabilities and equity		**1 137 876**	1 142 469	(0)	1 101 023

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	846 675	1 693	4 467	81 604	5 293
Total comprehensive income	—	—	—	7 360	(324)
Profit for the period	—	—	—	7 391	—
Other comprehensive income	—	—	—	(31)	(324)
Dividends paid	—	—	—	(4 832)	—
Purchase of Group shares in respect of equity-settled share-based payment arrangements	—	—	(525)	26	—
Elimination of the movement in treasury shares held by Group entities	395	1	(14)	—	—
Movement in share-based payment reserve	—	—	525	—	(268)
Transfer from share-based payment reserve	—	—	525	—	(525)
Value of employee services	—	—	—	—	276
Deferred tax	—	—	—	—	(19)
Movement in general credit-risk reserve	—	—	—	30	(30)
Share of post-tax results of associates and joint ventures	—	—	—	(79)	79
Disposal of non-controlling interest[1]	—	—	—	—	—
Barclays separation[2]	—	—	8 415	3 690	—
Balance at the end of the reporting period	847 070	1 694	12 868	87 799	4 750

Notes

1 The Group disposed of its controlling stake in a non-core subsidiary which was classified as held for sale.

2 As part of its divestment, Barclays PLC contributed R12,1 bn in recognition of the investments required for the Group to separate from Barclays PLC. The majority of the contribution meets the definition of a transaction with a shareholder and in terms of IAS 1 *Presentation of Financial Statements*, was recognised in equity on the date that the Group became entitled to the contribution.

30 June
2017

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
757	377	(144)	2 353	6	892	1 052	93 057	4 579	4 644	102 280
—	(313)	518	(529)	—	—	—	7 036	271	180	7 487
—	—	—	—	—	—	—	7 391	361	180	7 932
—	(313)	518	(529)	—	—	—	(355)	(90)	—	(445)
—	—	—	—	—	—	—	(4 832)	(243)	(180)	(5 255)
—	—	—	—	—	—	—	(499)	—	—	(499)
—	—	—	—	—	—	—	(13)	—	—	(13)
—	—	—	—	—	(268)	—	257	(8)	—	249
—	—	—	—	—	(525)	—	—	(8)	—	(8)
—	—	—	—	—	276	—	276	—	—	276
—	—	—	—	—	(19)	—	(19)	—	—	(19)
(30)	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	79	—	—	—	—
—	—	—	—	—	—	—	—	(23)	—	(23)
—	—	—	—	—	—	—	12 105	—	—	12 105
727	64	374	1 824	6	624	1 131	107 111	4 576	4 644	116 331

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	845 725	1 691	4 250	75 785	7 566
Total comprehensive income	—	—	—	6 979	(492)
Profit for the period	—	—	—	7 019	—
Other comprehensive income	—	—	—	(40)	(492)
Dividends paid	—	—	—	(4 648)	—
Purchase of Group shares in respect of equity-settled share-based payment arrangements	—	—	(229)	28	—
Elimination of the 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
Movement in foreign insurance subsidiary regulatory reserve	—	—	—	18	(18)
Share of post-tax results of associates and joint ventures	—	—	—	(55)	55
Acquisition of a subsidiary[1,2]	—	—	66	—	—
Balance at the end of the reporting period	846 871	1 694	4 412	78 078	7 180

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

Notes

1 The excess of the purchase price over the Group's share of net assets of Barclays Africa Limited, acquired on 31 July 2013, was accounted for as a deduction against share premium. The sale and purchase agreement between the Group and Barclays 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 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 which resulted in a R25m increase in non-controlling interest.

30 June 2016

General credit-risk reserve Rm	Available-for-sale reserves Rm	Cash flow hedging reserve Rm	Foreign currency translation reserve Rm	Foreign insurance subsidiary regulatory reserve Rm	Share-based payment reserve Rm	Associates and joint ventures' reserve Rm	Capital and reserves attributable to ordinary equity holders Rm	Non-controlling interest – ordinary shares Rm	Non-controlling interest – preference shares Rm	Total equity Rm
727	560	(1 870)	6 461	22	729	937	89 292	4 711	4 644	98 647
—	82	1 568	(2 142)	—	—	—	6 487	273	168	6 928
—	—	—	—	—	—	—	7 019	423	168	7 610
—	82	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
29	—	—	—	—	—	—	—	—	—	—
—	—	—	—	(18)	—	—	—	—	—	—
—	—	—	—	—	—	55	—	—	—	—
—	—	—	—	—	—	—	66	25	—	91
756	642	(302)	4 319	4	769	992	91 364	4 667	4 644	100 675

31 December 2016

General credit-risk reserve Rm	Available-for-sale reserves Rm	Cash flow hedging reserve Rm	Foreign currency translation reserve Rm	Foreign insurance subsidiary regulatory reserve Rm	Share-based payment reserve Rm	Associates and joint ventures' reserve Rm	Capital and reserves attributable to ordinary equity holders Rm	Non-controlling interest – ordinary shares Rm	Non-controlling interest – preference shares Rm	Total equity Rm
727	560	(1 870)	6 461	22	729	937	89 292	4 711	4 644	98 647
—	(183)	1 726	(4 108)	—	—	—	11 931	403	351	12 685
—	—	—	—	—	—	—	14 708	788	351	15 847
—	(183)	1 726	(4 108)	—	—	—	(2 777)	(385)	—	(3 162)
—	—	—	—	—	—	—	(8 536)	(562)	(351)	(9 449)
—	—	—	—	—	—	—	(421)	—	—	(421)
—	—	—	—	—	—	—	153	—	—	153
—	—	—	—	—	163	—	572	2	—	574
—	—	—	—	—	(409)	—	—	—	—	—
—	—	—	—	—	495	—	495	2	—	497
—	—	—	—	—	37	—	37	—	—	37
—	—	—	—	—	40	—	40	—	—	40
30	—	—	—	—	—	—	—	—	—	—
—	—	—	—	(16)	—	—	—	—	—	—
—	—	—	—	—	—	115	—	—	—	—
—	—	—	—	—	—	—	66	25	—	91
757	377	(144)	2 353	6	892	1 052	93 057	4 579	4 644	102 280

Condensed consolidated statement of cash flows

for the reporting period ended

	Note	30 June 2017 Rm	30 June 2016 Rm	Change %	31 December 2016 Rm
Net cash generated from operating activities		**1 076**	4 701	(77)	6 962
Net cash utilised in investing activities		**(1 455)**	(1 779)	(18)	(4 201)
Net cash generated/(utilised) in financing activities[1]		**6 721**	(5 136)	>(100)	(7 509)
Net increase/(decrease) in cash and cash equivalents		**6 342**	(2 214)	<(100)	(4 748)
Cash and cash equivalents at the beginning of the reporting period	1	**17 734**	21 366	(17)	21 366
Effect of foreign exchange rate movements on cash and cash equivalents		**57**	(198)	>(100)	1 116
Cash and cash equivalents at the end of the reporting period	2	**24 133**	18 954	27	17 734

Notes to the condensed consolidated statement of cash flows

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

	30 June 2017 Rm	30 June 2016 Rm	Change %	31 December 2016 Rm
Cash, cash balances and balances with central banks[2]	**13 141**	12 899	2	12 899
Loans and advances to banks[3]	**4 593**	8 467	(46)	8 467
	17 734	21 366	(17)	21 366

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

	30 June 2017 Rm	30 June 2016 Rm	Change %	31 December 2016 Rm
Cash, cash balances and balances with central banks[2]	**10 924**	10 644	3	13 141
Loans and advances to banks[3]	**13 209**	8 310	59	4 593
	24 133	18 954	27	17 734

Notes

[1] Included in net cash generated by financing activities is R12,1bn that has been received from Barclays PLC in recognition of the investments required for the Group to separate from Barclays PLC.

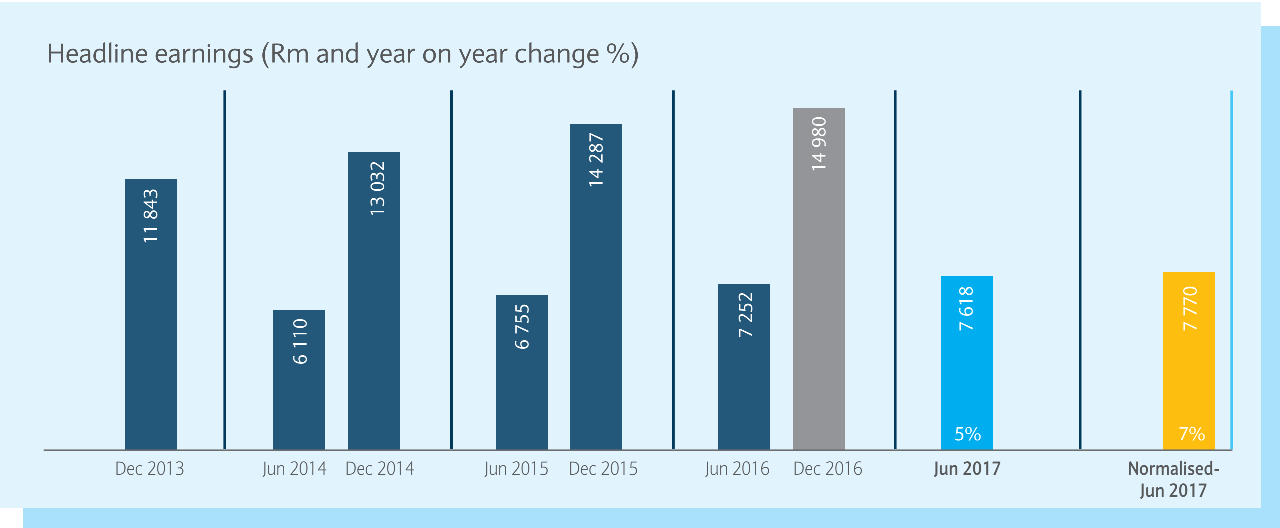
[2] Includes coins and bank notes.

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

Performance indicators and condensed notes to the consolidated financial statements

for the reporting period ended

1. Headline earnings and earnings per ordinary share



	30 June					31 December	
	2017		2016			2016	
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		**7 391**		7 019	5		14 708
Total headline earnings adjustment		**227**		233	(3)		272
IFRS 3 – Goodwill impairment	**—**	**—**	—	—	—	34	34
IFRS 5 – Gains on disposal of non-current asset held for sale	**(7)**	**(5)**	—	—	100	(31)	(25)
IAS 16 – Profit on disposal of property and equipment	**(28)**	**(23)**	(47)	(34)	(32)	(29)	(21)
IAS 21 – Recycled foreign currency translation reserve	**52**	**52**	(320)	(297)	<(100)	(320)	(297)
IAS 28 – Impairment of investments in associates and joint ventures	**—**	**—**	42	34	100	42	34
IAS 36 – Impairment of intangible assets	**376**	**274**	583	583	(53)	618	610
IAS 39 – Release of available-for-sale reserves	**18**	**12**	—	—	100	(3)	(2)
IAS 40 – Change in fair value of investment properties	**(95)**	**(78)**	(65)	(53)	47	(70)	(61)
IAS 40 – Profit on disposal of investment property	**(5)**	**(5)**	—	—	100	—	—
		7 618		7 252	5		14 980

Notable adjustments to headline earnings

- The 'Profit on disposal of property and equipment' in the current and prior reporting period is mainly attributable to the sale of freehold property and equipment.
- The 'Recycled foreign currency translation reserve' in the current reporting period is attributable to a foreign currency distribution which formed part of the permanent capital of a subsidiary disposed of in the CPF Equity portfolio in RBB South Africa. The amount included in the previous reporting period was due to a foreign currency distribution which formed part of the permanent capital of the London branch.
- The 'Impairment of intangible assets' in the current reporting period mainly relates to an internally generated software assets utilised in CIB and WIMI. In the previous reporting period the impairment of intangible assets was incurred in RBB South Africa and Head Office. The impairment in RBB South Africa was mainly due to the impact of the interest rate outlook on the fair value of a purchased customer list. The impairment in Head Office, was due to a decision to fully impair costs spent on our Virtual bank work.
- The 'Change in fair value of investment properties' in the current and previous reporting period mainly relates to Commercial Property Finance in RBB South Africa.

Note

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

Performance indicators and condensed notes to the consolidated financial statements

for the reporting period ended

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

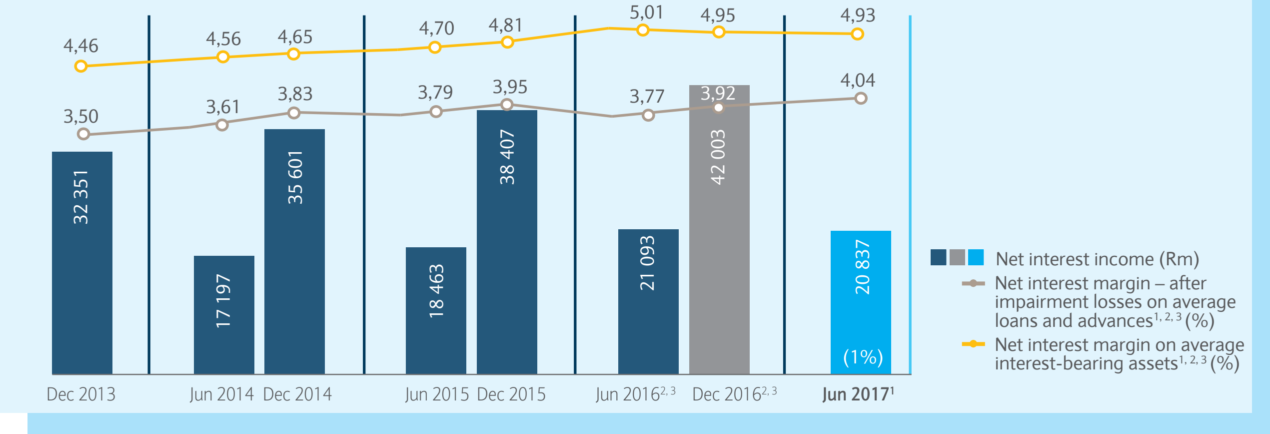
	30 June 2017 Rm	30 June 2016 Rm	Change value/ %	31 December 2016 Rm
Basic earnings per ordinary share				
Basic earnings attributable to ordinary equity holders (Rm)	**7 391**	7 019	5	14 708
Weighted average number of ordinary shares in issue (million)	**846,5**	846,5	—	846,5
Issued shares at the beginning of the reporting period (million)	**847,8**	847,8	—	847,8
Treasury shares held by Group entities (million)	**(1,3)**	(1,3)	—	(1,3)
Basic earnings per ordinary share (cents)	**873,1**	829,2	5	1 737,5
Diluted basic earnings per ordinary share				
Basic earnings attributable to ordinary equity holders (Rm)	**7 391**	7 019	5	14 708
Diluted weighted average number of ordinary shares in issue (million)	**846,7**	846,5	0,2	846,6
Weighted average number of ordinary shares in issue (million)	**846,5**	846,5	—	846,5
Adjustments for share options at no value (million)	**0,2**	—	0,2	0,1
Diluted basic earnings per ordinary share (cents)	**872,9**	829,2	5	1 737,3
Headline earnings per ordinary share				
Headline earnings attributable to ordinary equity holders (Rm)	**7 618**	7 252	5	14 980
Weighted average number of ordinary shares in issue (million)	**846,5**	846,5	—	846,5
Headline earnings per ordinary share (cents)	**899,9**	856,7	5	1 769,6
Diluted headline earnings per ordinary share				
Headline earnings attributable to ordinary equity holders (Rm)	**7 618**	7 252	5	14 980
Diluted weighted average number of ordinary shares in issue (million)	**846,7**	846,5	0,2	846,6
Diluted headline earnings per ordinary share (cents)	**899,7**	856,7	5	1 769,4

Performance indicators and condensed notes to the consolidated financial statements

for the reporting period ended

2. Net interest income

Net interest income and net interest margin (Rm and year on year change %)



	30 June						31 December		
	2017			2016			2016		
Group average statement of financial position	**Average balance[1] Rm**	**Average rate %**	**Interest income/ (expense) Rm**	Average balance[1,2] Rm	Average rate %	Interest income/ (expense)[3] Rm	Average balance[1,2] Rm	Average rate %	Interest income/ (expense)[3] Rm
Assets									
Cash, cash balances and balances with central banks	**3 821**	**0,42**	**8**	2 919	0,34	5	3 920	0,28	11
Investment securities	**106 531**	**9,27**	**4 895**	94 966	8,76	4 138	94 752	8,96	8 486
Loans and advances to banks and customers	**741 348**	**10,29**	**37 819**	748 974	10,25	38 192	749 218	10,07	75 451
Other interest	**—**	**—**	**216**	—	—	224	—	—	1 166
Interest-bearing assets	**851 700**	**10,17**	**42 938**	846 859	10,11	42 559	847 890	10,04	85 114
Non-interest-bearing assets	**268 932**	**—**	**—**	281 964	—	—	273 854	—	—
Total assets	**1 120 632**	**7,73**	**42 938**	1 128 823	7,58	42 559	1 121 744	7,59	85 114
Liabilities									
Deposits due to banks and customers	**633 194**	**(5,08)**	**(15 936)**	621 226	(5,13)	(15 847)	619 953	(4,92)	(30 496)
Debt securities in issue	**120 031**	**(8,58)**	**(5 107)**	112 770	(8,33)	(4 670)	117 357	(8,46)	(9 923)
Borrowed funds	**15 563**	**(11,05)**	**(853)**	13 356	(11,19)	(743)	13 821	(11,35)	(1 569)
Other interest	**—**	**—**	**(205)**	—	—	(206)	—	—	(1 123)
Interest-bearing liabilities	**768 788**	**(5,80)**	**(22 101)**	747 352	(5,78)	(21 466)	751 131	(5,74)	(43 111)
Non-interest-bearing liabilities	**247 995**	**—**	**—**	280 873	—	—	270 519	—	—
Total liabilities	**1 016 783**	**(4,38)**	**(22 101)**	1 028 225	(4,20)	(21 466)	1 021 650	(4,22)	(43 111)
Total equity	**103 849**	**—**	**—**	100 598	—	—	100 094	—	—
Total equity and liabilities	**1 120 632**	**(3,98)**	**(22 101)**	1 128 823	(3,82)	(21 466)	1 121 744	(3,84)	(43 111)
Net interest margin on average interest-bearing assets		**4,93**			5,01			4,95	

Notes

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

2 The Group changed its definition of 'Interest-bearing assets and liabilities' to only include assets and liabilities that generate 'Net interest income'. This resulted in certain assets and liabilities being excluded from 'Interest-bearing assets and liabilities' as these generate 'Non-interest income'. Consequently, interest-bearing assets and liabilities have been restated for 30 June 2016 and 31 December 2016.

3 'Other interest' on assets and liabilities which previously included fair value adjustments on hedging instruments and hedged items have been restated. The fair value adjustments have now been included in the line that refers to the underlying assets or liability.

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 2017 bps	2016[1] bps
Loans and advances to customers (i)	**(8)**	7
Change in customer rates (pricing)	**(5)**	5
Change in composition	**(3)**	2
Deposits due to customers (ii)	**(1)**	2
Change in customer rates (pricing)	**3**	6
Change in composition	**(4)**	(5)
Endowment (iii)	**—**	1
Equity endowment (iii)	**7**	5
Interest rate risk management (hedging strategy) (iii)	**(3)**	(10)
Rest of Africa (iv)	**(4)**	13
Other (v)	**1**	14
	(8)	31

Performance

The Group's net interest margin decreased by **8 bps** (30 June 2016: increased by 31 bps) during the current reporting period. The decrease in net interest margin is mainly attributable to the following:

(i) Loans and advances to customers

- Margins declined primarily due to the impact of NCA caps on the Retail unsecured portfolios and higher levels of suspended interest on non-performing loans in the Retail and Business Bank.
- Faster growth in CIB South Africa advances relative to the Group's overall loans and advances growth created a negative composition effect, partially offset by the positive composition effect of a reduction in the Home Loans portfolio.

(ii) Deposits due to customers

- Improved margins within Business Banking and Corporate contributed favourably to the Group's liability margin, partially offset by higher wholesale liquidity premiums.
- An increase in average wholesale funding balances created a negative composition effect.

Note

[1] The Group changed its definition of 'Interest-bearing assets and liabilities' to only include assets and liabilities that generate 'Net interest income'. This resulted in certain assets and liabilities being excluded from 'Interest-bearing assets and liabilities' as these generate 'Non-interest income'. Consequently, interest-bearing assets and liabilities have been restated for 30 June 2016 and 31 December 2016.

Performance indicators and condensed notes to the consolidated financial statements

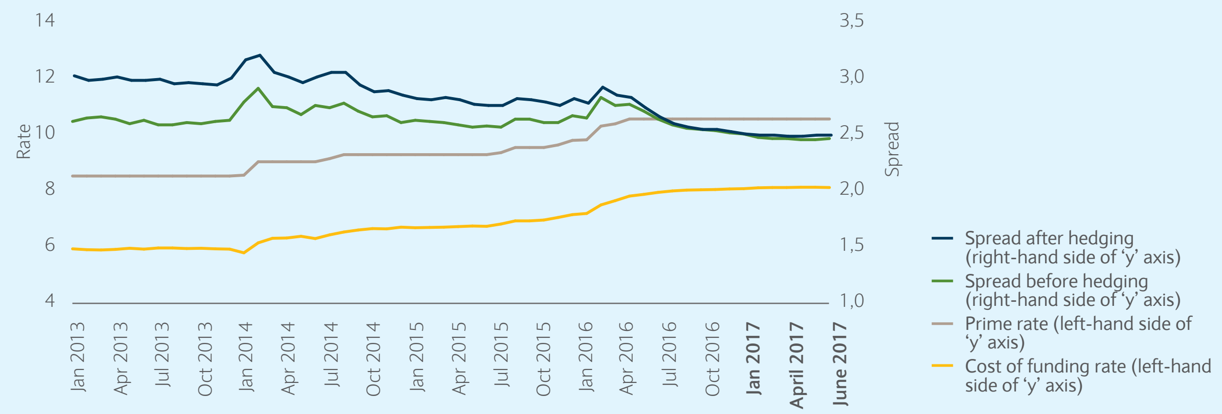
for the reporting period ended

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 2017 an aggregate of 15% (30 June 2016: 13%) of Absa Bank Limited's total capital and liabilities constituted structural balances.
- Cash flow hedge accounting is applied to account for the interest rate swaps executed as part of the hedging programme. The after tax 'cash flow hedging reserve' relating to the hedging programme moved from a debit balance of R324m in 2016 to a credit balance of R446m in 2017. The benefit realised in the current reporting period of 2 bps was 3 bps lower than the benefit of 5 bps in the previous reporting period, releasing R97m (30 June 2016: R224m) to the statement of comprehensive income.
- Equity endowment had a 7 bps positive impact and is partially offset by the 3 bps movement on structural hedging. The remainder of the increase reflects a mix impact from growth in the Absa Bank equity balance.

(iv) Rest of Africa

- Rest of Africa had a 4 bps negative impact on the Group margin mainly from Kenya interest rate regulations (introduced during the second half of 2016). The remainder represents the negative composition effect of weaker average exchange rates in these markets during the reporting period.

(v) Other

- Other items have had a cumulative impact of 1 bps mainly representing:
  - The benefit of lower loans to banks linked to the management of the Group's short-term liquidity requirements, partially offset by;
  - The negative impact on margin of prime rate increases in the prior period; and
  - Increased cost of liquidity including the costs associated with the Committed Liquidity Facility.

Note

[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.

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 2017 Rm	30 June 2016 Rm	Change %	31 December 2016 Rm
Asset management and other related fees	**97**	86	13	169
Consulting and administration fees	**373**	365	2	743
Credit-related fees and commissions	**9 001**	8 970	0	17 942
Cheque accounts	**2 391**	2 163	11	4 334
Credit cards[1]	**1 256**	1 267	(1)	2 609
Electronic banking	**2 512**	2 436	3	5 012
Other[2]	**1 775**	1 987	(11)	3 703
Savings accounts	**1 067**	1 117	(4)	2 284
Insurance commission received	**479**	551	(13)	1 128
Investment, markets execution and investment banking fees	**357**	121	>100	400
Merchant income	**889**	848	5	1 757
Other fee and commission income	**176**	207	(15)	389
Trust and other fiduciary service fees	**712**	711	0	1 444
Portfolio and other management fees	**562**	573	(2)	1 147
Trust and estate income	**150**	138	9	297
Fee and commission income	**12 084**	11 859	2	23 972
Fee and commission expense	**(1 466)**	(1 554)	(6)	(3 249)
Brokerage fees[3]	**(46)**	(66)	(30)	(142)
Cheque processing fees	**(58)**	(67)	(13)	(134)
Clearing and settlement charges[3]	**(308)**	(350)	(12)	(711)
Insurance commission paid	**(528)**	(579)	(9)	(1 150)
Notification fees[3]	**(103)**	(100)	3	(202)
Other[3]	**(368)**	(337)	9	(797)
Valuation fees	**(55)**	(55)	—	(113)
	10 618	10 305	3	20 723
Segment split[4]				
South Africa Banking	**8 802**	8 230	7	16 883
RBB South Africa	**7 872**	7 522	5	15 282
Retail Banking South Africa	**6 128**	5 931	3	12 054
Business Banking South Africa	**1 744**	1 591	10	3 228
CIB South Africa	**930**	708	31	1 601
Rest of Africa Banking	**1 362**	1 584	(14)	2 957
WIMI	**634**	690	(8)	1 267
Head Office, Treasury and other operations in South Africa	**(180)**	(199)	(10)	(384)
	10 618	10 305	3	20 723

Notes

[1] Includes card issuing fees.

[2] Includes fees on mortgage loans and foreign currency transactions.

[3] The presentation of 'Fee and commission expense' has been reassessed and the number for 30 June 2016 have been adjusted as follows: 'Brokerage fees', 'Clearing and settlement charges' and 'Notification fees' have been moved from 'Other' to be separately disclosed, while 'Transaction-based legal fees' of R10m and 'Trust and other fiduciary service fees' of R22m has been moved to 'Other'.

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

3. Non-interest income *(continued)*

3.2 Net insurance premium income

	30 June 2017 Rm	30 June 2016 Rm	Change %	31 December 2016 Rm
Gross insurance premiums	**3 727**	4 130	(10)	8 102
Premiums ceded to reinsurers	**(477)**	(614)	(22)	(1 116)
	3 250	3 516	(8)	6 986
Segment split				
Retail Banking South Africa, including Woolworths Financial Services (WFS)	**148**	144	3	293
WIMI	**3 126**	3 372	(7)	6 701
Head Office, Treasury and other operations in South Africa	**(24)**	—	100	(8)
	3 250	3 516	(8)	6 986

3.3 Net claims and benefits incurred on insurance contracts

	30 June 2017 Rm	30 June 2016 Rm	Change %	31 December 2016 Rm
Gross claims and benefits incurred on insurance contracts	**(2 155)**	(2 111)	2	(4 387)
Reinsurance recoveries	**461**	242	90	696
	(1 694)	(1 869)	(9)	(3 691)
Retail Banking South Africa, including WFS	**(24)**	(25)	(4)	(44)
WIMI	**(1 649)**	(1 844)	(11)	(3 639)
Head Office, Treasury and other operations in South Africa	**(21)**	—	100	(8)
	(1 694)	(1 869)	(9)	(3 691)

3.4 Changes in investment and insurance contract liabilities

	30 June 2017 Rm	30 June 2016 Rm	Change %	31 December 2016 Rm
Change in insurance contract liabilities	**40**	(129)	<(100)	(134)
Change in investment contract liabilities[1]	**(598)**	(293)	>100	(359)
	(558)	(422)	32	(493)
Segment split				
Retail Banking South Africa, including WFS	**(2)**	1	<(100)	1
WIMI	**(559)**	(425)	32	(499)
Head Office, Treasury and other operations in South Africa	**3**	2	50	5
	(558)	(422)	32	(493)

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'.

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 2017 Rm	30 June 2016 Rm	Change %	31 December 2016 Rm
Net gains on investments	**163**	59	>100	237
Debt instruments designated at fair value through profit or loss[1]	**151**	170	(11)	225
Equity instruments designated at fair value through profit or loss	**30**	(111)	<(100)	9
Available-for-sale unwind from reserves	**(18)**	—	100	3
Net trading result	**2 646**	2 695	(2)	5 341
Net trading income excluding the impact of hedge accounting[1]	**2 677**	2 765	(3)	5 431
Ineffective portion of hedges	**(31)**	(70)	(56)	(90)
Cash flow hedges	**9**	(69)	<(100)	(53)
Fair value hedges	**(40)**	(1)	>100	(37)
Other gains[1]	**295**	235	26	113
	3 104	2 989	4	5 691
Segment split[2]				
South Africa Banking	**1 311**	1 561	(16)	2 835
RBB South Africa	**147**	139	6	248
Retail Banking South Africa	**138**	130	6	230
Business Banking South Africa	**9**	9	—	18
CIB South Africa	**1 164**	1 422	(18)	2 587
Rest of Africa Banking	**1 094**	1 056	4	2 246
Head Office, Treasury and other operations in South Africa[3]	**461**	372	24	610
Barclays separation	**238**	—	100	—
	3 104	2 989	4	5 691

3.6 Gains and losses from investment activities

	30 June 2017 Rm	30 June 2016 Rm	Change %	31 December 2016 Rm
Net gains on investments from insurance activities	**446**	229	95	47
Policyholder insurance contracts	**57**	134	(57)	201
Policyholder investment contracts[4]	**159**	(28)	<(100)	(445)
Shareholders' funds	**230**	123	87	291
Other gains	**2**	48	(96)	4
	448	277	62	51
Segment split				
WIMI	**934**	608	54	885
Head Office, Treasury and other operations in South Africa[3]	**(486)**	(331)	47	(834)
	448	277	62	51

Notes

[1] The presentation of 'Gains and losses from banking and trading activities' for June 2016 has been revised following a reallocation of R206m from 'Net trading income excluding the impact of hedge accounting' to 'Debt instruments designated at fair value through profit or loss' (R173m) and 'Other gains' (R33m) to appropriately reflect the substance of the item.

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

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

[4] 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 contract liabilities' reported in 'Changes in investment and insurance contract liabilities'.

3. Non-interest income *(continued)*

3.7 Other operating income

	30 June 2017 Rm	30 June 2016 Rm	Change %	31 December 2016 Rm
Property-related income	**228**	190	20	319
Income from investment properties	**166**	159	4	242
Change in fair value	**95**	79	20	84
Rentals	**71**	80	(11)	158
Profit on disposal of property and equipment	**1**	3	(67)	9
Profit on sale of developed properties	**24**	5	>100	17
Profit/(loss) on sale of repossessed properties	**17**	(16)	<(100)	(25)
Rental income	**20**	39	(49)	76
Other operating income	**91**	429	(79)	805
Foreign exchange differences, including recycle from other comprehensive income	**(48)**	338	<(100)	360
Income from maintenance contracts	**17**	12	42	36
Sundry income[1]	**122**	79	54	409
	319	619	(48)	1 124
Segment split[2]				
Property-related income	**228**	190	20	319
South Africa Banking	**132**	147	(10)	239
RBB South Africa	**132**	147	(10)	239
Retail Banking South Africa	**17**	(15)	<(100)	(25)
Business Banking South Africa	**115**	162	(29)	264
Rest of Africa Banking	**7**	8	(13)	18
WIMI	**24**	23	4	41
Head Office, Treasury and other operations in South Africa	**65**	12	>100	21
Other operating income	**91**	429	(79)	805
South Africa Banking	**85**	61	39	376
RBB South Africa	**71**	86	(17)	326
Retail Banking South Africa	**107**	83	29	300
Business Banking South Africa	**(36)**	3	<(100)	26
CIB South Africa	**14**	(25)	<(100)	50
Rest of Africa Banking	**6**	2	>100	5
WIMI	**(1)**	78	<(100)	91
Head Office, Treasury and other operations in South Africa	**1**	288	(100)	333
	319	619	(48)	1 124

Notes

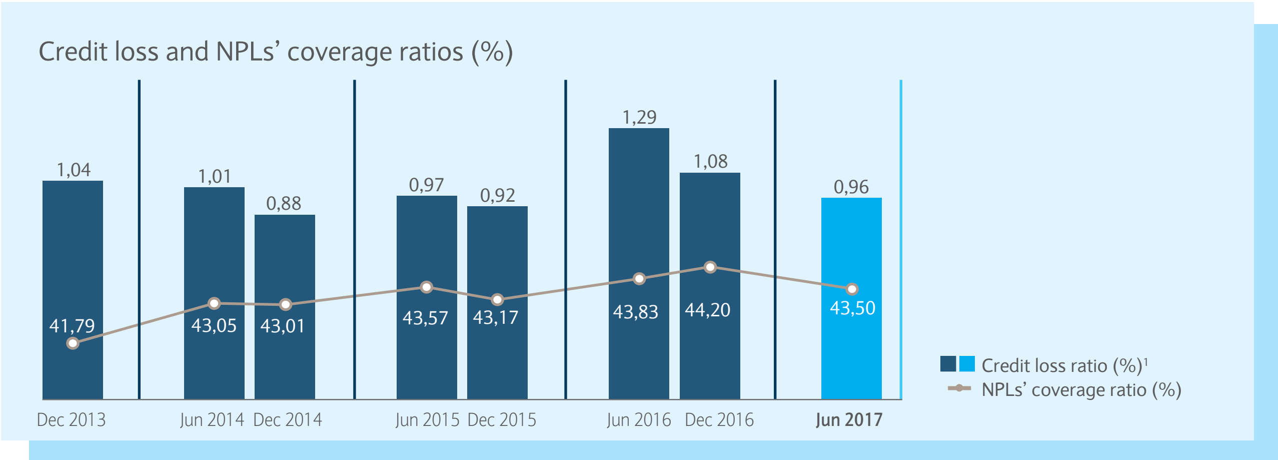
[1] Includes service fees levied on asset finance.

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

Performance indicators and condensed notes to the consolidated financial statements

for the reporting period ended

4. Impairment losses on loans and advances



Charge to the statement of comprehensive income by market segment	30 June 2017 Rm	2016[1] Rm	Change %	31 December 2016[1] Rm
South Africa Banking				
Total charge	**3 124**	4 309	(28)	7 042
Credit loss ratio (%)	**0,91**	1,28		1,03
RBB South Africa				
Total charge	**2 911**	3 208	(9)	6 022
Credit loss ratio (%)	**1,28**	1,43		1,33
Retail Banking South Africa				
Card	**1 141**	1 297	(12)	2 345
Home Loans	**466**	504	(8)	922
Personal Loans	**553**	501	10	994
Transactional and Deposits	**80**	65	23	131
Vehicle and Asset Finance	**477**	505	(6)	1 047
Other	**(1)**	5	<(100)	2
Total charge	**2 716**	2 877	(6)	5 441
Credit loss ratio (%)	**1,39**	1,48		1,39
Business Banking South Africa				
Total charge	**195**	331	(41)	581
Credit loss ratio (%)	**0,62**	1,12		0,98
CIB South Africa				
Total charge	**213**	1 101	(81)	1 020
Credit loss ratio (%)	**0,18**	0,97		0,44
Rest of Africa Banking				
Total charge	**638**	928	(31)	1 732
Credit loss ratio (%)	**1,38**	1,68		1,62
WIMI				
Total charge	**3**	(2)	<(100)	10
Credit loss ratio (%)	**0,09**	(0,05)		0,13
Head Office, Treasury and other operations in South Africa				
Total charge	**8**	(38)	<(100)	(33)
Total charge to the statement of comprehensive income	**3 773**	5 197	(27)	8 751
Comprising:				
Impairments raised	**4 219**	5 691	(26)	9 768
Identified impairments	**4 204**	5 215	(19)	9 053
Unidentified impairments	**15**	476	(97)	715
Recoveries of loans and advances previously written off[2]	**(446)**	(494)	(10)	(1 017)
Total charge to the statement of comprehensive income	**3 773**	5 197	(27)	8 751
Credit loss ratio on gross loans and advances	**0,96**	1,29		1,08

Notes

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

[2] Includes collection costs of R142m (30 June 2016: R159m) (31 December 2016: R300m).

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	30 June 2017 Performing loans Exposure Rm	Impairment Rm	Coverage ratio %	Non-performing loans Exposure Rm	Impairment Rm	Coverage ratio %	Net total exposure Rm
South Africa Banking	634 040	4 802	0,76	25 152	10 539	41,90	643 851
RBB South Africa[1]	429 739	4 198	0,98	23 548	9 922	42,14	439 167
Retail Banking South Africa	368 494	3 354	0,91	20 484	8 806	42,99	376 818
Credit cards	34 386	776	2,26	5 403	3 882	71,85	35 131
Instalment credit agreements	73 472	759	1,03	2 221	1 052	47,37	73 882
Loans to associates and joint ventures	20 707	—	—	—	—	—	20 707
Mortgages	216 062	1 195	0,55	10 216	2 132	20,87	222 951
Other loans and advances	698	—	—	—	—	—	698
Overdrafts	4 575	60	1,31	286	171	59,79	4 630
Personal and term loans	18 594	564	3,03	2 358	1 569	66,54	18 819
Business Banking South Africa	61 245	844	1,38	3 064	1 116	36,42	62 349
Mortgages (including CPF)	25 802	168	0,65	1 501	533	35,51	26 602
Overdrafts	19 367	425	2,19	853	390	45,72	19 405
Term loans	16 076	251	1,56	710	193	27,18	16 342
CIB South Africa	204 301	604	0,30	1 604	617	38,47	204 684
Rest of Africa Banking	77 610	1 085	1,40	4 972	2 559	51,47	78 938
WIMI	5 430	12	0,22	128	61	47,66	5 485
Head Office, Treasury and other operations in South Africa	720	9	1,25	—	—	—	711
Loans and advances to customers	717 800	5 908	0,82	30 252	13 159	43,50	728 985
Loans and advances to banks	63 451	—	—	—	—	—	63 451
	781 251	5 908	0,76	30 252	13 159	43,50	792 436

Loans and advances	30 June 2016[2] Performing loans Exposure Rm	Impairment Rm	Coverage ratio %	Non-performing loans Exposure Rm	Impairment Rm	Coverage ratio %	Net total exposure Rm
South Africa Banking	616 372	4 621	0,75	25 353	10 734	42,34	626 370
RBB South Africa[1]	423 821	3 910	0,92	22 792	9 538	41,85	433 165
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	57 106	752	1,32	3 206	1 148	35,81	58 412
Mortgages (including CPF)	23 263	171	0,74	1 524	556	36,48	24 058
Overdrafts	19 200	354	1,84	895	396	44,25	19 345
Term loans	14 645	227	1,55	787	196	24,90	15 009
CIB South Africa	192 551	711	0,37	2 561	1 196	46,70	193 205
Rest of Africa Banking	79 912	1 002	1,25	5 970	3 006	50,35	81 874
WIMI	5 876	42	0,71	86	25	29,07	5 895
Head Office, Treasury and other operations in South Africa	1 071	1	0,09	—	—	—	1 070
Loans and advances to customers	703 231	5 666	0,81	31 409	13 765	43,83	715 209
Loans and advances to banks	83 662	—	—	—	—	—	83 662
	786 893	5 666	0,72	31 409	13 765	43,83	798 871

Notes

[1] Disclosure is provided on a product level.

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

Performance indicators and condensed notes to the consolidated financial statements

for the reporting period ended

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

	31 December 2016[1]						
	Performing loans			Non-performing loans			
Loans and advances	Exposure Rm	Impair-ment Rm	Coverage ratio %	Exposure Rm	Impair-ment Rm	Coverage ratio %	Net total exposure Rm
South Africa Banking	626 143	4 707	0,75	25 719	11 001	42,77	636 154
RBB South Africa[2]	424 565	4 063	0,96	23 454	9 817	41,86	434 139
Retail Banking South Africa	366 861	3 290	0,90	20 166	8 655	42,92	375 082
Credit cards	34 802	728	2,09	5 423	3 883	71,60	35 614
Instalment credit agreements	73 530	735	1,00	2 085	925	44,36	73 955
Loans to associates and joint ventures	18 933	—	—	—	—	—	18 933
Mortgages	216 955	1 213	0,56	10 029	2 109	21,03	223 662
Other loans and advances	510	—	—	—	—	—	510
Overdrafts	3 923	54	1,38	220	142	64,55	3 947
Personal and term loans	18 208	560	3,08	2 409	1 596	66,25	18 461
Business Banking South Africa	57 704	773	1,34	3 288	1 162	35,34	59 057
Mortgages (including CPF)	24 081	158	0,66	1 567	536	34,21	24 954
Overdrafts	18 307	366	2,00	929	421	45,32	18 449
Term loans	15 316	249	1,63	792	205	25,88	15 654
CIB South Africa	201 578	644	0,32	2 265	1 184	52,27	202 015
Rest of Africa Banking	76 548	1 246	1,63	5 262	2 687	51,06	77 877
WIMI	5 615	14	0,25	116	57	49,14	5 660
Head Office, Treasury and other operations in South Africa	622	4	0,64	—	—	—	618
Loans and advances to customers	708 928	5 971	0,84	31 097	13 745	44,20	720 309
Loans and advances to banks	49 790	—	—	—	—	—	49 790
	758 718	5 971	0,79	31 097	13 745	44,20	770 099

	30 June 2017						
Reconciliation of allowances for impairment losses on loans and advances to customers	**Retail Banking South Africa Rm**	**Business Banking South Africa Rm**	**CIB South Africa Rm**	**Rest of Africa Banking Rm**	**WIMI Rm**	**Head Office, Treasury and other operations in South Africa Rm**	**Total Rm**
Balance at the beginning of the reporting period	**11 945**	**1 935**	**1 828**	**3 933**	**71**	**4**	**19 716**
Net present value unwind on non-performing book	**(313)**	**(33)**	**—**	**—**	**—**	**—**	**(346)**
Exchange differences	**—**	**—**	**—**	**(153)**	**—**	**—**	**(153)**
Transfer between segments	**—**	**(1)**	**1**	**—**	**—**	**—**	**—**
Amounts written off	**(2 526)**	**(187)**	**(822)**	**(833)**	**(1)**	**—**	**(4 369)**
Impairment raised – identified	**3 092**	**250**	**254**	**602**	**6**	**—**	**4 204**
Impairment raised/(utilised) – unidentified	**(38)**	**(4)**	**(40)**	**95**	**(3)**	**5**	**15**
Balance at the end of the reporting period	**12 160**	**1 960**	**1 221**	**3 644**	**73**	**9**	**19 067**

	30 June 2016[1]						
Reconciliation of allowances for impairment losses on loans and advances to customers	Retail Banking South Africa Rm	Business Banking South Africa Rm	CIB South Africa Rm	Rest of Africa Banking Rm	WIMI Rm	Head Office, Treasury and other operations in South Africa Rm	Total Rm
Balance at the beginning of the reporting period	10 676	1 793	772	3 754	65	40	17 100
Net present value unwind on non-performing book	(296)	(53)	—	—	—	—	(349)
Exchange differences	—	—	—	(264)	—	—	(264)
Transfer between segments	—	—	—	—	—	—	—
Amounts written off	(2 032)	(227)	14	(502)	—	—	(2 747)
Impairment raised – identified	3 143	340	905	825	2	—	5 215
Impairment raised/(utilised) – unidentified	57	47	216	195	—	(39)	476
Balance at the end of the reporting period	11 548	1 900	1 907	4 008	67	1	19 431

Notes

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

2 Disclosure is provided on a product level.

Performance indicators and condensed notes to the consolidated financial statements

for the reporting period ended

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

Reconciliation of allowances for impairment losses on loans and advances to customers	Retail Banking South Africa Rm	Business Banking South Africa Rm	CIB South Africa Rm	Rest of Africa Banking Rm	WIMI Rm	Head Office, Treasury and other operations in South Africa Rm	Total Rm
				31 December 2016[1]			
Balance at the beginning of the reporting period	10 676	1 793	772	3 754	65	40	17 100
Net present value unwind on non-performing book	(601)	(98)	—	—	—	—	(699)
Exchange differences	—	—	—	(521)	—	—	(521)
Transfer between segments	(4)	(16)	20	—	—	—	—
Amounts written off	(4 294)	(442)	(2)	(1 187)	(7)	—	(5 932)
Impairment raised – identified	6 010	591	839	1 575	38	—	9 053
Impairment raised/(utilised) – unidentified	158	107	199	312	(25)	(36)	715
Balance at the end of the reporting period	11 945	1 935	1 828	3 933	71	4	19 716

Statement of financial position — identified and unidentified impairments	30 June **2017** **Rm**	30 June 2016[1] Rm	Change %	31 December 2016[1] Rm
Comprising:				
Identified impairments	**16 249**	16 653	(2)	16 806
Performing loans	**3 090**	2 888	7	3 061
NPLs	**13 159**	13 765	(4)	13 745
Unidentified impairments	**2 818**	2 778	1	2 910
Model driven	**1 361**	1 467	(7)	1 542
Macroeconomic	**1 457**	1 311	11	1 368
	19 067	19 431	(2)	19 716

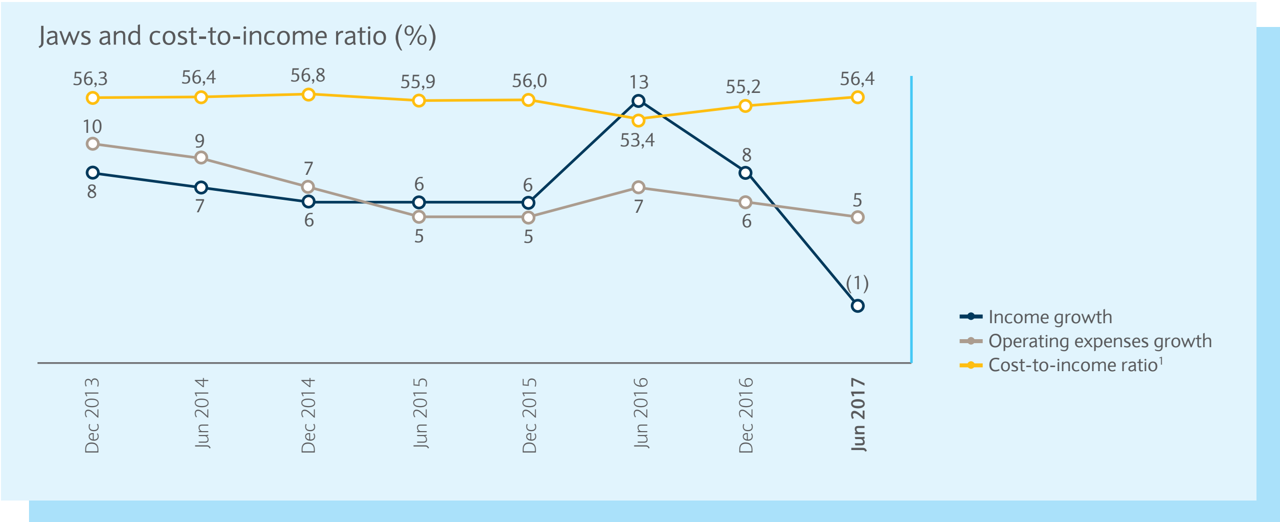
Note

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

Performance indicators and condensed notes to the consolidated financial statements

for the reporting period ended

5. Operating expenses



Breakdown of operating expenses	30 June 2017 Rm	30 June 2016 Rm	Change %	31 December 2016 Rm
Administration fees	**370**	412	(10)	722
Amortisation of intangible assets	**348**	313	11	641
Auditors' remuneration	**142**	144	(1)	319
Cash transportation	**536**	524	2	963
Depreciation	**937**	822	14	1 670
Equipment costs	**203**	212	(4)	461
Information technology	**1 677**	1 461	15	3 131
Marketing costs	**785**	610	29	1 585
Operating lease expenses on properties	**815**	817	(0)	1 665
Other[2]	**889**	912	(3)	1 737
Printing and stationery	**154**	197	(22)	405
Professional fees	**1 015**	828	23	1 742
Property costs	**839**	835	0	1 718
Staff costs	**11 276**	10 824	4	22 090
Bonuses	**848**	752	13	1 902
Deferred cash and share-based payments	**418**	337	24	755
Other[3]	**510**	522	(2)	1 179
Salaries and current service costs on post-retirement benefits	**9 305**	9 058	3	17 878
Training costs	**195**	155	26	376
Telephone and postage	**512**	576	(11)	1 107
	20 498	19 487	5	39 956

Notes

[1] The cost-to-income ratio excluding the impact of the Barclays separation is 55,6%.

[2] Includes net fraud losses, travel and entertainment costs.

[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 2017 Rm	30 June 2016[1] Rm	Change %	31 December 2016 Rm
Amortisation of intangible assets and depreciation of equipment	**773**	662	17	1 374
Information technology	**1 677**	1 461	15	3 131
Staff costs	**1 028**	1 014	1	1 933
Other[1]	**358**	434	(18)	990
	3 836	3 571	7	7 428

Operating cost growth partially reflects the costs incurred in relation to the separation from Barclays PLC of R460m, an increase of approximately 2%. These costs increase the year-on-year growth rates mainly in salaries, professional fees, information technology costs and marketing. Operating cost growth also reflects the impact of the depreciation of the Rest of Africa currencies which reduces growth rates by circa 3,5%.

On a normalised (excluding Barclays PLC separation costs) and constant currency basis, operating costs increased by 6%. On this basis, staff costs increased by 7% whereas non-staff costs increased by 5%.

- Amortisation of intangible assets increased by 11% (CCY 15%) due to investment in new digital, data and automation capabilities.
- Cash transportation costs increased by 2% (CCY 5%) mainly from pricing increases.
- Depreciation increased by 14% (CCY 19%) and reflects investment on improving technology service levels and into optimisation of the corporate property portfolio and branch network.
- Information technology costs increased by 15% partially due to software and licensing costs in relation to the Barclays PLC separation. Excluding this impact, information technology costs increased by 8% (CCY 9%) due to investments made into systems stability and digital capabilities.
- Marketing costs increased by 29% due to retail product campaigns, the Shared Growth initiative and also costs associated with the Barclays PLC sell-down. Excluding separation costs, marketing costs were up 20% (CCY 23%).
- Property costs and operating lease expenses of R1 654m (June 2016: R1 652m) were flat on the prior year (CCY 4% higher) from the continued optimisation of corporate and branch property costs.
- Professional fees increased by 23% from external consultancy and technology development costs incurred in relation to the Barclays PLC separation. Excluding this, professional fees decreased by 5%.
- Staff costs grew by 4% to R11 276m (30 June 2016: R10 824m). Salary cost growth was sub-inflationary and increased by 3% (excluding Barclays PLC separation costs and in CCY, salary costs were 5% higher). Deferred cash and share-based payments increased by 24% as a result of new schemes.

A portion of the operating expenses of the African entities acquired during 2013 were funded by Barclays PLC during the current reporting period as per the purchase agreement. This arrangement has come to an end post the Barclays PLC sell-down below a 50% shareholding and will in the future be provided on an arm's length basis for a transitional period.

6. Indirect taxation

	30 June 2017 Rm	30 June 2016 Rm	Change %	31 December 2016 Rm
Training levy	**101**	103	(2)	193
Value-added tax net of input credits	**643**	545	18	1 237
	744	648	15	1 430

Note
[1] The June 2016 numbers have been restated to include professional fees on IT-related spend.

Performance indicators and condensed notes to the consolidated financial statements

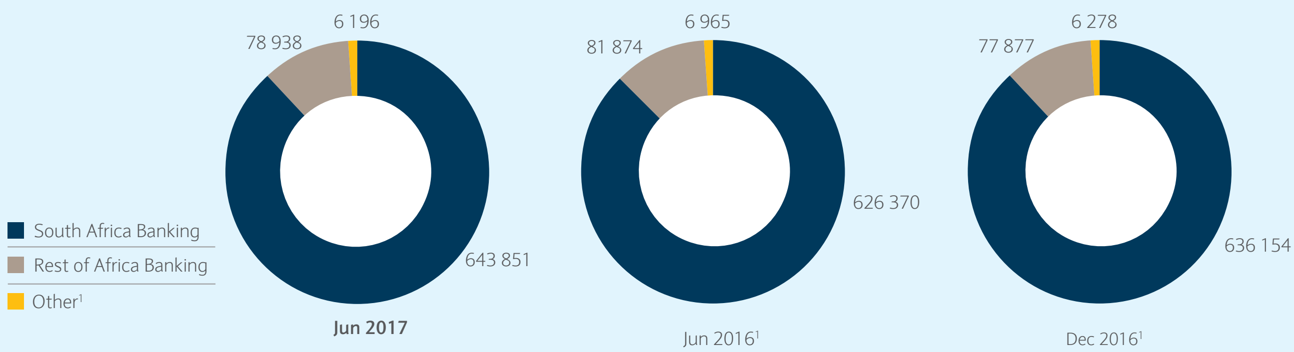
for the reporting period ended

7. Taxation expense

	30 June 2017 Rm	30 June 2016 Rm	Change %	31 December 2016 Rm
Reconciliation between operating profit before income tax and the taxation expense				
Operating profit before income tax	**11 012**	10 607	4	21 682
Share of post-tax results of associates and joint ventures	**(79)**	(55)	44	(115)
	10 933	10 552	4	21 567
Tax calculated at a tax rate of 28%	**3 061**	2 955	4	6 039
Effect of different tax rates in other countries	**8**	(46)	<(100)	64
Expenses not deductible for tax purposes	**486**	228	>100	307
Income not subject to tax	**(483)**	(383)	26	(784)
Non-taxable deductable capital items	**29**	177	(84)	172
Other	**(21)**	66	<(100)	37
	3 080	2 997	3	5 835

8. Loans and advances to customers

Loans and advances to customers by segment (Rm)



	30 June 2017 %	30 June 2016[2] %	31 December 2016[2] %
South Africa Banking	**88,4**	87,6	88,3
RBB South Africa	**60,3**	60,6	60,3
Retail Banking South Africa	**51,7**	52,4	52,1
Business Banking South Africa	**8,6**	8,2	8,2
CIB South Africa	**28,1**	27,0	28,0
Rest of Africa Banking	**10,8**	11,4	10,8
Other[1]	**0,8**	1,0	0,9
	100,0	100,0	100,0

Notes

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

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

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	30 June 2017 Rm	30 June 2016[1] Rm	Change %	31 December 2016[1] Rm
South Africa Banking				
Gross loans and advances to customers	**659 192**	641 725	3	651 862
Impairment losses on loans and advances	**(15 341)**	(15 355)	0	(15 708)
	643 851	626 370	3	636 154
RBB South Africa				
Gross loans and advances to customers	**453 287**	446 613	1	448 019
Impairment losses on loans and advances	**(14 120)**	(13 448)	5	(13 880)
	439 167	433 165	1	434 139
Retail Banking South Africa[2]				
Credit cards	**39 789**	40 754	(2)	40 225
Instalment credit agreements	**75 693**	74 575	1	75 615
Loans to associates and joint ventures	**20 707**	16 615	25	18 933
Mortgages	**226 278**	229 999	(2)	226 984
Other loans and advances	**698**	470	49	510
Overdrafts	**4 861**	3 538	37	4 143
Personal and term loans	**20 952**	20 350	3	20 617
Gross loans and advances to customers	**388 978**	386 301	1	387 027
Impairment losses on loans and advances	**(12 160)**	(11 548)	5	(11 945)
	376 818	374 753	1	375 082
Business Banking South Africa[2]				
Mortgages (including CPF)	**27 303**	24 785	10	25 648
Overdrafts	**20 220**	20 095	1	19 236
Term loans	**16 786**	15 432	9	16 108
Gross loans and advances to customers	**64 309**	60 312	7	60 992
Impairment losses on loans and advances	**(1 960)**	(1 900)	3	(1 935)
	62 349	58 412	7	59 057
CIB South Africa[2]				
Foreign currency loans	**26 283**	24 728	6	27 352
Mortgages	**16 515**	15 473	7	16 590
Term loans	**91 502**	89 674	2	94 623
Overdrafts	**10 782**	10 088	7	11 035
Overnight finance	**17 611**	17 886	(2)	14 332
Preference shares	**16 921**	16 235	4	17 454
Reverse repurchase agreements	**19 308**	15 509	24	16 116
Other loans and advances	**6 983**	5 519	27	6 341
Gross loans and advances to customers	**205 905**	195 112	6	203 843
Impairment losses on loans and advances	**(1 221)**	(1 907)	(36)	(1 828)
	204 684	193 205	6	202 015
Rest of Africa Banking				
Gross loans and advances to customers	**82 582**	85 882	(4)	81 810
Impairment losses on loans and advances	**(3 644)**	(4 008)	(9)	(3 933)
	78 938	81 874	(4)	77 877

Notes

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

[2] Disclosure is provided on a product level.

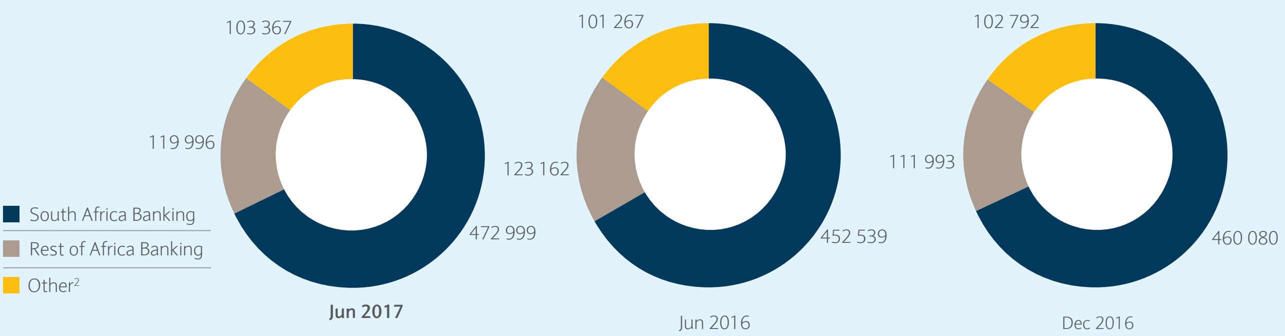
Performance indicators and condensed notes to the consolidated financial statements

for the reporting period ended

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

Loans and advances to customers by segment	30 June 2017 Rm	30 June 2016[1] Rm	Change %	31 December 2016[1] Rm
WIMI				
CPF	**798**	838	(5)	940
Overdrafts	**2 791**	3 306	(16)	2 755
Other loans and advances	**1 969**	1 818	8	2 036
Gross loans and advances to customers	**5 558**	5 962	(7)	5 731
Impairment losses on loans and advances	**(73)**	(67)	9	(71)
	5 485	5 895	(7)	5 660
Head Office, Treasury and other operations in South Africa				
Gross loans and advances to customers	**720**	1 071	(33)	622
Impairment losses on loans and advances	**(9)**	(1)	>100	(4)
	711	1 070	(34)	618
Total loans and advances to customers				
Gross loans and advances to customers	**748 052**	734 640	2	740 025
Impairment losses on loans and advances	**(19 067)**	(19 431)	(2)	(19 716)
Net loans and advances to customers	**728 985**	715 209	2	720 309

9. Deposits due to customers



Total funding mix	30 June 2017 %	30 June 2016[1] %	31 December 2016[1] %
Deposits due to customers	**78,6**	75,2	77,8
South Africa Banking	**53,4**	50,3	53,0
RBB South Africa	**32,7**	30,7	33,0
Retail Banking South Africa	**20,4**	18,9	20,4
Business Banking South Africa	**12,3**	11,8	12,6
CIB South Africa	**20,7**	19,6	20,0
Rest of Africa Banking	**13,6**	13,7	12,9
Other[2]	**11,6**	11,2	11,9
Deposits from banks	**5,6**	8,6	6,1
Debt securities in issue	**15,8**	16,2	16,1
	100,0	100,0	100,0

Notes

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

[2] 'Other' includes the deposits due to customers of WIMI and Head Office, Treasury and other operations in South Africa.

Performance indicators and condensed notes to the consolidated financial statements

for the reporting period ended

9. Deposits due to customers *(continued)*

Deposits due to customers by segment	30 June 2017 Rm	30 June 2016[1] Rm	Change %	31 December 2016[1] Rm
South Africa Banking	**472 999**	452 539	5	460 080
RBB South Africa	**289 695**	276 123	5	286 297
Retail Banking South Africa	**181 005**	169 746	7	176 953
Call deposits	**245**	255	(4)	253
Cheque account deposits	**24 470**	23 814	3	23 737
Credit card deposits	**1 811**	1 865	(3)	1 906
Fixed deposits	**43 371**	38 347	13	40 797
Foreign currency deposits	**331**	313	6	331
Investment products	**66 648**	61 167	9	65 065
Notice deposits	**13 011**	11 759	11	12 348
Other deposits	**533**	443	20	438
Savings and transmission deposits	**30 585**	31 783	(4)	32 078
Business Banking South Africa	**108 690**	106 377	2	109 344
Call deposits	**10 641**	10 586	1	10 852
Cheque account deposits	**46 419**	46 331	0	47 895
Fixed deposits	**19 765**	20 419	(3)	19 137
Investment products	**26 247**	23 523	12	26 022
Notice deposits	**1 958**	1 718	14	1 655
Savings and transmission deposits	**3 660**	3 800	(4)	3 783
CIB South Africa	**183 304**	176 416	4	173 783
Call deposits	**25 724**	25 886	(1)	26 917
Cheque account deposits	**87 429**	81 094	8	81 773
Fixed deposits	**40 432**	42 812	(6)	41 221
Foreign currency deposits	**15 021**	18 236	(18)	14 692
Investment products	**1 537**	1 198	28	1 249
Notice deposits	**1 454**	1 163	25	2 217
Other deposits	**1 520**	1 747	(13)	1 689
Repurchase agreements with non-banks	**10 150**	4 205	>100	3 970
Savings and transmission deposits	**37**	75	(51)	55
Rest of Africa Banking	**119 996**	123 162	(3)	111 993
WIMI	**4 904**	4 925	(0)	5 144
Call deposits	**338**	327	3	357
Cheque account deposits	**1 945**	2 264	(14)	2 283
Fixed deposits	**504**	401	26	415
Foreign currency deposits	**105**	169	(38)	116
Investment products	**1 597**	1 328	20	1 619
Notice deposits	**18**	16	13	17
Savings and transmission deposits	**397**	420	(5)	337
Head office, treasury and other operations in South Africa	**98 463**	96 342	2	97 648
Total deposits due to customers	**696 362**	676 968	3	674 865

Note

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

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 2017 Rm	30 June 2016 Rm	Change %	31 December 2016 Rm
Commercial paper	**348**	2 830	(88)	1 166
Credit linked notes	**8 841**	11 848	(25)	10 295
Floating rate notes	**60 359**	67 621	(11)	60 441
Negotiable certificates of deposit	**45 006**	37 690	19	43 094
Other	**834**	551	51	706
Promissory notes	**856**	1 604	(47)	1 171
Structured notes and bonds	**333**	322	3	334
Senior notes	**23 615**	22 056	7	22 507
	140 192	144 522	(3)	139 714
Segment split[1]				
South Africa Banking	**12 922**	18 572	(30)	15 197
Retail Banking South Africa	**640**	1 161	(45)	871
CIB South Africa	**12 282**	17 411	(29)	14 326
Rest of Africa Banking	**521**	337	55	331
Head Office, Treasury and other operations in South Africa	**126 749**	125 613	1	124 186
	140 192	144 522	(3)	139 714

11. Equity and borrowed funds

	30 June 2017 Rm	30 June 2016 Rm	Change %	31 December 2016 Rm
Authorised				
880 467 500 (30 June 2016: 880 467 500; 31 December 2016: 880 467 500) ordinary shares of R2,00 each	**1 761**	1 761	—	1 761
Issued				
847 750 679 (30 June 2016: 847 750 679; 31 December 2016: 847 750 679) ordinary shares of R2,00 each	**1 696**	1 696	—	1 696
680 929 (30 June 2016: 878 850; 31 December 2016: 1 075 595) treasury shares held by Group entities	**(2)**	(2)	—	(3)
	1 694	1 694	—	1 693
Total issued capital				
Share capital	**1 694**	1 694	—	1 693
Share premium	**12 868**	4 412	>100	4 467
	14 562	6 106	>100	6 160

Number of ordinary shares in issue (after deduction of treasury shares) at the reporting date	30 June 2017 Number of shares (million)	30 June 2016 Number of shares (million)	Change %	31 December 2016 Number of shares (million)
Ordinary shares in issue of R2,00 each	**847,8**	847,8	—	847,8
Treasury shares held by the Group entities	**(0,7)**	(0,9)	(22)	(1,1)
	847,1	846,9	0	846,7

Note

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

Performance indicators and condensed notes to the consolidated financial statements

for the reporting period ended

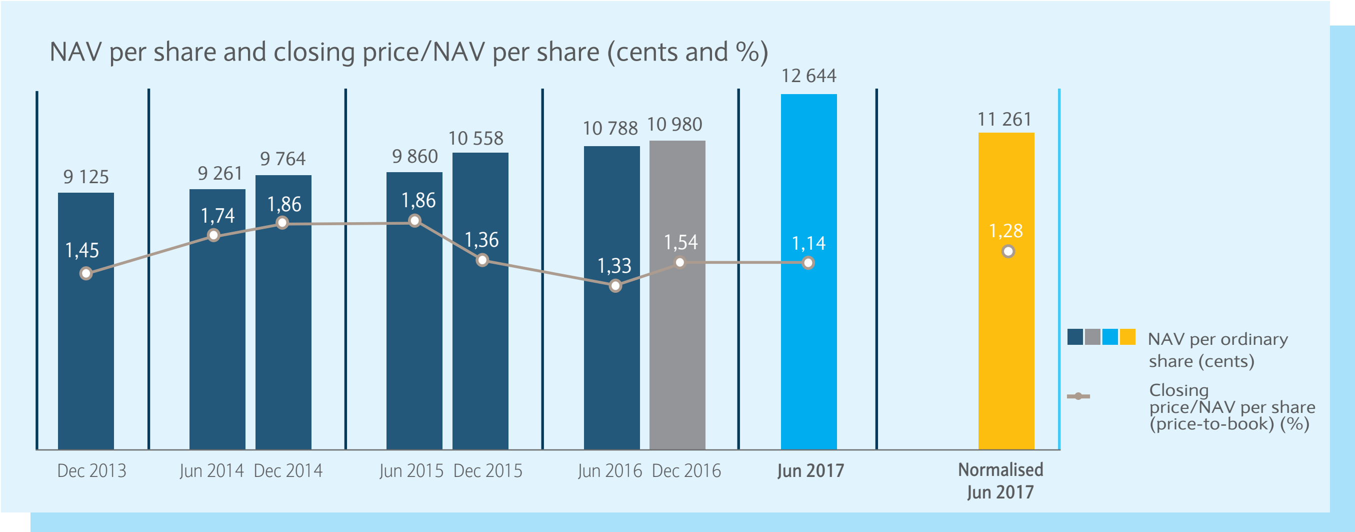
11. Equity and borrowed funds *(continued)*

Borrowed funds		30 June 2017 Rm	30 June 2016 Rm	Change %	31 December 2016 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	(100)	600
Three-month Johannesburg Interbank Agreed Rate (JIBAR) +2,10%	3 May 2022	**—**	400	(100)	400
Three-month JIBAR + 1,95%	21 November 2022	**1 805**	1 805	—	1 805
Three-month JIBAR + 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					
Interest rate	**Final maturity date**				
10,05%	5 February 2025	**807**	807	—	807
10,835%	19 November 2024	**130**	130	—	130
11,365%	4 September 2025	**508**	508	—	508
11,40%	29 September 2025	**288**	288	—	288
11,74%	20 August 2026	**140**	—	100	140
11,81%	3 September 2027	**737**	737	—	737
12,43%	5 May 2026	**200**	200	—	200
Three-month JIBAR + 3,30%	19 November 2024	**370**	370	—	370
Three-month JIBAR + 3,50%	5 February 2025	**1 693**	1 693	—	1 693
Three-month JIBAR + 3,50%	4 September 2025	**437**	437	—	437
Three-month JIBAR + 3,60%	3 September 2027	**30**	30	—	30
Three-month JIBAR + 4,00%	5 May 2026	**31**	31	—	31
Three-month JIBAR + 4,00%	20 August 2026	**1 510**	—	100	1 510
Three-month JIBAR + 4,00%	3 November 2026	**500**	—	100	500
Three-month JIBAR + 3,78%	17 March 2027	**642**	—	100	—
Three-month JIBAR + 3,85%	25 May 2022	**500**	—	100	—
Subordinated callable notes issued by other subsidiaries					
Interest rate	**Final maturity date**				
National Bank of Commerce 16,44% fixed rate note	24 January 2024	**29**	33	(12)	31
Accrued interest		**905**	857	6	805
Fair value adjustments on total subordinated debt instruments		**6**	(73)	<(100)	(44)
		15 963	13 548	18	15 673

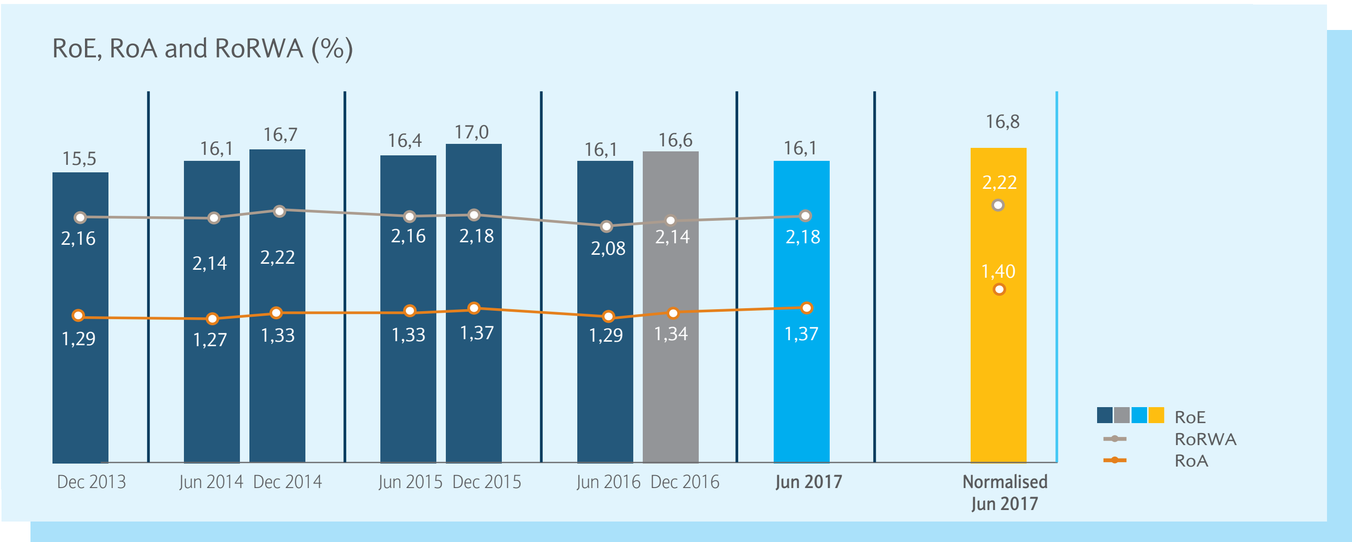
Performance indicators and condensed notes to the consolidated financial statements

for the reporting period ended

11. Equity and borrowed funds *(continued)*

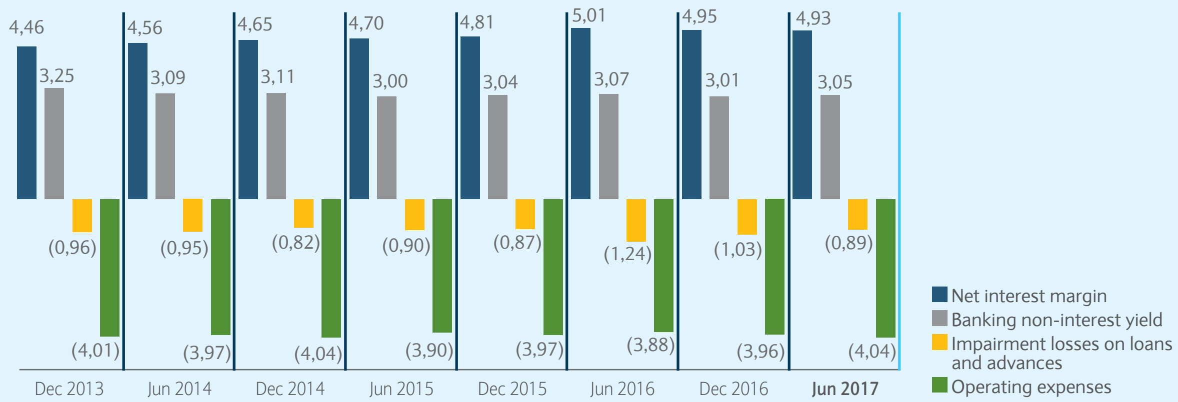


12. Returns



13. RoE decomposition

Major drivers of RoE (%)



		30 June Normalised 2017 %	30 June IFRS 2017 %	30 June 2016 %	31 December 2016 %
	Net interest margin (average interest-bearing assets)[1]	**4,93**	**4,93**	5,01	4,95
Less:	Impairment losses on loans and advances/average interest-bearing assets	**0,89**	**0,89**	1,24	1,03
Equals:	Net interest margin – after impairment losses (average interest-bearing assets)	**4,04**	**4,04**	3,77	3,92
Multiply:	Average interest-bearing assets/average banking assets	**82,95**	**83,11**	83,81	83,89
Equals:	Banking interest yield	**3,35**	**3,36**	3,16	3,29
Plus:	Banking non-interest yield	**3,00**	**3,05**	3,07	3,01
Equals:	Banking income yield	**6,35**	**6,41**	6,23	6,30
Less:	Operating expenses/average banking assets	**3,94**	**4,04**	3,88	3,96
Equals:	Net banking return	**2,41**	**2,37**	2,35	2,34
Less:	Other[2]	**0,88**	**0,87**	0,91	0,86
Equals:	Banking return	**1,53**	**1,50**	1,44	1,48
Multiply:	Average banking assets/total average assets	**91,61**	**91,45**	89,53	90,21
Equals:	RoA	**1,40**	**1,37**	1,29	1,34
Multiply:	Leverage	**11,97**	**11,78**	12,47	12,40
Equals:	RoE	**16,8**	**16,1**	16,1	16,6

Notes

[1] Net interest margin has been restated, refer to note 2 for more information.

[2] '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

14. Off-statement of financial position items

	30 June 2017 Rm	30 June 2016 Rm	Change %	31 December 2016 Rm
Financial guarantee contracts	**3**	58	(95)	10
Commitments				
Authorised capital expenditure				
Contracted but not provided for[1]	**817**	1 355	(40)	521
	817	1 355	(40)	521
Operating lease payments due				
Not later than one year	**1 336**	1 268	5	1 309
Later than one year and no later than five years	**3 173**	2 800	13	2 946
Later than five years	**1 096**	1 369	(20)	1 228
	5 605	5 437	3	5 483
Contingencies				
Guarantees[2]	**36 934**	36 239	2	38 441
Irrevocable debt facilities	**140 877**	142 247	(1)	135 935
Irrevocable equity facilities	**121**	335	(64)	141
Letters of credit[1]	**8 543**	6 824	25	8 481
Other	**91**	4 044	(98)	135
	186 566	189 689	(2)	183 133

Performance

- **Commitments:** The Group has capital commitments in respect of computer equipment and property development. Two significant property development projects were concluded by the end of 2016. Management is confident that future net revenues and funding will be sufficient to cover the remaining commitments.

- **Contingencies:** The decrease in other contingencies resulted from Rest of Africa Banking reallocations to other contingency categories so as to more appropriately reflect the nature of these contingencies.

15. Legal proceedings

Legal matters

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

- Pinnacle Point Holdings Proprietary Limited (PPG): New Port Finance Company and the trustees of the Winifred Trust (the plaintiffs) allege a local bank conducted itself unlawfully, and that Absa Bank Limited (the Bank) was privy to such conduct. They have instituted proceedings against the Bank for damages for an amount of R1 387m. Although Pinnacle Point Holdings' claim has been withdrawn, the second to fifth plaintiffs' claims remain and will proceed to trial.

- Ayanda Collective Investment Scheme (the Scheme): Absa Capital Investor Services was the trustee of Ayanda Collective Investment Scheme, in which Corporate Money Managers (CMM) managed a portfolio of assets within the Scheme. The joint curators of the CMM group of companies and the Altron Pension Fund (an investor in the fund) allege that the defendants caused damages to them arising from their alleged failure to meet their obligations in the trust deed together with their statutory obligations set out in the Collective Investment Scheme Act, in respect of which they seek payment of R1 157m.

Notes

[1] The presentation of commitments for June 2016 has been revised following the reallocation of an amount of R726m from 'Commitments' to 'Letters of Credit' (within Contingencies) so as to more appropriately reflect the substance of the item.

[2] 'Guarantees' include performance and payment guarantee contracts.

15. Legal proceedings *(continued)*

Legal matters (continued)

- On 19 June 2017, the Public Protector released the final report of her office's investigation into the Bankorp assistance package provided by the SA Reserve Bank between 1985 and 1995, recommending certain remedial action. Absa acquired Bankorp in April 1992, for fair value, and had the responsibility of carrying out its existing legal obligations to the SARB, which were met in full by October 1995. As such, it is Absa's firm position that it has no continuing obligations in respect of the transaction and accordingly launched an application to review, and where appropriate set aside, the remedial action recommended in the Public Protector's report. In this respect Absa will join issue with the SARB and Minister of Finance in applications seeking similar relief, in which it has also been cited.

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

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

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

Regulatory matters

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

The Group is continuously evaluating its programmes and controls in general relating to compliance with regulation. The Group undertakes monitoring, review and assurance activities, and the Group has also adopted appropriate remedial and/or mitigating steps, where necessary or advisable, and has made disclosures on material findings as and when appropriate.

Absa Bank Limited, a subsidiary of Barclays Africa Group Limited, identified potentially fraudulent activity by certain of its customers using advance payments for imports in 2014 and 2015 to effect foreign exchange transfers from South Africa to beneficiary accounts located in East Asia, UK, Europe and the US. As a result, the Group conducted a review of relevant activity, processes, systems and controls. The Group is continuing to provide information to relevant authorities, as part of the Group's ongoing cooperation. It is not currently practicable to provide an estimate of the financial impact of the actions described, on the Group or what effect that they might have upon the Group's operating results, cash flows or financial position in any particular period, if any.

In February 2017 the South African Competition Commission (SACC) referred Barclays Bank PLC, BCI and Absa Bank Limited, a subsidiary of Barclays Africa Group Limited, among other banks, to the Competition Tribunal to be prosecuted for breaches of South African antitrust law related to Foreign Exchange trading of South African Rand. The SACC found from its investigation that between 2007 and 2013 the banks had engaged in various forms of collusive behaviour. Barclays was the first to bring the conduct to the attention of the SACC under its leniency programme and has cooperated with, and will continue to cooperate with, the SACC in relation to this matter. The SACC is therefore not seeking an order from the Tribunal to impose any fine on Barclays Bank PLC, BCI or Absa Bank Limited.

16. Income taxes

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

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

17. Standards issued not yet effective

IFRS 9 Financial instruments

IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement with effect from 1 January 2018. IFRS 9 includes requirements for the classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting.

Based on analysis performed to date, the Group does not expect the effects of the new classification and measurement requirements under IFRS 9 to have a significant impact, although the final measure of impact is dependent on the balance sheet composition on the date of initial adoption. The requirements of IFRS 9 relating to the presentation of gains and losses on financial liabilities designated at fair value were adopted during the current reporting period. As a result, the effects of changes in those liabilities' credit risk are presented in other comprehensive income with the remaining effect presented in profit or loss. In accordance with the transitional requirements of IFRS 9, comparatives have not been restated.

The impairment requirements will lead to significant changes in the accounting for financial instruments. The introduction of the revised impairment model is expected to have a material financial impact, with impairment charges expected to be more volatile.

The Group has a jointly accountable risk and finance implementation and governance programme with representation from all impacted departments. The parallel run of IFRS 9 and IAS 39 impairment models commenced in February 2017, which includes model, process and output validation, testing, calibration and analysis. The key focus of the programme is on finalising processes, governance and controls in preparation for initial application in 2018. It will not be practical to disclose reliable financial impact estimates until the implementation programme and validation and testing are further advanced.

The Group expects to exercise the accounting policy choice to continue IAS 39 hedge accounting and is therefore not planning to change existing hedge accounting application. It will, however, implement the revised hedge accounting disclosures required by the related amendments to IFRS 7 'Financial Instruments: Disclosures'.

The Group will not restate comparatives on initial application of IFRS 9 on 1 January 2018 but will provide detailed transitional disclosures in accordance with the amended requirements of IFRS 7 Financial Instruments: Disclosures. Any change in the carrying value of financial instruments upon initial application of IFRS 9 will be recognised in equity.

Based on the current requirements of Basel III, the expected increase in the accounting impairment provision would reduce Common Equity Tier 1 (CET1) capital but this impact would be partially mitigated by the 'excess of expected losses over impairment' included in the CET1 calculation. The Basel Committee on Banking Supervision (BCBS) has provided national discretion to country regulators to consider transitional rules which may mitigate or spread capital impacts from 1 January 2018. The Group is continuously monitoring the IFRS 9 impairments and the regulatory impact thereof.

Segment performance

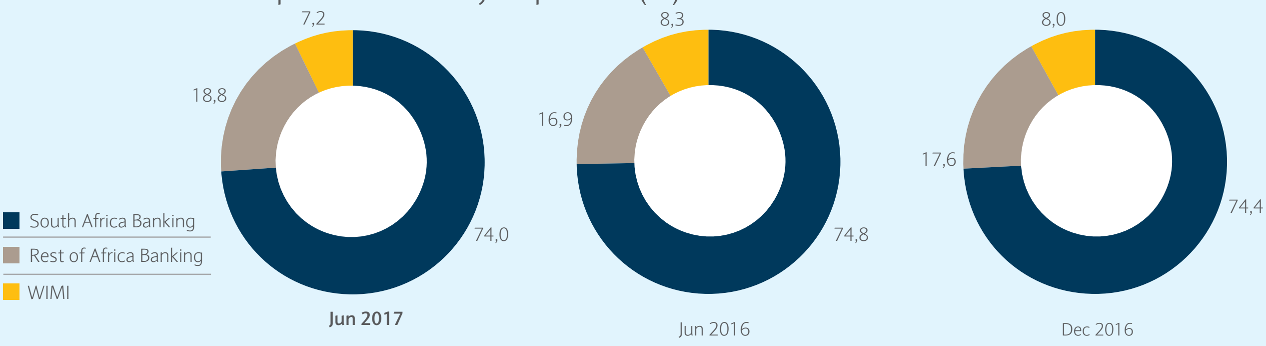
Segment performance overview

for the reporting period ended

BAGL headline earnings increased by 5% supported by increases in South Africa Banking and Rest of Africa Banking of 6% and 19% respectively partially offset by a decrease in WIMI of 8%.

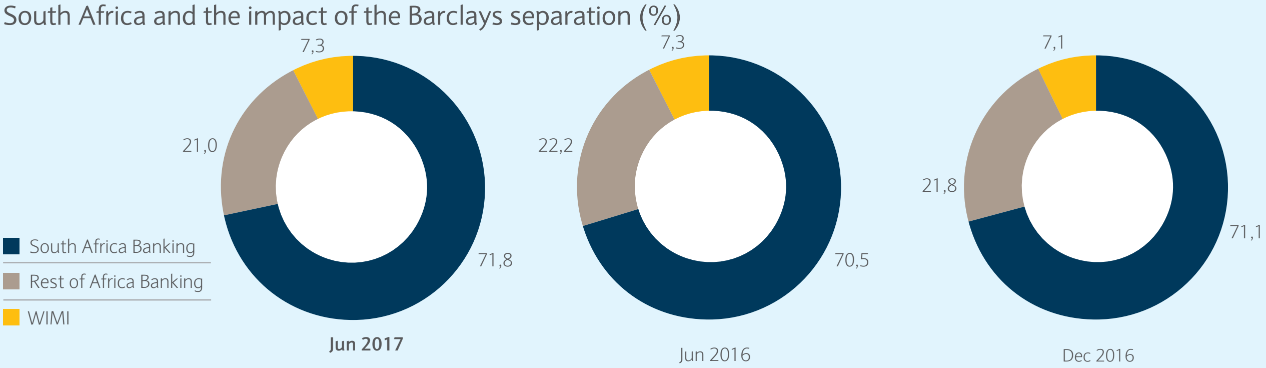
Performance per market segment

Headline earnings per market segment, excluding Head Office, Treasury and other operations in South Africa and the impact of the Barclays separation (%)



Headline earnings	30 June 2017 Rm	30 June 2016 Rm	Change %	31 December 2016 Rm
South Africa Banking	**5 969**	5 612	6	11 678
Rest of Africa Banking	**1 512**	1 266	19	2 756
WIMI	**574**	621	(8)	1 258
Head Office, Treasury and other operations in South Africa	**(285)**	(247)	15	(712)
Barclays separation	**(152)**	—	100	—
	7 618	7 252	5	14 980

Income per market segment, excluding Head Office, Treasury and other operations in South Africa and the impact of the Barclays separation (%)



Income	30 June 2017 Rm	30 June 2016 Rm	Change %	31 December 2016 Rm
South Africa Banking	**26 230**	25 955	1	52 209
Rest of Africa Banking	**7 670**	8 185	(6)	16 044
WIMI	**2 685**	2 693	(0)	5 221
Head Office, Treasury and other operations in South Africa	**(545)**	(325)	68	(1 080)
Barclays separation	**284**	—	100	—
	36 324	36 508	(1)	72 394

Segment performance overview

for the reporting period ended

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

South Africa Banking

RBB

Retail Banking

- Home Loans
- Vehicle and Asset Finance
- Card
- Personal Loans
- Transactional and Deposits
- Other

Business Banking

- Debt Products
- Deposit Products
- Transactional Products
- Equities

CIB

- Corporate
- Investment Bank
  - Markets
  - Banking
  - Private Equity and Infrastructure Investments
  - Commercial Property Finance

Rest of Africa Banking

RBB

CIB

- Corporate
- Investment Bank

Head Office, Treasury and other operations

WIMI

- Continuing Business Lines
  - Life Insurance
  - Wealth and Investment Management[1]
  - Short-term Insurance
  - Fiduciary Services
  - Distribution
  - Other
- Terminating Business Lines

Head Office, Treasury and other operations in South Africa[2]

- Enterprise Functions
- Group Treasury
- Consolidation Centre

Barclays separation

- Financial impact of the Barclays PLC separation to differentiate between normal business activities and the IFRS impact of the separation.

······ Normalised

—— IFRS

Notes

[1] Includes the Wealth banking portfolio.

[2] Includes Absa Manx Insurance Company.

Segment performance overview

for the reporting period ended

Operational metrics	30 June 2017	30 June 2016	Change %	31 December 2016
Delivery footprint (number)	**12 236**	11 537	(3)	11 220
South Africa	**9 673**	9 935	(3)	9 659
Outlets	**736**	782	(6)	774
ATMs	**8 937**	9 153	(2)	8 885
Rest of Africa	**1 563**	1 602	(2)	1 561
Outlets	**424**	456	(7)	433
ATMs	**1 139**	1 146	(1)	1 128
Number of customers ('000)	**11 638**	11 792	(1)	11 813
South Africa Banking (excludes Edcon and WFS portfolio customers)	**9 286**	9 484	(2)	9 412
Rest of Africa Banking[1]	**2 338**	2 294	2	2 387
WIMI (Wealth customers)	**14**	14	—	14
Number of customers ('000)	**11 638**	11 792	(1)	11 813
South Africa (excludes Edcon and WFS portfolio customers)	**9 300**	9 498	(2)	9 426
Rest of Africa[1]	**2 338**	2 294	2	2 387
Number of employees (permanent and temporary employees)	**41 714**	41 247	1	41 241
South Africa (excludes WFS employees)	**31 234**	30 631	2	30 739
Rest of Africa	**10 480**	10 616	(1)	10 502

Notes

[1] Restated based on a refined definition.

This page has been left blank intentionally

Segment report per market segment

for the reporting period ended

	South Africa Banking			
	30 June			31 December
	2017	2016[1]	Change	2016[1]
	Rm	Rm	%	Rm
Statement of comprehensive income (Rm)				
Net interest income	**15 778**	15 836	(0)	31 626
Non-interest income	**10 452**	10 119	3	20 583
Total income	**26 230**	25 955	1	52 209
Impairment losses on loans and advances	**(3 124)**	(4 309)	(28)	(7 042)
Operating expenses	**(14 435)**	(13 563)	6	(28 395)
Other operating expenses	**(192)**	(441)	(56)	(584)
Operating profit before income tax	**8 479**	7 642	11	16 188
Tax expense	**(2 183)**	(1 993)	10	(4 143)
Profit for the reporting period	**6 296**	5 649	11	12 045
Profit attributable to:				
Ordinary equity holders	**5 995**	5 350	12	11 433
Non-controlling interest – ordinary shares	**123**	133	(8)	266
Non-controlling interest – preference shares	**178**	166	7	346
	6 296	5 649	11	12 045
Headline earnings	**5 969**	5 612	6	11 678
Operating performance (%)				
Net interest margin on average interest-bearing assets	**3,38**	3,54		3,47
Credit loss ratio	**0,91**	1,28		1,03
Non-interest income as % of income	**39,8**	39,0		39,4
Income growth	**1**	9		6
Operating expenses growth	**6**	5		5
Cost-to-income ratio	**55,0**	52,3		54,4
Statement of financial position (Rm)				
Loans and advances to customers	**643 851**	626 370	3	636 154
Loans and advances to banks	**36 066**	45 629	(21)	40 469
Investment securities	**72 429**	62 821	15	67 499
Other assets	**428 597**	442 132	(3)	422 945
Total assets	**1 180 943**	1 176 952	0	1 167 067
Deposits due to customers	**472 999**	452 539	5	460 080
Debt securities in issue	**12 922**	18 572	(30)	15 197
Other liabilities	**682 036**	694 261	(2)	674 233
Total liabilities	**1 167 957**	1 165 372	0	1 149 510
Financial performance (%)				
RoRWA	**2,39**	2,32		2,38
RoA	**1,02**	0,96		1,00
RoRC	**20,8**	20,2		20,9

Notes

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

[2] As Rest of Africa Banking consists primarily of a set of legal entities, the denominator in the Rest of Africa Banking calculation is the sum of the average equity of the legal entities.

[3] As WIMI consists primarily of a set of legal entities with a smaller contribution from 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.

Rest of Africa Banking				WIMI				Head Office, Treasury and other operations in South Africa			
30 June			31 December	30 June			31 December	30 June			31 December
2017	2016[1]	Change	2016[1]	**2017**	2016[1]	Change	2016[1]	**2017**	2016[1]	Change	2016[1]
Rm	Rm	%	Rm	**Rm**	Rm	%	Rm	**Rm**	Rm	%	Rm
5 201	5 535	(6)	10 818	**176**	191	(8)	374	**(364)**	(469)	(22)	(815)
2 469	2 650	(7)	5 226	**2 509**	2 502	0	4 847	**(181)**	144	<(100)	(265)
7 670	8 185	(6)	16 044	**2 685**	2 693	(0)	5 221	**(545)**	(325)	68	(1 080)
(638)	(928)	(31)	(1 732)	**(3)**	2	<(100)	(10)	**(8)**	38	<(100)	33
(4 279)	(4 821)	(11)	(9 223)	**(1 842)**	(1 778)	4	(3 540)	**518**	675	(23)	1 202
(85)	(80)	6	(171)	**(107)**	(52)	>100	(171)	**(332)**	(644)	(48)	(1 079)
2 668	2 356	13	4 918	**733**	865	(15)	1 500	**(367)**	(256)	43	(924)
(899)	(783)	15	(1 616)	**(180)**	(257)	(30)	(291)	**71**	36	97	215
1 769	1 573	12	3 302	**553**	608	(9)	1 209	**(296)**	(220)	35	(709)
1 531	1 268	21	2 761	**551**	621	(11)	1 223	**(296)**	(220)	35	(709)
238	305	(22)	541	**—**	(15)	(100)	(19)	**—**	—	—	—
—	—	—	—	**2**	2	—	5	**—**	—	—	—
1 769	1 573	12	3 302	**553**	608	(9)	1 209	**(296)**	(220)	35	(709)
1 512	1 266	19	2 756	**574**	621	(8)	1 258	**(285)**	(247)	15	(712)
7,13	7,28		7,25	**n/a**	n/a		n/a	**n/a**	n/a		n/a
1,38	1,68		1,62	**0,09**	(0,05)		0,13	**n/a**	n/a		n/a
32,2	32,4		32,6	**93,5**	92,9		92,8	**n/a**	n/a		n/a
(6)	28		17	**—**	3		—	**n/a**	n/a		n/a
(11)	17		11	**4**	11		10	**n/a**	n/a		n/a
55,8	58,9		57,5	**68,6**	66,0		67,8	**n/a**	n/a		n/a
78 938	81 874	(4)	77 877	**5 485**	5 895	(7)	5 660	**711**	1 070	(34)	618
12 943	19 940	(35)	27 260	**1 709**	2 173	(21)	1 973	**12 733**	15 921	(20)	(19 913)
28 115	21 195	33	23 462	**4 532**	4 703	(4)	4 687	**10 758**	12 844	(16)	18 667
50 515	45 522	11	32 882	**39 406**	37 322	6	38 687	**(300 731)**	(282 942)	6	(277 904)
170 511	168 531	1	161 481	**51 132**	50 093	2	51 007	**(276 529)**	(253 107)	9	(278 532)
119 996	123 162	(3)	111 993	**4 904**	4 925	(0)	5 144	**98 463**	96 342	2	97 648
521	337	55	331	**—**	—	—	—	**126 749**	125 613	1	124 186
29 312	23 548	24	28 380	**40 978**	39 784	3	40 548	**(567 439)**	(537 289)	6	(558 997)
149 829	147 047	2	140 704	**45 882**	44 709	3	45 692	**(342 227)**	(315 334)	9	(337 163)
1,91	1,47		1,64	**n/a**	n/a		n/a	**n/a**	n/a		n/a
1,83	1,46		1,62	**1,94**	3,15		2,74	**n/a**	n/a		n/a
17,4[2]	13,5[2]		15,1[2]	**19,3[3]**	21,1[3]		21,7[3]	**n/a**	n/a		n/a

Total Group normalised performance				Barclays separation				Group			
30 June			31 December	30 June			31 December	30 June			31 December
2017 Rm	2016 Rm	Change %	2016 Rm	2017 Rm	2016[1] Rm	Change %	2016 Rm	2017 Rm	2016 Rm	Change %	2016 Rm
20 791	21 093	(1)	42 003	46	—	100	—	20 837	21 093	(1)	42 003
15 249	15 415	(1)	30 391	238	—	100	—	15 487	15 415	0	30 391
36 040	36 508	(1)	72 394	284	—	100	—	36 324	36 508	(1)	72 394
(3 773)	(5 197)	(27)	(8 751)	—	—	—	—	(3 773)	(5 197)	(27)	(8 751)
(20 038)	(19 487)	3	(39 956)	(460)	—	100	—	(20 498)	(19 487)	5	(39 956)
(716)	(1 217)	(41)	(2 005)	(325)	—	100	—	(1 041)	(1 217)	(14)	(2 005)
11 513	10 607	9	21 682	(501)	—	100	—	11 012	10 607	4	21 682
(3 191)	(2 997)	6	(5 835)	111	—	100	—	(3 080)	(2 997)	3	(5 835)
8 322	7 610	9	15 847	(390)	—	100	—	7 932	7 610	4	15 847
7 781	7 019	11	14 708	(390)	—	100	—	7 391	7 019	5	14 708
361	423	(15)	788	—	—	—	—	361	423	(15)	788
180	168	7	351	—	—	—	—	180	168	7	351
8 322	7 610	9	15 847	(390)	—	100	—	7 932	7 610	4	15 847
7 770	7 252	7	14 980	(152)	—	100	—	7 618	7 252	5	14 980
4,93	5,01		4,95	n/a	n/a		n/a	4,93	5,01		4,95
0,96	1,29		1,08	n/a	n/a		n/a	0,96	1,29		1,08
42,3	42,2		42,0	n/a	n/a		n/a	42,6	42,2		42,0
(1)	13		8	n/a	n/a		n/a	(1)	13		8
3	7		6	n/a	n/a		n/a	5	7		6
55,6	53,4		55,2	n/a	n/a		n/a	56,4	53,4		55,2
728 985	715 209	2	720 309	—	—	—	—	728 985	715 209	2	720 309
63 451	83 663	(24)	83 663	—	—	—	—	63 451	83 663	(24)	49 789
115 834	101 563	14	114 315	—	—	—	—	115 834	101 563	14	114 315
217 787	242 034	(10)	242 034	11 819	—	100	—	229 606	242 034	(5)	216 610
1 126 057	1 142 469	(1)	1 101 023	11 819	—	100	—	1 137 876	1 142 469	(0)	1 101 023
696 362	676 968	3	674 865	—	—	—	—	696 362	676 968	3	674 865
140 192	144 522	(3)	139 714	—	—	—	—	140 192	144 522	(3)	139 714
184 887	220 304	(16)	184 164	104	—	100	—	184 991	220 304	(16)	184 164
1 021 441	1 041 794	(2)	998 743	104	—	100	—	1 021 545	1 041 794	(2)	998 743
n/a	n/a		n/a	n/a	n/a		n/a	2,18	2,08		2,14
1,40	1,29		1,34	n/a	n/a		n/a	1,37	1,29		1,34
n/a	n/a		n/a	n/a	n/a		n/a	n/a	n/a		n/a

South Africa Banking

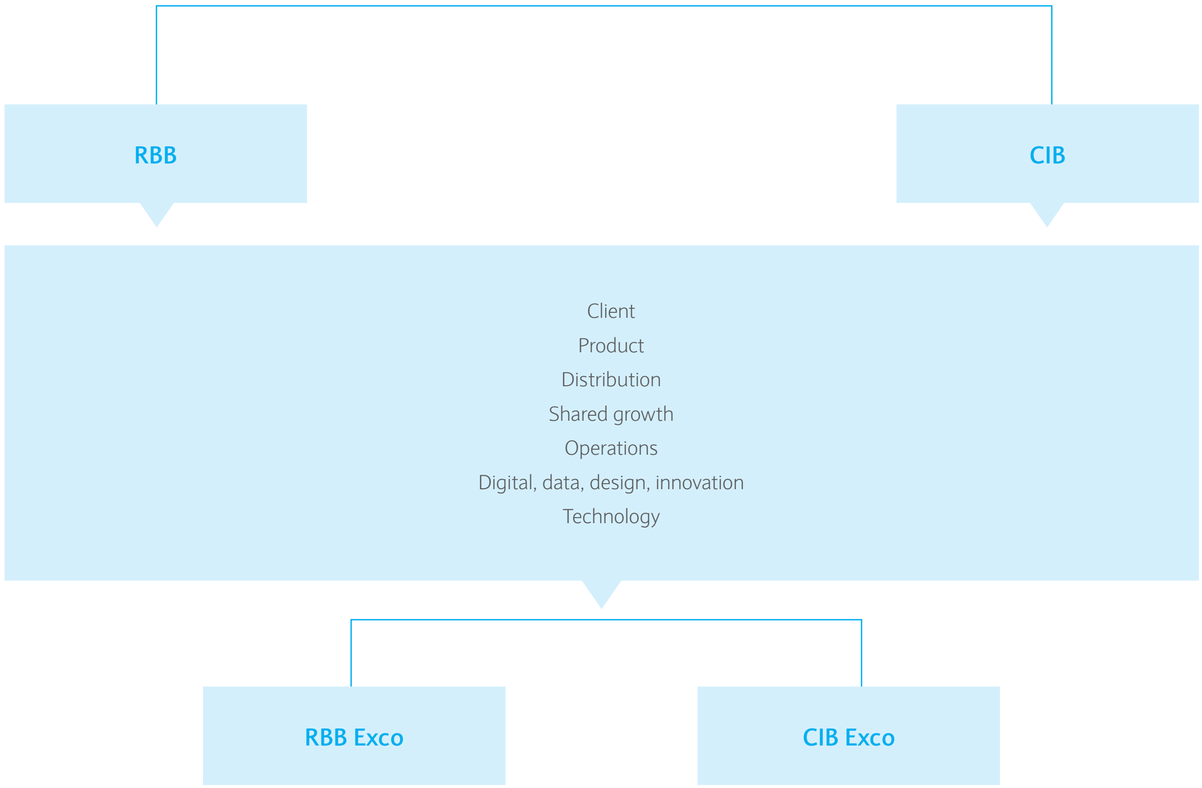
for the reporting period ended

Business profile

South Africa Banking provides a universal banking offering to our customers and clients across the Retail & Business Bank and Corporate & Investment Bank. The combined business aims to harness the existing capabilities in RBB and CIB in an integrated manner by:

- Creating combined product teams to improve the proposition to the full spectrum of customers and clients.
- Using a single customer view to service all of our clients.
- Aligning execution across the business to deliver the best client outcomes.

> ***To drive synergy for clients, we integrated the businesses under a South Africa umbrella.***



South Africa Banking

for the reporting period ended

Operating environment

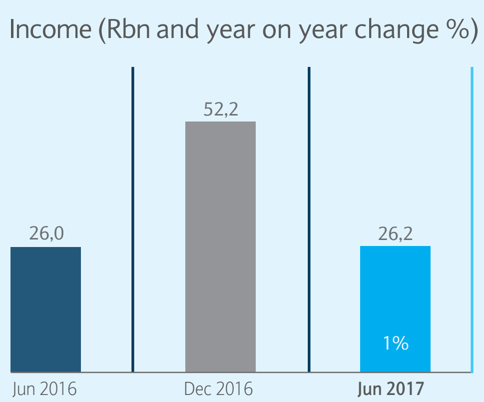
The global recovery remained broadly intact, even if growth momentum slowed in some countries in the first half of 2017. More notably, Europe surprised on the upside, while the US growth is clouded by policy uncertainty. Global monetary policy is still accommodative, as headline and core inflation remained below expectations. South Africa's economy moved into recession in the first quarter of 2017 after contracting for the second successive quarter by 0,7% from (0,3%) in the fourth quarter of 2016. The household sector was affected by general weakness in the economy, tight credit market and slow jobs growth. All these factors weighed on consumer confidence which affected their willingness to spend or take up new credit. Credit extension growth to households slowed, averaging 1,5% in the year to May compared to 3,7% last year, with the weakness being broad-based across most types of credit. The subdued growth in mortgage advances to household is reflective of the challenging conditions in the residential property market. Consumers continued to deleverage, as household debt to disposable income declined to its lowest level since 2006. Overall, there was a marked deterioration in the consumer side of the economy in the first half of 2017.

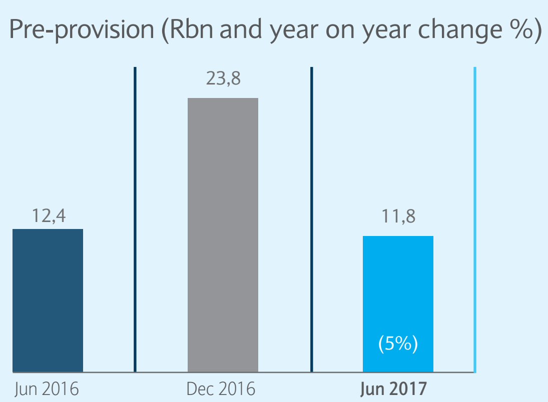
On the business side, confidence also weakened further in the second quarter of 2017 as 71% of businesses indicated that they are dissatisfied with current business conditions. The weakness in confidence was more pronounced in the manufacturing and motor vehicle trade sectors, which does not bode well for fixed investment growth. Global rating agencies downgraded South Africa credit rating, citing concerns about weak growth, politics, State Owned Enterprises performance and clarity on economic policies. Heightened political uncertainty contributed to significant financial market volatility. Headline inflation trended downward in the first half of 2017, supported by moderating food price inflation and petrol price cuts. On the back of an improved inflation outlook and concerns about the weak economic growth environment, the SARB MPC reduced the repurchase rate by 25 bps in July 2017.

Financial performance update

Key performance highlights for the reporting period include:

- Solid growth in headline earnings of 6% against the backdrop of a challenging macro environment and regulatory headwinds; CIB headline earnings increased by 76% and RBB headline earnings reduced by 9%.
- Impairments decreased by 28% from a high prior year base particularly in CIB; the credit loss ratio improved from 1,28% to 0,91%.
- Operating cost remained well controlled whilst continuing to invest in focus areas including IT stability, customer experiences as well as client and product coverage.
- Strong impairment coverage levels have been maintained, on both performing and non-performing loans.
- Return on regulatory capital increased marginally to 20,8% from 20,2% supported by higher CIB returns following large single name losses during 2016.
- Slow balance sheet growth reflecting low market growth and continued cautious credit risk origination; Wholesale advances grew faster than Retail. Customer deposits grew faster than advances reducing the reliance on wholesale funding.
- Pre-provision profit reduced by 5% with negative Jaws of 5,4% reflecting revenue growth of only 1%.
- RBB revenue was largely flat, partially from lower net interest margins from regulatory changes and low balance sheet growth. CIB revenues showed moderate growth as corporate momentum continued and the Investment Bank was flat from a relatively high base in Markets.

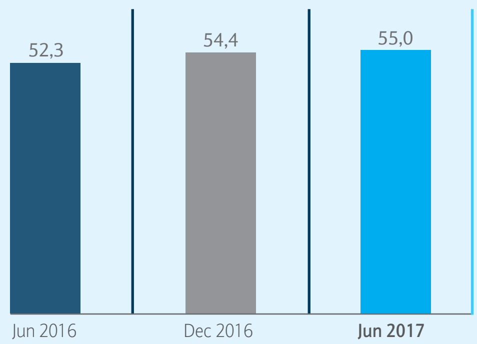




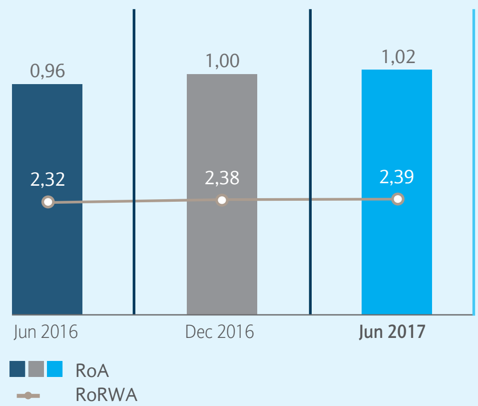
South Africa Banking

for the reporting period ended

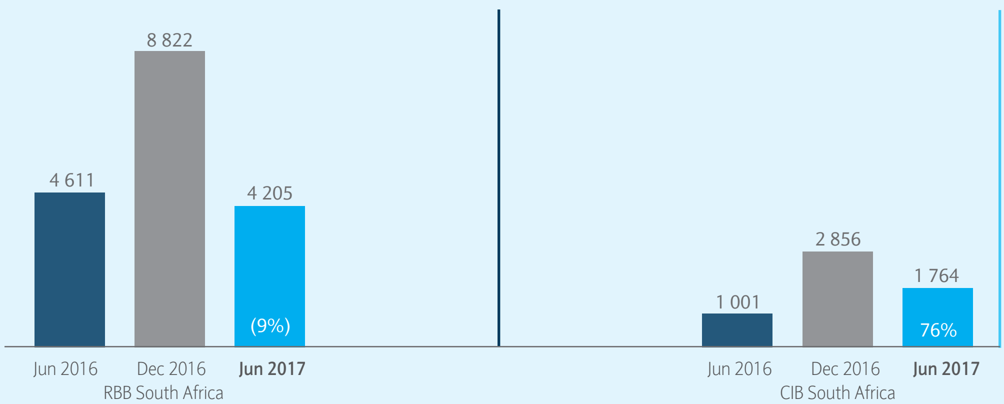
Cost-to-income (%)



RoA and RoRWA (%)



Headline earnings per segment (Rm and year on year change %)



Headline earnings by segment	30 June 2017 Rm	30 June 2016 Rm	Change %	31 December 2016 Rm
South Africa Banking	**5 969**	5 612	6	11 678
RBB South Africa	**4 205**	4 611	(9)	8 822
Retail Banking	**3 092**	3 443	(10)	6 524
Business Banking	**1 113**	1 168	(5)	2 298
CIB South Africa	**1 764**	1 001	76	2 856
Corporate	**558**	413	35	1 063
Investment Banking	**1 206**	588	>100	1 793

South Africa Banking

for the reporting period ended

	RBB South Africa			
	30 June			31 December
	2017	2016[1]	Change %	2016[1]
Statement of comprehensive income (Rm)				
Net interest income	**12 525**	12 829	(2)	25 587
Non-interest income	**8 344**	8 014	4	16 345
Total income	**20 869**	20 843	0	41 932
Impairment losses on loans and advances	**(2 911)**	(3 208)	(9)	(6 022)
Operating expenses	**(11 639)**	(10 871)	7	(22 843)
Other operating expenses	**(75)**	(339)	(78)	(432)
Operating profit before income tax	**6 244**	6 425	(3)	12 635
Tax expenses	**(1 775)**	(1 797)	(1)	(3 528)
Profit for the reporting period	**4 469**	4 628	(3)	9 107
Profit attributable to:				
Ordinary equity holders	**4 231**	4 383	(3)	8 611
Non-controlling interest – ordinary shares	**123**	133	(8)	266
Non-controlling interest – preference shares	**115**	112	3	230
	4 469	4 628	(3)	9 107
Headline earnings	**4 205**	4 611	(9)	8 822
Operating performance (%)				
Net interest margin on average interest-bearing assets	**3,68**	3,95		3,85
Credit loss ratio	**1,28**	1,43		1,33
Non-interest income as % of income	**40,0**	38,4		39,0
Income growth	**—**	7		4
Operating expenses growth	**7**	5		6
Cost-to-income ratio	**55,8**	52,2		54,5
Statement of financial position (Rm)				
Loans and advances to customers	**439 167**	433 165	1	434 139
Loans and advances to banks	**6 208**	6 482	(4)	6 348
Investment securities	**43 483**	41 575	5	42 132
Other assets	**243 630**	234 933	4	247 914
Total assets	**732 488**	716 155	2	730 533
Deposits due to customers	**289 695**	276 123	5	286 297
Debt securities in issue	**640**	1 161	(45)	871
Other liabilities	**434 321**	431 206	1	431 572
Total liabilities	**724 656**	708 490	2	718 740
Financial performance (%)				
RoRWA	**2,68**	2,95		2,81
RoA	**1,15**	1,31		1,23

Note

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

CIB South Africa				Total South Africa Banking			
30 June			31 December	30 June			31 December
2017	2016[1]	Change %	2016[1]	**2017**	2016[1]	Change %	2016[1]
3 253	3 007	8	6 039	**15 778**	15 836	(0)	31 626
2 108	2 105	0	4 238	**10 452**	10 119	3	20 583
5 361	5 112	5	10 277	**26 230**	25 955	1	52 209
(213)	(1 101)	(81)	(1 020)	**(3 124)**	(4 309)	(28)	(7 042)
(2 796)	(2 692)	4	(5 552)	**(14 435)**	(13 563)	6	(28 395)
(117)	(102)	15	(152)	**(192)**	(441)	(56)	(584)
2 235	1 217	84	3 553	**8 479**	7 642	11	16 188
(408)	(196)	>100	(615)	**(2 183)**	(1 993)	10	(4 143)
1 827	1 021	79	2 938	**6 296**	5 649	11	12 045
1 764	967	82	2 822	**5 995**	5 350	12	11 433
—	—	—	—	**123**	133	(8)	266
63	54	17	116	**178**	166	7	346
1 827	1 021	79	2 938	**6 296**	5 649	11	12 045
1 764	1 001	76	2 856	**5 969**	5 612	6	11 678
2,59	2,46		2,44	**3,38**	3,54		3,47
0,18	0,97		0,44	**0,91**	1,28		1,03
39,3	41,2		41,2	**39,8**	39,0		39,4
5	17		13	**1**	9		6
4	1		—	**6**	5		5
52,2	52,6		54,0	**55,0**	52,3		54,4
204 684	193 205	6	202 015	**643 851**	626 370	3	636 154
29 858	39 147	(24)	34 121	**36 066**	45 629	(21)	40 469
28 946	21 246	36	25 367	**72 429**	62 821	15	67 499
184 967	207 199	(11)	175 031	**428 597**	442 132	(3)	422 945
448 455	460 797	(3)	436 534	**1 180 943**	1 176 952	0	1 167 067
183 304	176 416	4	173 783	**472 999**	452 539	5	460 080
12 282	17 411	(29)	14 326	**12 922**	18 572	(30)	15 197
247 715	263 055	(6)	242 661	**682 036**	694 261	(2)	674 233
443 301	456 882	(3)	430 770	**1 167 957**	1 165 372	0	1 149 510
1,91	1,16		1,61	**2,39**	2,32		2,38
0,80	0,43		0,63	**1,02**	0,96		1,00

Retail and Business Banking South Africa

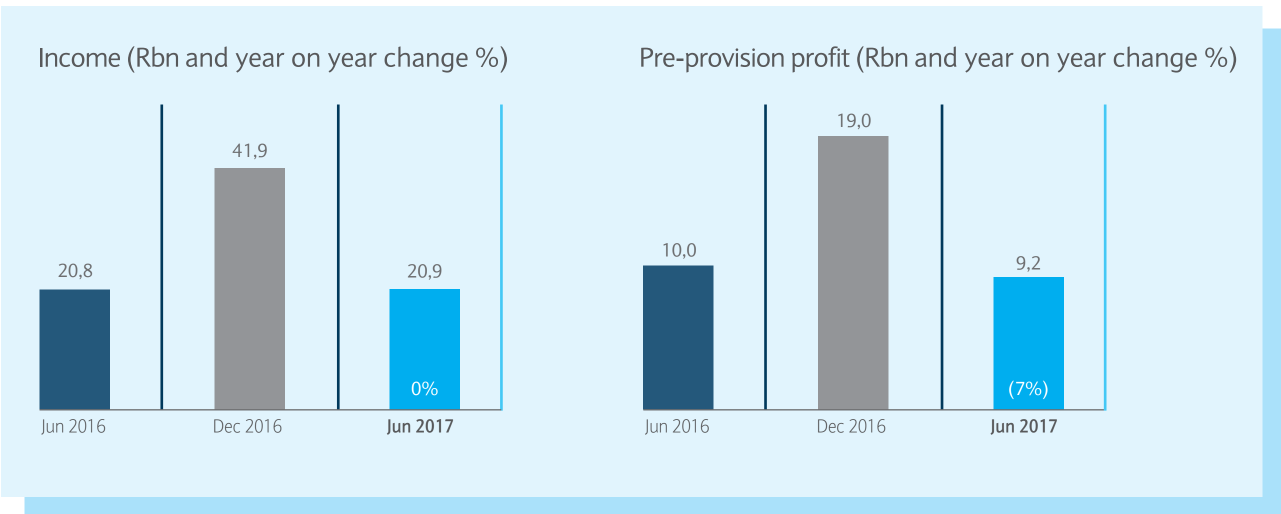
for the reporting period

Retail and Business Banking South Africa headline earnings declined amid a tough macroeconomic climate leading to dampened consumer and business confidence. As a result, spending has declined and the overall demand for credit has reduced. In addition, industry wide returns continue to be impacted by the implementation of regulatory changes and strong competitive pressure.

Headline earnings declined 9% to **R4 205m** (30 June 2016: R4 611m) despite progress on our strategy to improve our market position through investments that continually refine our customer value propositions by placing careful focus on our customers' needs and growing expectations. Customers remain at the heart of our channel decisions across design, functionality and usage aspects with the aim of providing them with channel choice, security, access and convenience. The quality of the asset portfolio remains a key focus area and is managed by continuous refinement of the risk appetite.

Key performance highlights for the reporting period include:

- ▲ Impairments decreased 9% to R2 911m, resulting in a lower credit loss ratio of **1,28%** (30 June 2016: 1,43%).
- ▲ Healthy advances book backed by a strong coverage ratio of **3,12%** (30 June 2016: 3,01%).
- ▲ Deposits due to customers increased 5% to R290bn amid intense competitive pressure.
- ▲ Non-interest income grew 4% to R8 344m driven by improving share of wallet in targeted customer segments.
- ▲ Operating expenses remain well managed as benefits continued to be realised from improved customer experience, the simplification of business processes and network optimisation despite increased information technology expenditure.
- ▲ Retail Banking product penetration rate improved to **1,58** (30 June 2016: 1,57).
- ▲ Loans and advances to customers grew 1% to **R439bn** (30 June 2016: R433bn) hampered by a decline in Home Loans and lower net credit sales within the store card portfolio. Underlying growth excluding Home Loans and store cards was 5%.
- ▼ RoRC declined to 22,8% (30 June 2016: 25,5%); however it remained healthy and above the cost of equity.
- ▼ Negative Jaws of 6,92% driven by planned investment expenditure.
- ▼ Net interest income declined 2% mainly due to the impact of NCA and Basel III requirements.
- ▼ Customer numbers decreased 3%, despite good growth in new to bank customers in our target segments.



Salient features	30 June 2017	30 June 2016[1]	Change %	31 December 2016[1]
Income (Rm)	**20 869**	20 843	0	41 932
Attributable earnings (Rm)	**4 231**	4 383	(3)	8 611
Headline earnings (Rm)	**4 205**	4 611	(9)	8 822
Credit loss ratio (%)	**1,28**	1,43		1,33
Cost-to-income ratio (%)	**55,8**	52,2		54,5
RoRWA (%)	**2,68**	2,95		2,81
RoA (%)	**1,15**	1,31		1,23
RoRC (%)	**22,8**	25,5		24,4

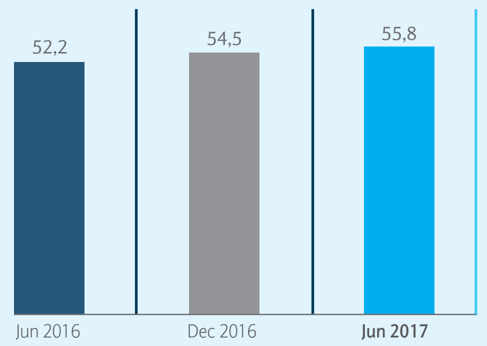
Note

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

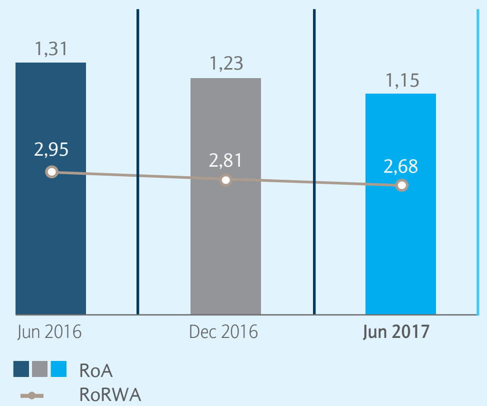
Retail and Business Banking South Africa

for the reporting period

Cost-to-income (%)



RoA and RoRWA (%)



Headline earnings by segment	30 June 2017 Rm	30 June 2016[1] Rm	Change %	31 December 2016[1] Rm
RBB South Africa	**4 205**	4 611	(9)	8 822
Home Loans	**764**	838	(9)	1 630
Vehicle and Asset Finance	**431**	411	5	800
Card and Payments	**658**	706	(7)	1 561
Personal Loans	**185**	219	(16)	424
Transactional and Deposits	**1 204**	1 392	(14)	2 689
Other	**(150)**	(123)	22	(580)
Business Banking (excluding equities)	**1 129**	1 183	(5)	2 320
Business Banking equities	**(16)**	(15)	7	(22)

Business profile

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

Key business areas

- **Home Loans** – offers residential property-related finance solutions direct to customers through personalised services, a range of electronic channels, and intermediaries such as estate agents and originators.
- **Vehicle and Asset Finance (VAF)** – offers a comprehensive range of funding solutions for assets such as vehicles, aviation, marine, agricultural equipment, commercial, plant and office equipment as well as vehicle fleet and fleet card management. These solutions are provided to both individual and business customers through the branch network, 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 reinforce the strategic intent of establishing and harnessing relationships with dealers and customers.
- **Card and Payments** – offers credit cards and merchant acquiring solutions via a mix of Absa-branded and co-branded offerings including British Airways, Avios and Virgin Money. Included in this portfolio are strategic partnerships with Edcon, which offers in-store cards and Woolworths Financial Services, which offers in-store cards, credit cards, personal loans and short-term insurance products.
- **Personal Loans** – offers unsecured instalment loans through face-to-face engagements, call centre agents as well as electronic and mobile channels.
- **Transactional and Deposits** – offers a full range of transactional banking, savings and investment products, rewards 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).
- **Business Banking** – offers debt, deposit and transactional products to enterprise and commercial customers. Customers within the enterprise segment, with an annual turnover of up to R20m, are serviced using a direct coverage model with a predominately branch-based interface. Customers in the commercial segment, with an annual turnover of between R20m and R500m, are serviced using a relationship-based model, where dedicated sales and service teams provide customised solutions. The relationship-based model includes a sector overlay focusing primarily on agriculture, public sector, wholesale, retail and franchising. Business Banking also includes an Equity portfolio which is being reduced in an orderly manner.
- **Other** – includes distribution channel costs not recovered from product houses, strategic initiative expenditure and funding costs held centrally for Retail Banking South Africa.

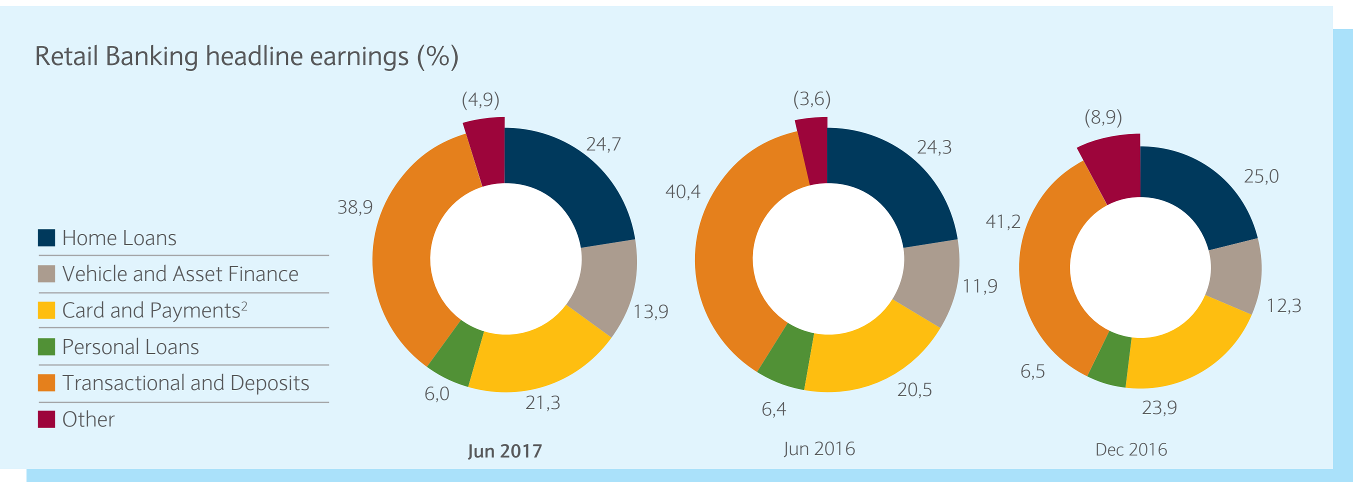
Note

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

Retail Banking South Africa

for the reporting period ended

	Home Loans				Vehicle and Asset Finance			
	30 June			31 December	30 June			31 December
	2017	2016[1]	Change %	2016[1]	**2017**	2016[1]	Change %	2016[1]
Statement of comprehensive income (Rm)								
Net interest income	**2 139**	2 254	(5)	4 450	**1 499**	1 483	1	2 953
Non-interest income	**227**	158	44	329	**425**	377	13	794
Total income	**2 366**	2 412	(2)	4 779	**1 924**	1 860	3	3 747
Impairment losses on loans and advances	**(466)**	(504)	(8)	(922)	**(477)**	(505)	(6)	(1 047)
Operating expenses	**(820)**	(809)	1	(1 667)	**(930)**	(864)	8	(1 759)
Other operating expenses	**(8)**	(8)	—	(17)	**56**	55	2	120
Operating profit before income tax	**1 072**	1 091	(2)	2 173	**573**	546	5	1 061
Tax expenses	**(308)**	(253)	22	(543)	**(142)**	(135)	5	(261)
Profit for the reporting period	**764**	838	(9)	1 630	**431**	411	5	800
Profit attributable to:								
Ordinary equity holders	**764**	838	(9)	1 630	**431**	411	5	800
Non-controlling interest – ordinary shares	**—**	—	—	—	**—**	—	—	—
Non-controlling interest – preference shares	**—**	—	—	—	**—**	—	—	—
	764	838	(9)	1 630	**431**	411	5	800
Headline earnings	**764**	838	(9)	1 630	**431**	411	5	800
Operating performance (%)								
Credit loss ratio	**0,41**	0,44		0,40	**1,01**	1,13		1,14
Non-interest income as % of income	**9,6**	6,5		6,9	**22,1**	20,3		21,2
Income growth	**(2)**	5		4	**3**	(3)		(2)
Operating expenses growth	**1**	3		9	**8**	2		6
Cost-to-income ratio	**34,6**	33,5		34,9	**48,4**	46,4		46,9
Statement of financial position (Rm)								
Loans and advances to customers	**224 869**	227 701	(1)	225 158	**95 552**	90 473	6	93 630
Loans and advances to banks	**290**	1 537	(81)	1 002	**43**	50	(14)	24
Investment securities	**12 216**	11 500	6	11 739	**4 878**	4 356	12	4 563
Other assets	**7 514**	8 024	(6)	7 105	**7 596**	5 533	37	5 929
Total assets	**244 889**	248 762	(2)	245 004	**108 069**	100 412	8	104 146
Deposits due to customers	**1 674**	2 019	(17)	1 762	**380**	324	17	297
Debt securities in issue	**640**	1 160	(45)	871	**—**	—	—	—
Other liabilities	**241 567**	244 583	(1)	240 579	**105 621**	98 304	7	101 675
Total liabilities	**243 881**	247 762	(2)	243 212	**106 001**	98 628	7	101 972
Financial performance (%)								
RoRWA	**2,16**	2,24		2,20	**1,20**	1,17		1,12
RoA	**0,63**	0,68		0,66	**0,72**	0,84		0,76



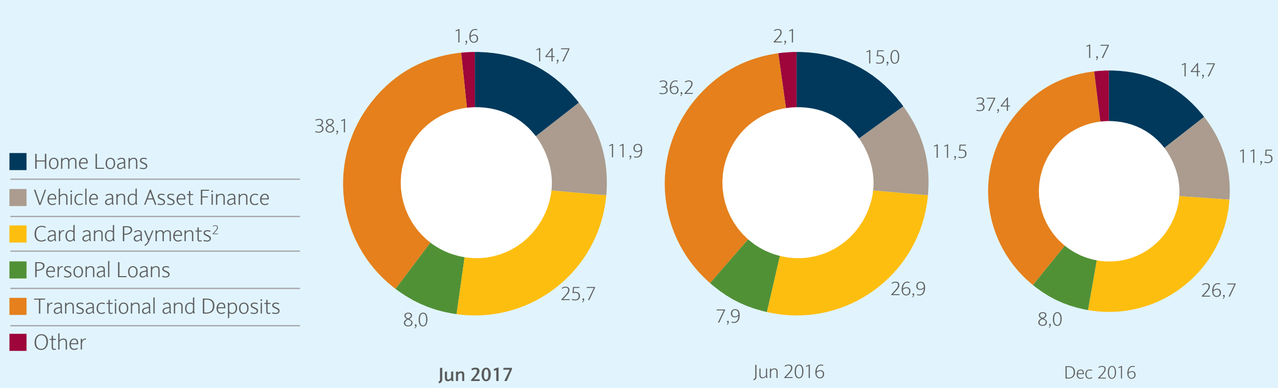
Notes

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

[2] Includes WFS and Edcon portfolio.

Card and Payments[2]				Personal Loans				Transactional and Deposits			
30 June			31 December	30 June			31 December	30 June			31 December
2017	2016[1]	Change %	2016[1]	**2017**	2016[1]	Change %	2016[1]	**2017**	2016[1]	Change %	2016[1]
2 319	2 566	(10)	5 023	**1 132**	1 109	2	2 271	**2 501**	2 365	6	5 021
1 822	1 764	3	3 668	**166**	160	4	320	**3 643**	3 558	2	7 136
4 141	4 330	(4)	8 691	**1 298**	1 269	2	2 591	**6 144**	5 923	4	12 157
(1 141)	(1 297)	(12)	(2 345)	**(553)**	(501)	10	(994)	**(80)**	(65)	23	(131)
(1 862)	(1 820)	2	(3 695)	**(489)**	(464)	5	(1 007)	**(4 386)**	(3 941)	11	(8 320)
(52)	(346)	(85)	(413)	**—**	—	—	(1)	**(6)**	(5)	20	(11)
1 086	867	25	2 238	**256**	304	(16)	589	**1 672**	1 912	(13)	3 695
(305)	(328)	(7)	(710)	**(71)**	(85)	(16)	(165)	**(468)**	(520)	(10)	(1 006)
781	539	45	1 528	**185**	219	(16)	424	**1 204**	1 392	(14)	2 689
658	421	56	1 277	**185**	219	(16)	424	**1 204**	1 392	(14)	2 689
123	118	4	251	**—**	—	—	—	**—**	—	—	—
—	—	—	—	**—**	—	—	—	**—**	—	—	—
781	539	45	1 528	**185**	219	(16)	424	**1 204**	1 392	(14)	2 689
658	706	(7)	1 561	**185**	219	(16)	424	**1 204**	1 392	(14)	2 689
5,38	5,95		5,41	**6,23**	5,85		5,68	**1,89**	1,77		1,74
44,0	40,7		42,2	**12,8**	12,6		12,3	**59,3**	60,1		58,7
(4)	6		3	**2**	17		14	**4**	7		5
2	2		3	**5**	(6)		8	**11**	4		7
45,0	42,0		42,5	**37,6**	36,5		38,9	**71,4**	66,5		68,4
37 025	37 978	(3)	37 522	**16 592**	16 153	3	16 164	**2 780**	2 447	14	2 606
93	82	13	93	**—**	—	—	—	**5 325**	4 376	22	4 764
2 003	1 944	3	1 915	**876**	781	12	828	**262**	215	22	199
11 790	10 938	8	11 303	**402**	411	(2)	450	**172 606**	162 048	7	171 240
50 911	50 942	(0)	50 833	**17 870**	17 345	3	17 442	**180 973**	169 086	7	178 809
1 812	1 862	(3)	1 907	**7**	8	(13)	10	**177 118**	165 516	7	172 962
—	—	—	—	**—**	—	—	—	**—**	—	—	—
46 984	47 264	(1)	46 291	**17 678**	17 118	3	17 007	**2 649**	2 174	22	3 154
48 796	49 126	(1)	48 198	**17 685**	17 126	3	17 017	**179 767**	167 690	7	176 116
2,26	2,23		2,52	**1,67**	2,05		1,94	**13,11**	19,64		17,86
2,56	2,67		2,98	**2,11**	2,59		2,46	**1,43**	1,77		1,65

Retail Banking income (%)



Other				Total Retail Banking South Africa			
30 June			31 December	30 June			31 December
2017	2016[1]	Change %	2016[1]	**2017**	2016[1]	Change %	2016[1]
23	100	(77)	(12)	**9 613**	9 877	(3)	19 706
229	232	(1)	562	**6 512**	6 249	4	12 809
252	332	(24)	550	**16 125**	16 126	(0)	32 515
1	(5)	<(100)	(2)	**(2 716)**	(2 877)	(6)	(5 441)
(262)	(331)	(21)	(930)	**(8 749)**	(8 229)	6	(17 378)
(51)	(23)	>100	(85)	**(61)**	(327)	(81)	(407)
(60)	(27)	>100	(467)	**4 599**	4 693	(2)	9 289
(1)	(6)	(83)	69	**(1 295)**	(1 327)	(2)	(2 616)
(61)	(33)	85	(398)	**3 304**	3 366	(2)	6 673
(146)	(119)	23	(574)	**3 096**	3 162	(2)	6 246
(1)	—	100	—	**122**	118	3	251
86	86	—	176	**86**	86	—	176
(61)	(33)	85	(398)	**3 304**	3 366	(2)	6 673
(150)	(123)	22	(580)	**3 092**	3 443	(10)	6 524
n/a	n/a		n/a	**1,39**	1,48		1,39
n/a	n/a		n/a	**40,4**	38,7		39,4
n/a	n/a		n/a	**—**	7		4
n/a	n/a		n/a	**6**	5		6
n/a	n/a		n/a	**54,2**	51,0		53,4
—	1	(100)	2	**376 818**	374 753	1	375 082
405	410	(1)	401	**6 156**	6 455	(5)	6 284
12 691	12 646	0	12 677	**32 926**	31 442	5	31 921
4 056	4 746	(15)	5 724	**203 964**	191 700	6	201 751
17 152	17 803	(4)	18 804	**619 864**	604 350	3	615 038
14	17	(18)	15	**181 005**	169 746	7	176 953
—	1	(100)	—	**640**	1 161	(45)	871
17 155	17 742	(3)	19 200	**431 654**	427 185	1	427 906
17 169	17 760	(3)	19 215	**613 299**	598 092	3	605 730
n/a	n/a		n/a	**2,46**	2,80		2,65
n/a	n/a		n/a	**1,00**	1,17		1,09

This page has been left blank intentionally

Business Banking South Africa

for the reporting period ended

	Business Banking (excluding Equities)			
	30 June			31 December
	2017	2016[1]	Change %	2016[1]
Statement of comprehensive income (Rm)				
Net interest income	**2 963**	3 008	(1)	5 995
Non-interest income	**1 742**	1 591	9	3 226
Total income	**4 705**	4 599	2	9 221
Impairment losses on loans and advances	**(195)**	(331)	(41)	(581)
Operating expenses	**(2 882)**	(2 585)	11	(5 329)
Other operating expenses	**(14)**	(12)	17	(25)
Operating profit before income tax	**1 614**	1 671	(3)	3 286
Tax expenses	**(457)**	(462)	(1)	(914)
Profit for the reporting period	**1 157**	1 209	(4)	2 372
Profit attributable to:				
Ordinary equity holders	**1 129**	1 184	(5)	2 320
Non-controlling interest – ordinary shares	**—**	—	—	—
Non-controlling interest – preference shares	**28**	25	12	52
	1 157	1 209	(4)	2 372
Headline earnings	**1 129**	1 183	(5)	2 320
Operating performance (%)				
Credit loss ratio	**0,62**	1,12		0,98
Non-interest income as % of income	**37,0**	34,6		35,0
Income growth	**2**	7		5
Cost growth	**12**	6		8
Cost-to-income ratio	**61,3**	56,2		57,8
Statement of financial position (Rm)				
Loans and advances to customers	**62 349**	58 412	7	59 057
Loans and advances to banks	**—**	—	—	—
Investment securities	**10 040**	9 498	6	9 699
Other assets	**37 817**	40 952	(8)	43 975
Total assets	**110 206**	108 862	1	112 731
Deposits due to customers	**108 690**	106 377	2	109 344
Debt securities in issue	**—**	—	—	—
Other liabilities	**383**	1 256	(70)	1 021
Total liabilities	**109 073**	107 633	1	110 365
Financial performance (%)				
RoRWA	**3,32**	3,82		3,66
RoA	**2,00**	2,14		2,04

Note

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

Business Banking South Africa

for the reporting period ended

Business Banking Equities				Total Business Banking South Africa			
30 June			31 December	30 June			31 December
		Change				Change	
2017	2016[1]	%	2016[1]	**2017**	2016[1]	%	2016[1]
(51)	(56)	(9)	(114)	**2 912**	2 952	(1)	5 881
90	174	(48)	310	**1 832**	1 765	4	3 536
39	118	(67)	196	**4 744**	4 717	1	9 417
—	—	—	—	**(195)**	(331)	(41)	(581)
(8)	(57)	(86)	(136)	**(2 890)**	(2 642)	9	(5 465)
—	—	—	—	**(14)**	(12)	17	(25)
31	61	(49)	60	**1 645**	1 732	(5)	3 346
(23)	(8)	>100	2	**(480)**	(470)	2	(912)
8	53	(85)	62	**1 165**	1 262	(8)	2 434
6	37	(84)	45	**1 135**	1 221	(7)	2 365
1	15	(93)	15	**1**	15	(93)	15
1	1	—	2	**29**	26	12	54
8	53	(85)	62	**1 165**	1 262	(8)	2 434
(16)	(15)	7	(22)	**1 113**	1 168	(5)	2 298
n/a	n/a		n/a	**0,62**	1,12		0,98
n/a	n/a		n/a	**38,6**	37,4		37,6
(67)	90		53	**1**	8		6
(86)	(2)		(38)	**9**	5		6
20,3	48,3		69,4	**60,9**	56,0		58,0
—	—	—	—	**62 349**	58 412	7	59 057
52	27	93	64	**52**	27	93	64
517	635	(19)	512	**10 557**	10 133	4	10 211
1 849	2 281	(19)	2 188	**39 666**	43 233	(8)	46 163
2 418	2 943	(18)	2 764	**112 624**	111 805	1	115 495
—	—	—	—	**108 690**	106 377	2	109 344
—	—	—	—	**—**	—	—	—
2 284	2 765	(17)	2 645	**2 667**	4 021	(34)	3 666
2 284	2 765	(17)	2 645	**111 357**	110 398	1	113 010
n/a	n/a		n/a	**3,08**	3,50		3,38
(1,23)	(1,11)		(0,79)	**1,92**	2,06		1,98

Retail and Business Banking South Africa

for the reporting period ended

Financial performance

Headline earnings declined 9% to **R4 205m** (30 June 2016: R4 611m) due to muted income growth and 7% growth in operating expenses, partly mitigated by a 9% reduction in impairments.

Net interest income decreased 2% to **R12 525m** (30 June 2016: R12 829m) primarily driven by reduced NCA caps introduced in May 2016, increased funding costs, higher suspended interest on NPLs and a non-repeating benefit in the prior reporting period related to the endowment effect of repo rate changes. The NCA caps and liquid asset costs adversely impacted net interest income by approximately 2%. Further contributing to the decline was the change in deposit product composition as a result of customers seeking higher yields on their investments.

Non-interest income growth of 4% to **R8 344m** (30 June 2016: R8 014m) was driven by pricing increases and improvements in the debit card, credit card, merchant acquiring turnover volumes and annual pricing increases. Transactional volumes and activity remained under pressure due to the planned migration of customers from branches to self-service and digital channels, the simplification of the product offering as a well as a lower customer base. The financial impact of the product simplification and transaction migration was approximately 2%.

Impairments reduced 9% to **R2 911m** (30 June 2016: R3 208m) with the credit loss ratio improving to **1,28%** (30 June 2016: 1,43%). The favourable performance was largely driven by proactive risk mitigation strategies initiated in 2016 and improved collection activities. The NPLs increased 3% to **R23,5bn** (30 June 2016: R22,8bn) but remained stable since December 2016, while the coverage ratio increased to **42,14%** (30 June 2016: 41,85%) amid a challenging macroeconomic climate.

Operating expenses grew 7% to **R11 639m** (30 June 2016: R10 871m) driven by expenditure focused on frontline staff, the amortisation of IT infrastructure expenditure, investments to improve operational efficiencies and drive customer acquisition. Underlying costs were well managed and grew below inflation.

Loans and advances to customers increased 1% to **R439bn** (30 June 2016: R433bn) due to asset growth of 14% in Retail Transactional and Deposits, 7% in Business Banking, 6% in VAF and 3% in Personal Loans, offset by a 1% decrease in Home Loans and a 3% decrease in Card and Payments. The Home Loans contraction was driven by a book run-off of market share of new business not keeping pace with target while Card and Payments reduced due to lower credit sales in the store card portfolio.

Deposits due to customers increased 5% to **R290bn** (30 June 2016: R276bn) mainly in investment products as customers sought higher yields in a competitive market.

Retail and Business Banking South Africa

for the reporting period ended

Business performance

We remained focused on regaining our leading market position by providing compelling, integrated and tailored customer value propositions underpinned by data-driven insights that improve the understanding of our customers and their needs.

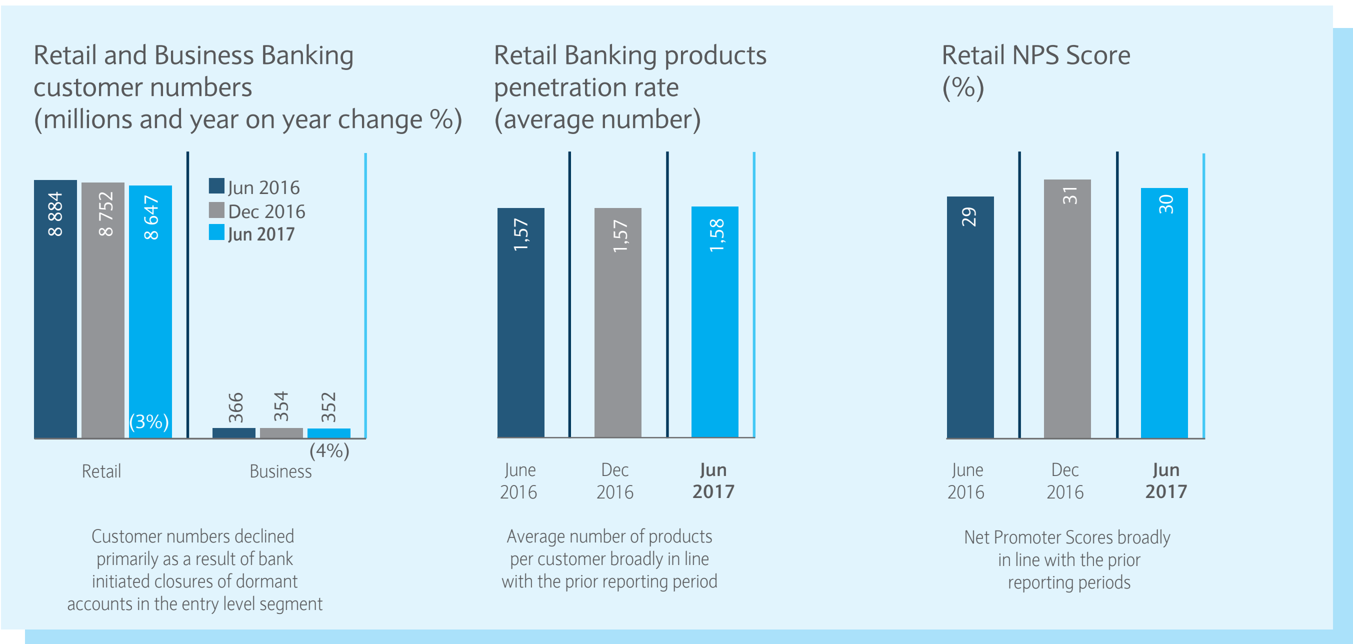
Our strategy is to improve our market position through investments that continuously evolve and refine our customer value propositions by placing careful focus on both our current and prospective customers' needs and growing expectations. Our strategy is anchored by an omni-channel approach with customers at the heart of our channel decisions across design, functionality and usage aspects with the aim of providing channel choice, security, access and convenience.

New offerings launched showed positive penetration within the middle market and related feeder streams however overall customer numbers declined as a result of dormant account closures in the entry level segment. This was compounded by the suspension of acquisition activities via PEP due to elevated fraud levels. Retail customer numbers declined 3% to 8 647m however the Private Banking and Retail Affluent segments increased 10%. The Business Banking customer base decreased 4% to 352k mainly in the Enterprise segment.

Credit origination was based on prudent risk management, sustainable and profitable growth principles aligned with our overall strategy, and can be summarised as follows:

- Home Loans: growing selectively in higher LTV for better risk customers in specific segments with a preference for existing customers;
- VAF: increasing approval rates through a refined market development strategy relating to alliances and groups, a more differentiated approach within the used car market and retention of the existing client base;
- Card and Payments: deepening relationship with customers, thereby improving overall revenue per account, and reducing dormancy rates within the middle market and private banking segments. In our strategic partnership portfolios, the focus was on the low risk customer segments ensuring improved returns on new bookings as well as reduced dormancy;
- Personal Loans: actively seeking low to medium risk customers in the middle market with a preference for existing customers; and
- Business Banking: financing high quality income yielding properties within CPF, Commercial segment focused on wholesale and retail sectors while Agri had a particular preference for diversified farmers.

In line with our customer-centric approach, we have continued to make concerted efforts to grow our income sustainably and have made progress with improvements observed in our underlying value drivers. As a sign of our strategy taking effect, we experienced good growth in new to bank customers as a result of renewed propositions in targeted marketing initiatives, an enhanced Absa Rewards programme and improved system up-time. However, income remains under pressure from regulatory changes (NCA Amendments, Basel III), the migration of customers to more electronic and digital channels, subdued transaction activity and changing customer behaviour in response to the challenging macro-economic environment.



Retail and Business Banking South Africa

for the reporting period ended

Business performance *(continued)*

Expenditure was focused on investments that improve operational efficiencies and drive customer acquisition. These investments included customer on-boarding optimisation, targeted marketing campaigns, proposition launches, enhancement of digital channels and investment in frontline staff as part of ongoing strategy execution.

The impairment performance improved driven by the recovery of the Agri sector following two years of contraction, enhanced collection efforts to enable appropriate management of customers in financial distress, a preference to lend to existing customers and improvements to the debt review process. The latter resulted in the debt review portfolio growth slowing to below market rates. While impairment performance was positive, there was a hardening of the late stage arrears which is being addressed through continued investment in collections capacity and capability. The volumes of properties in possession and vehicles repossessed have remained stable at very low levels.

We saw good asset growth in Instalment Credit Agreements, Personal and Term Loans, Overdrafts and Commercial Property Finance, partly offset by a decrease in Mortgages, Credit Cards and the Business Bank Equities portfolio. The decreases were due to mortgage book run-off surpassing new registrations, lower store card credit sales, as well as an expected reduction of the Business Bank Equities book as we continue to responsibly wind- down the portfolio.

The deposit book experienced good growth with the composition shifting towards low yielding products thereby putting pressure on margins. Current and transactional savings accounts faced sustained pressure as a result of market competitiveness. We will continue to focus on this area with a view to launching compelling propositions for our target segments.

We have seen some encouraging trends indicative of improved performance in the future; these include:

- Improving limit increases and customer acquisition numbers in Card and Payments following the resolution of the operational challenges relating to amended NCA requirements;
- VAF posted a solid production growth of 10%, outperforming the market;
- Home Loans market share of new business improved to 17,9% (May 2017) from 17,5% in December 2016;
- Recently launched propositions, MegaU, Student Silver, Gold Value Bundle and the Absa Rewards programme continue to improve market penetration;
- 14% growth in Retail Overdrafts following targeted campaigns while the market grew at 10%;
- 14% growth in Absa Rewards membership;
- Personal Loans production volume edging closer to normal levels since the implementation of NCA amendments;
- Solid growth of 7% in Business Banking advances led by continued momentum in Commercial Property Finance and Agri; and
- Improvement in early arrears following the deployment of proactive risk management strategies in the prior reporting period.

Dampened consumer and business confidence is expected to continue into the near-term. In response, we will continue to focus on the following areas:

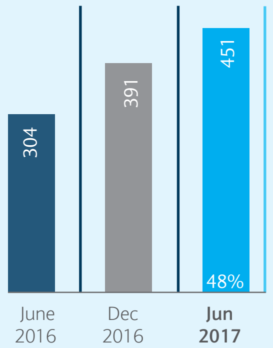
- Sustainable pricing and cost management practices;
- Close monitoring of the credit quality of portfolios and our collection activities;
- Improving our offerings to capture greater share of wallet in our target segments;
- Customer at the centre of our proposition-design philosophy to enhance the customer experience;
- Extending the reach of omni-channel;
- Investing in frontline staff and existing customer management capability; and
- Improving operational efficiencies through automation and digitisation to enable operational excellence.

Retail and Business Banking South Africa

for the reporting period ended

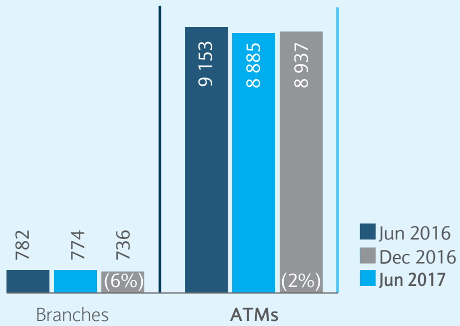
Business performance *(continued)*

Expanding digital footprint (million and year on year change %)



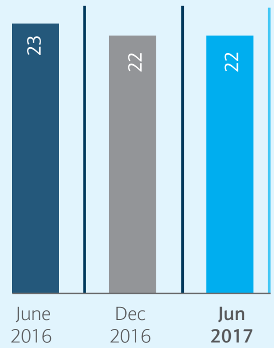
Strong growth in the number of active users of the banking app

Physical footprint (number and year on year change %)



Physical footprint maintaining reach while optimising scale

Retail Banking asset market share (%)



Asset market share declined due to decrease in Home Loans new bond registration volumes

Home Loans

A slowing housing market driven by a challenging economic climate adversely impacted Home Loans business performance.

- National House Price Inflation index was 4% as at May 2017(per Lightstone), implying house price deflation in real terms.
- Total industry value of bonds registered decreased 1,1% as at May 2017 (per Lightstone).

Headline earnings declined 9% to **R764m** (30 June 2016: R838m) primarily due to a declining book and increased competition in the market exerting pressure on margins partly mitigated by an increase in non-interest income, improvement in impairments and low operating expenses growth.

Following more focus on customer risk, market share of new home loan registrations increased to **17,9%** on a cumulative year to date basis at the end of May 2017 (December 2016: 17,5%) (per Lightstone). Registrations were largely in line with the prior reporting period indicating good underlying traction in the portfolio. Stock market share decreased to **24,1%** (May 2016: 25,2%) (per BA 900).

Loans and advances to customers contracted 1% to **R225bn** (30 June 2016: R228bn) due to book run-off being faster than new business registrations, this was tempered by a sustained customer retention focus.

Income decreased 2% to **R2 366m** (30 June 2016: R2 412m) primarily due to declining book, margin compression stemming from strong competition in the mortgage market and higher suspended interest on NPLs, slightly offset by higher service fees, improved home owner's and credit life insurance sales as well as enhanced strategies around properties in possession.

Impairments reduced 8% to **R466m** (30 June 2016: R504m) due to the improved quality of the book and better collections performance. The credit loss ratio improved to **0,41%** (30 June 2016: 0,44%). NPLs increased to **R10,2bn** (30 June 2016: R9,7bn), however the NPLs coverage ratio decreased to **20,87%** (30 June 2016: 21,86%), as a result of a better profile within the legal book as well as an improvement in early stage arrears. Performing loans declined marginally to **R216bn** (30 June 2016: R220bn), however the coverage remained unchanged at 0,55%.

We gained good momentum in the first half of 2017, subsequent to refining our credit granting policy. This will further improve the balanced approach in terms of ensuring good quality collateral while also attracting customers in our targeted segments.

Based on trends in, and the outlook for the economy, household finances and consumer confidence, residential building activity is set to remain subdued for the remainder of the year, with a continued slowdown in the housing market.

Retail and Business Banking South Africa

for the reporting period ended

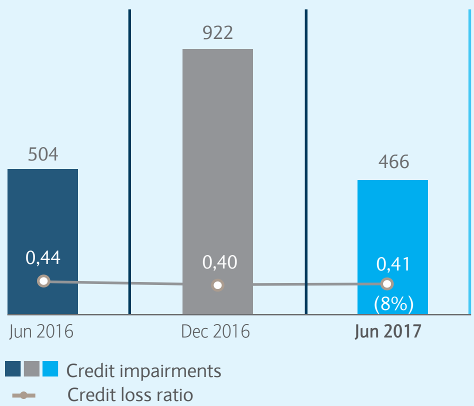
Business performance *(continued)*

Home Loans (continued)

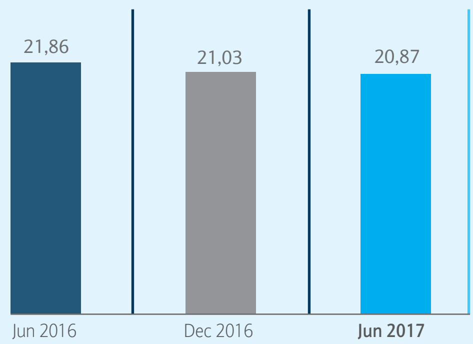
Looking ahead, the Home Loans strategy remains focused on sustainable profitable growth, responsible lending and originating good quality loans. We further aim to:

- Increase production volumes within our target customer segments (with enhanced product and customer value propositions);
- Maintain focus on enhanced collection activities and recovery strategies;
- Drive improved digital capability and engagement;
- Enhance process efficiencies to improve our customer experience;
- Continue providing financial education for customers through social and electronic media; and
- Continue creating strong partnerships with key stakeholders within the property and housing industry.

Credit impairment and credit loss ratio (Rm, and year on year change %)



NPL – coverage ratio (%)



Vehicle and Asset Finance

Domestic new vehicle sales volumes contracted due to subdued economic growth and low levels of consumer confidence.

- 1,3% decline in new vehicle sale volumes (per NAAMSA).
- Vehicle price inflation increased by 7,5% (per Statistics SA).
- Used to new ratio increased to **2,45** (30 June 2016: 2,32) in the financed vehicle market (per TransUnion).

Headline earnings grew 5% to **R431m** (30 June 2016: R411m) due to positive income growth and favourable impairments, particularly in the commercial portfolio.

Loans and advances increased 6% to **R96bn** (30 June 2016: R90bn) driven by strong growth in production across the portfolio, despite muted industry growth. The Ford Financial Services joint venture continued its strong performance while MAN Financial Services and other commercial alliances reflected satisfactory performance.

Income grew 3% to **R1 924m** (30 June 2016: R1 860m) due to solid book growth as well as a robust performance in the services portfolio through Vehicle Management Services. The production growth within the retail instalment agreement portfolio was achieved at improved margins despite higher funding costs and continued pricing competition.

Impairments reduced 6% to **R477m** (30 June 2016: R505m) mainly as a result of consistent performance in the commercial portfolio. The retail portfolio was influenced by better quality of new business and the maturing of accounts originated outside of risk appetite in late 2014 and early 2015. Consequently, the overall credit loss ratio improved 12 bps to **1,01**% (30 June 2016: 1,13%). The NPL coverage ratio increased to **47,37%** (30 June 2016: 40,92%) driven primarily by fewer rehabilitations in legal and increased average age in the legal book.

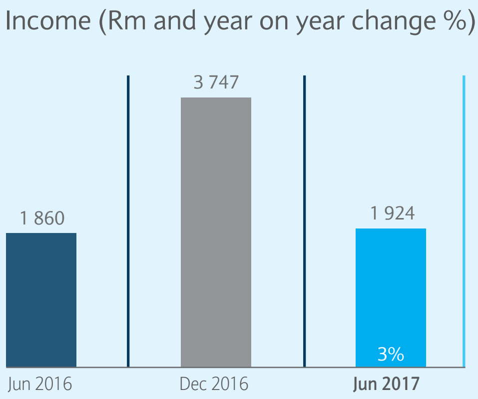
Business performance *(continued)*

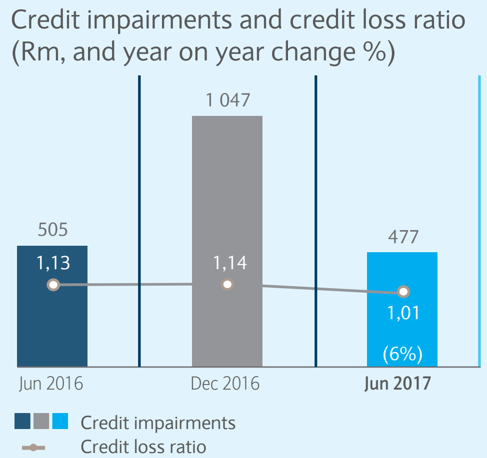
Vehicle and Asset Finance (continued)

During the reporting period, Absa Technology Finance Solutions Proprietary Limited (ATFS), a subsidiary of Absa Bank Limited, entered into a binding agreement with Sasfin Holdings Limited (SHL) to acquire ATFS's loan book and staff.

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

- Creating and strengthening key partnerships with industry stakeholders;
- Enhancing customer and dealer service experience through automation and digitisation; and
- Improving cross-sell to the existing RBB customer base through targeted propositions.





Card and Payments

Consumers continued to deleverage as household debt to disposable income declined to its lowest level since 2006, impacting on credit and store card activity.

- Impact of the NCA amendments and pricing caps.
- Household consumption spending under pressure.

Headline earnings declined 7% to **R658m** (30 June 2016: R706m) mainly as a result of regulatory changes partly offset by a 12% improvement in impairments. Loans and advances declined 3% primarily in the store card portfolio, while the credit card portfolio showed positive growth.

Income contracted 4% to **R4 141m** (30 June 2016: R4 330m) largely due to the impact of the NCA pricing caps introduced in May 2016 and higher funding costs stemming from increased liquid asset regulatory requirements. This adverse impact was however partly mitigated by merchant acquiring volumes growth of 10%, credit card turnover growth of 3% and an exceptional growth in money transfer volumes as initiatives to consolidate our business position took effect. The impact of the NCA pricing caps was approximately 3% reduction in income.

Impairments decreased 12% to **R1 141m** (30 June 2016: R1 297m) primarily as a result of an expected decline in the store card book and improved collections performance. The credit loss ratio thus improved to **5,38%** (30 June 2016: 5,95%) and the NPL coverage ratio rose to **71,56%** (30 June 2016: 69,86%) due to an increase in the legal book.

Our customer-centric approach has resulted in strong growth in targeted segments, with growth experienced in new account sales and credit limit increases. Operational challenges emanating from the amended NCA requirements have been resolved.

Investments in technology and an updated device strategy, to better meet our customers' needs, in the Commercial Payments business, continued to support our position as the largest acquirer in Africa.

Retail and Business Banking South Africa

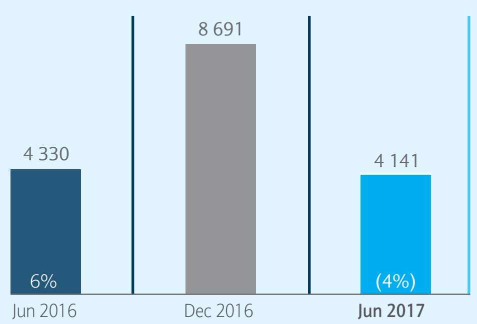
for the reporting period ended

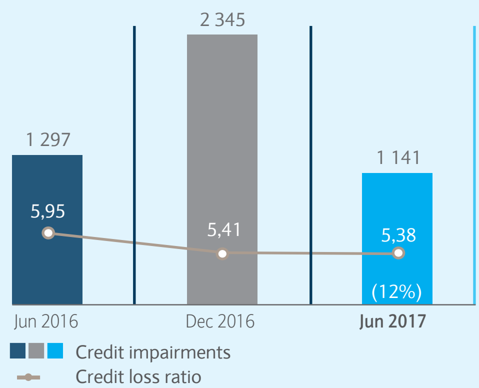
Business performance *(continued)*

Card and Payments (continued)

Looking ahead, the strategic emphasis will continue to be placed on the following:

- Driving effortless and consistent customer on-boarding processes through the customer's preferred channel;
- Enabling customers with instant access to products and services that anticipate and solve their needs;
- Designing and delivering innovative payment solutions that provide access to new customers, partnerships, products and markets;
- Ensuring our systems and processes remain fit for purpose, scalable, dynamic and secure; and
- Developing our employees to deliver service excellence.





Personal Loans

Credit extension to households slowed to 1,5% in the year to May 2017 compared to 3,7% in the prior year.

- Stricter regulations around credit affordability impacting production.
- Impact of the NCA amendments and pricing caps.

Headline earnings declined 16% to **R185m** (30 June 2016: R219m) as income growth of 2% was offset by a 10% impairment growth. Continued focus on operational efficiencies contributed to below inflation cost growth and a cost-to-income ratio of **37,6%** (30 June 2016: 36,5%).

New business production was impacted by regulatory and refined risk appetite changes introduced in the first half of 2016 to proactively manage credit risk. Subsequent enhancements to our acquisition strategy have yielded positive results. Although production reduced by 11%, it remained higher than book run-off resulting in a marginal increase of 3% in gross loans and advances to **R16 592m** (30 June 2016: R16 153m). Our market share of disbursements declined to **7,9%** as at 31 December 2016 (31 December 2015: 9,9%) (per National Credit Regulator).

Income grew 2% to **R1 298m** (30 June 2016: R1 269m) largely driven by growth in loans and advances. The NCA caps introduced in May 2016 have, however, placed pressure on margins and this adverse trend is anticipated to continue into the foreseeable future.

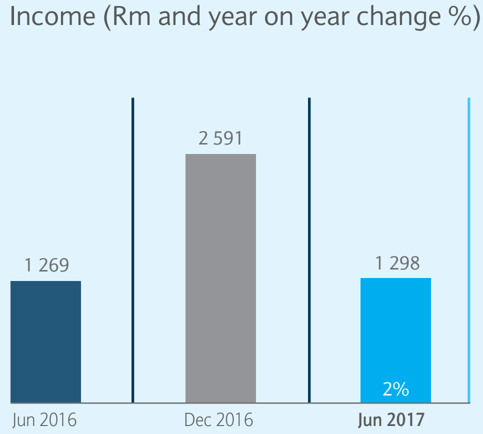
Credit impairments rose 10% to **R553m** (30 June 2016: R501m) resulting in an increase of the credit loss ratio to **6,23%** (30 June 2016: 5,85%) mainly driven by stricter write-off criteria including the debt review portfolio. The NPL coverage ratio increased marginally to **63,71%** (30 June 2016: 62,27%). New business vintages continued to reflect good credit quality and the overall risk profile remains in line with current risk appetite.

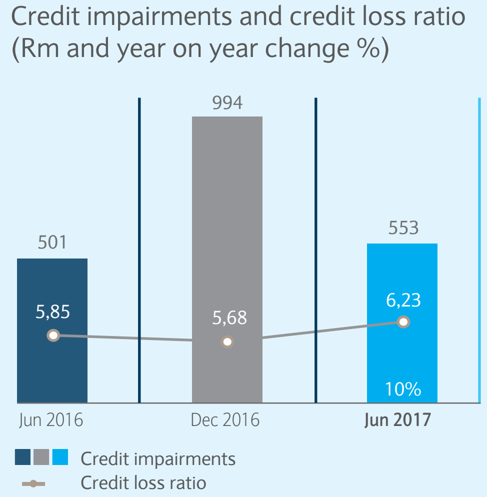
Looking ahead, Personal Loans will continue to focus on the following key areas:

- Strengthening primary banking relationships through refining our customer value proposition;
- Simplifying the product sets;
- Driving further process efficiencies;
- Improving the customer on-boarding experience.

Business performance *(continued)*

Personal Loans (continued)





Transactional and Deposits

Muted retail sales growth of 1,7%, low consumer confidence indicating strain on households and a slowdown in transactional spending.

▲ Market growth of 10% in deposits (per BA900).

▼ Household consumption spending under pressure.

Despite a 4% income growth, headline earnings contracted 14% to **R1 204m** (30 June 2016: R1 392m) due to continued investments to enhance customer value propositions and improve customer experiences.

Income growth of 4% to **R6 144m** (30 June 2016: R5 923m) was driven by solid balance sheet growth, annual pricing increases, higher Absa Rewards membership and point of sale transactional income supported by enhanced product and service offerings. The growth was, however, slightly tempered by strong competition driving up client rates on investment products. Transactional income remained under pressure due to the planned migration of customers from branches to self-service and digital channels, the simplification of the product offering as a well as a lower customer base. The financial impact of the product simplification and transaction migration was approximately 4%.

Operating expenses growth of 11% to **R4 386m** (30 June 2016: R3 941m) was primarily driven by the amortisation of IT infrastructure expenditure, investment in enhanced digital fraud prevention capabilities, customer on-boarding optimisation, frontline staff training and union negotiated increase of 8,2% as well as significantly higher marketing expenditure to promote new customer offerings.

Loans and advances increased 14% to **R2 780m** (30 June 2016: R2 447m) driven by a positive response to targeted overdrafts marketing campaigns.

Deposits increased 7% to **R177bn** (30 June 2016: R166bn) as customers sought higher yield investments amid strong competition in the market.

The acquisition strategy yielded positive results evidenced by an increase in new to bank customers, excluding the PEP offering. The PEP acquisition activities were suspended due to elevated fraud levels. Significant progress was made in the middle market segments with enhancements to the Absa Rewards programme and Gold Value Bundle propositions leading to improving product uptake. The youth and student feeder streams responded positively to revamped propositions and the marketing campaigns experiencing strong growth in customer numbers.

Transactional customer numbers declined 4,9% to **5,96m** (30 June 2016: 6,25m) mainly driven by bank initiated closures of dormant accounts in the entry level segments. The customer activity level declined 2,9% to **62,3%** (June 2016: 65,2%) particularly in the entry level segments. The low income segments remain susceptible to dormancy in the current macro-economic climate and will be monitored accordingly.

The revamped Absa Rewards programme, whose membership increased 14%, provides a greater ability to drive customer engagement, deepen customer relationships and drive the utilisation of digital channels.

Looking ahead, in our effort to provide customers with access to an array of convenient channels, services and products, we anticipate that customers will continue to migrate to cost effective and convenient channels, resulting in muted growth in transactional income. In response, we will focus on the following:

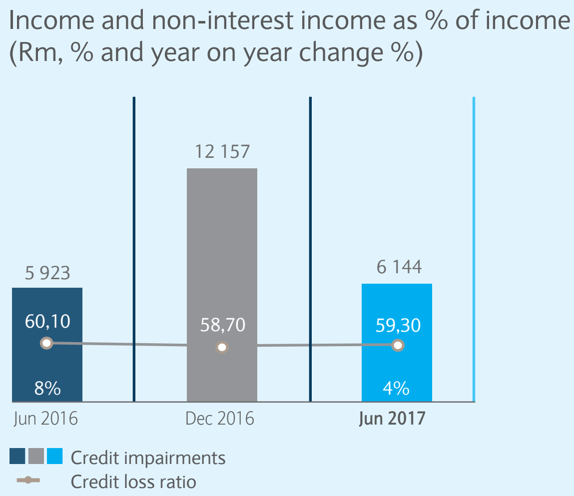
- Strengthening primary banking relationships through refining our customer value proposition;
- Sustainable pricing and cost management practices;
- Frontline staff training;
- Investing in frontline staff and existing customer management capability;
- Simplifying the product sets;
- Driving further process efficiencies;
- Improving the channel investments;
- Improving operational efficiencies through automation and digitisation to enable operational excellence; and
- Customer at the centre of our proposition-design philosophy to enhance the customer experience.

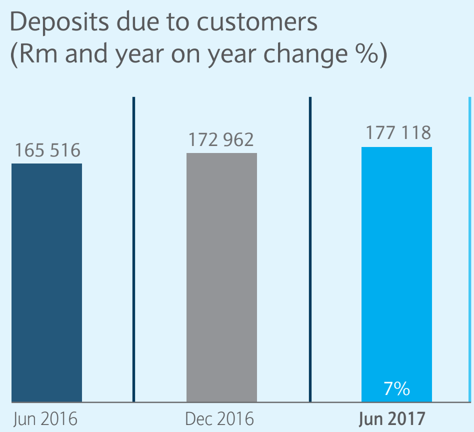
Retail and Business Banking South Africa

for the reporting period ended

Business performance *(continued)*

Transactional and Deposits (continued)





Business Banking

Subdued business confidence, enterprise segment cash flows under pressure with certain sector-specific headwinds continuing to manifest, however the overall demand for credit remained.

- ▲ Improvement in agriculture production after two years of contraction following the drought.
- ▼ Business confidence remained subdued across key sectors due to political and policy uncertainty.

Headline earnings declined 5% to **R1 113m** (30 June 2016: R1 168m) due to a 9% increase in operating expenses partly offset by a 41% decrease in impairments.

Income growth of 1% to **R4 744m** (30 June 2016: R4 717m) mainly attributable to annual price increases was dampened by higher funding costs, a competitive operating environment, reduced transaction activity and reduced revaluation gains on the Equities portfolio.

Impairments reduced 41% to **R195m** (30 June 2016: R331m) due to lower defaults across all the portfolios and improved collection capabilities. The portfolio benefited from early intervention with financially distressed clients, a stable interest rate environment and an improved outlook following recovery from the drought in many regions. The credit loss ratio thus improved to **0,62%** (30 June 2016: 1,12%) while the NPL coverage ratio increased to **36,42%** (30 June 2016: 35,81%).

Operating expenses increased 9% to **R2 890m** (2016: R2 642m) largely as a result of investments in the on-boarding process, resolving KYC compliance issues, enhancements to electronic channels and improving the capacity and capability of frontline staff.

Loans and advances grew 7% to **R62bn** (30 June 2016: R58bn) driven by a 10% increase in CPF, 10% increase in Agri and 1% growth in overdrafts. The CPF book benefited from frontline staff investment and traction was evident as pay-outs improved 23%. The Agri book remained well diversified.

Deposits increased 2% to **R109m** (30 June 2016: R106m) with growth predominantly in the investment deposit products partly offset by muted performance in the current and transactional savings products. The latter products will continue to face sustained pressure as a result of customers seeking higher yields.

The long-term orderly reduction of the Equities portfolio continued to progress via planned realisations. The overall portfolio size decreased by 33% to **R1 459m** (30 June 2016: R2 192m) in line with the reduction strategy.

Retail and Business Banking South Africa

for the reporting period ended

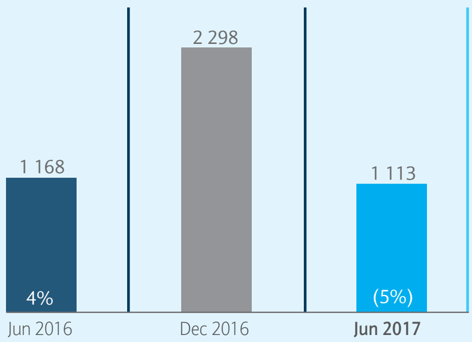
Business performance *(continued)*

Business Banking (continued)

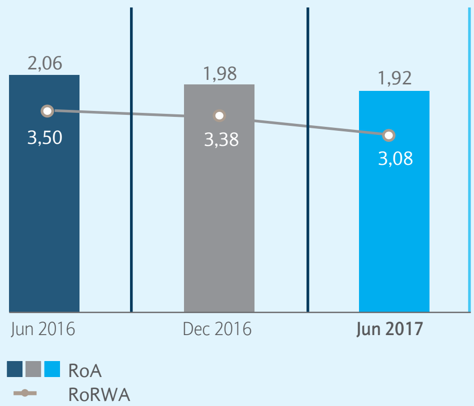
Business Banking's ambition is to place world class banking solutions within reach of every business in its targeted market. In pursuit of this objective the following initiatives are in place:

- Enhancement of the customer value proposition for the segments including wholesale and retail, franchise, professional markets, agri and start-ups;
- Growing the deposit base;
- Continuous development of other key value propositions for targeted segments including International Banking and Trade Finance;
- Increased focus on holistic customer solutions;
- Enabling customers to access sales, services and transactional requirements through channel of choice, with seamless transitions and experiences between channels;
- Up-skilling staff through a continually improving training curriculum and targeted courses; and
- Improving the customer on-boarding experience.

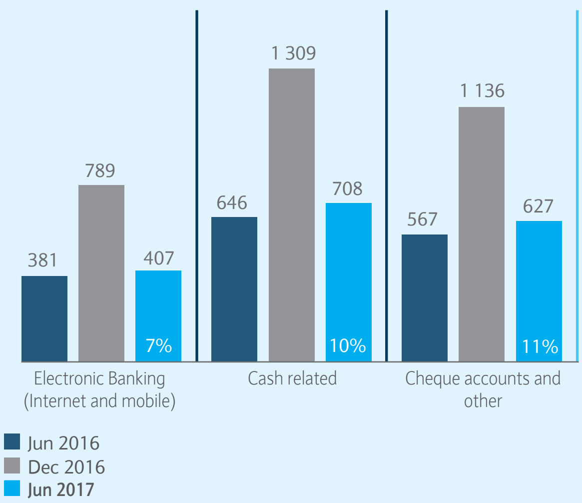
Headline earnings (Rm and year on year change %)



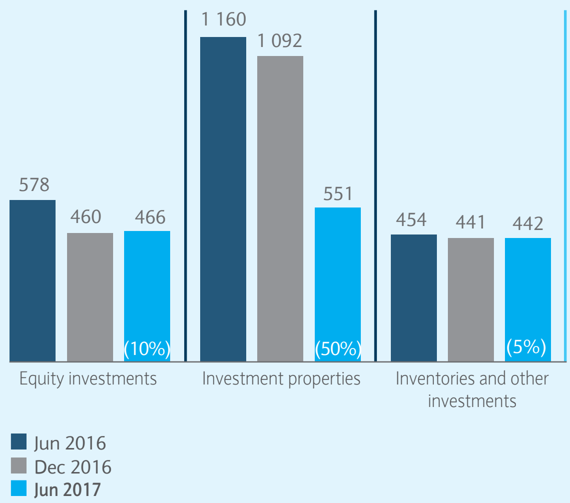
RoA and RoRWA (%)



Net fee and commission income (Rm and year on year change %)



Equities – including equity investments, investment properties, inventories and other investments (Rm and year on year change %)



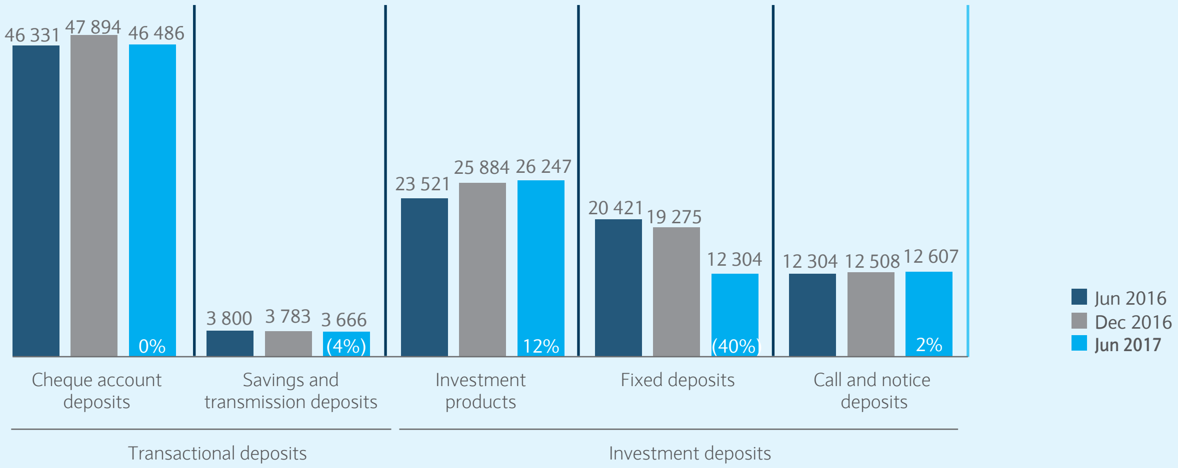
Retail and Business Banking South Africa

for the reporting period ended

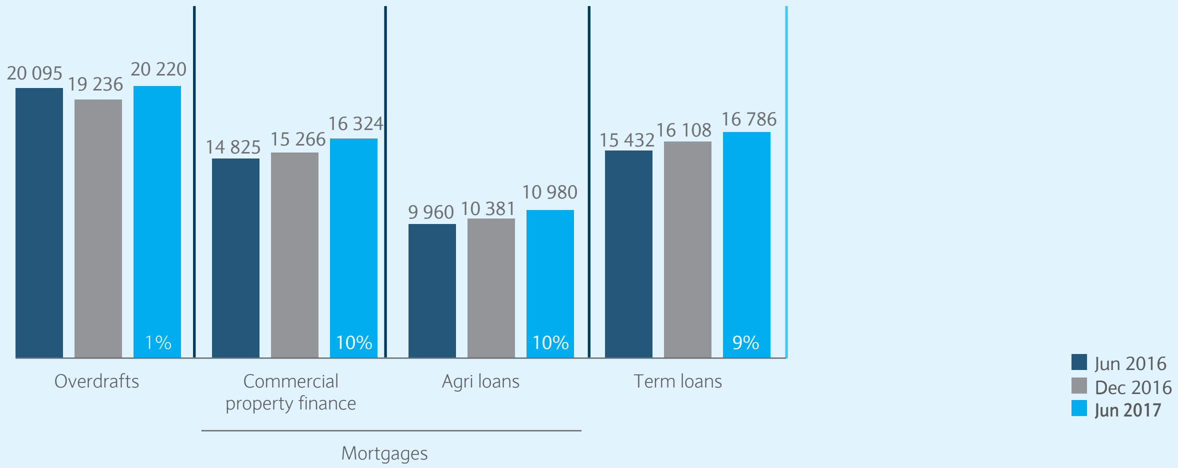
Business performance *(continued)*

Business Banking (continued)

Deposits (Rm and year on year change %)



Gross loans and advances (Rm and year on year change %)



Other

Other headline earnings loss increased 22% to **R150m** (30 June 2016: R123m) due to the non-repeating benefit in the prior reporting period related to the endowment effect of repo rate changes, slightly offset by a reduction in costs.

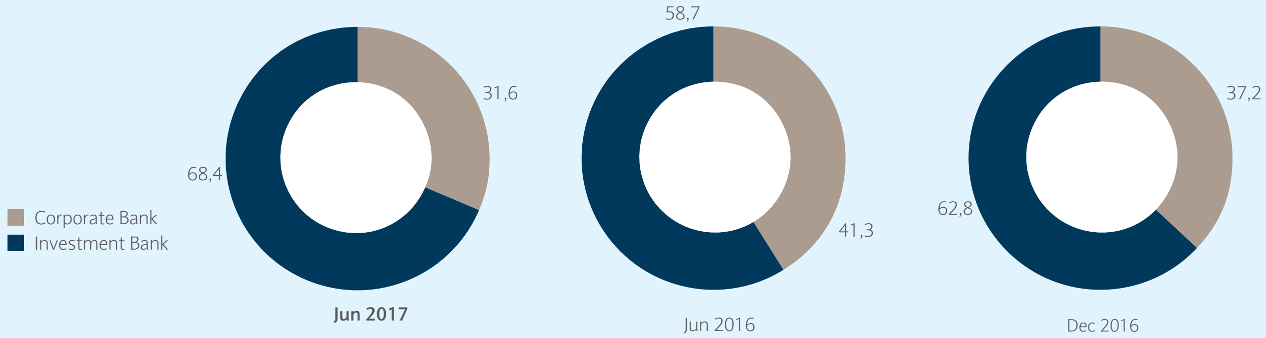
CIB South Africa

for the reporting period ended

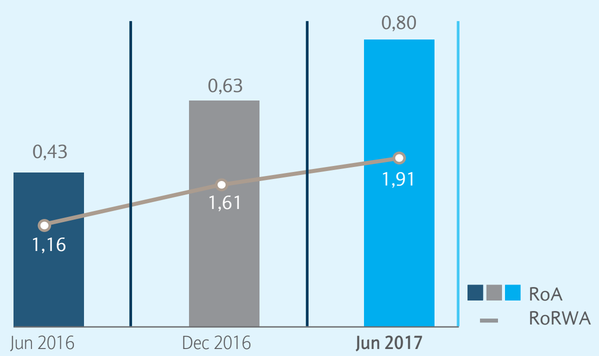
CIB South Africa headline earnings increased by 76%, through continued revenue momentum and reduced impairments. Excluding provisions, profits increased by 6%, benefiting from a well diversified business model in a tough climate for business in South Africa and a challenging global economic environment.

- Corporate SA delivered its 5th successive year of double digit income growth, up 11%
- Strong performance from Commercial Property Finance, with revenues up 38%, off a low base
- Impairments reduced by 81% off a high base
- RoRC improved to 17,1% (30 June 2016: 10.3%) through improved earnings and efficient capital management
- Loans & Advances continue to grow faster than Deposits, with loans growth of 6% and deposits growth of 4%
- Costs well controlled, up 4%
- Markets SA revenue down 17% off a high base, adversely impacted by reduced client activity

Headline earnings contribution (%)



RoA and RoRWA (%)



Salient features	30 June 2017	30 June 2016[1]	Change %	31 December 2016[1]
Income (Rm)	**5 361**	5 112	5	10 277
Headline earnings (Rm)	**1 764**	1 001	76	2 856
Pre-provision profit (Rm)	**2 565**	2 420	6	4 725
Cost-to-income ratio (%)	**52,2**	52,6		54,0
Credit loss ratio (%)	**0,18**	0,97		0,44
RoRC (%)	**17,1**	10,3		14,4
RoRWA (%)[1]	**1,91**	1,16		1,61
RoA (%)	**0,80**	0,43		0,63

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

CIB South Africa

for the reporting period ended

	Corporate			
	30 June			31 December
	2017	2016[1]	Change %	2016[1]
Statement of comprehensive income (Rm)				
Net interest income	**1 690**	1 553	9	3 257
Non-interest income	**667**	573	16	1 254
Total income	**2 357**	2 126	11	4 511
Impairment losses on loans and advances	**(47)**	(102)	(54)	(85)
Operating expenses	**(1 491)**	(1 414)	5	(2 871)
Other operating expenses	**(9)**	(12)	(25)	(18)
Operating profit before income tax	**810**	598	35	1 537
Tax expenses	**(229)**	(166)	38	(433)
Profit for the reporting period	**581**	432	34	1 104
Profit attributable to:				
Ordinary equity holders	**558**	413	35	1 062
Non-controlling interest – ordinary shares	**—**	—	—	—
Non-controlling interest – preference shares	**23**	19	21	42
	581	432	34	1 104
Headline earnings	**558**	413	35	1 063
Operating performance (%)				
Net interest margin on average interest-bearing assets	**2,45**	2,15		2,27
Credit loss ratio	**0,12**	0,28		0,11
Non-interest income as % of income	**28,3**	27,0		27,8
Income growth	**11**	12		13
Operating expenses growth	**5**	6		5
Cost-to-income ratio	**63,3**	66,5		63,7
Statement of financial position (Rm)				
Loans and advances to customers	**79 115**	77 023	3	76 875
Loans and advances to banks	**2 528**	2 007	26	1 110
Investment securities	**6 312**	5 696	11	5 964
Other assets	**73 877**	72 203	2	71 866
Total assets	**161 832**	156 929	3	155 815
Deposits due to customers	**150 745**	148 296	2	148 155
Debt securities in issue	**5**	10	(50)	5
Other liabilities	**10 371**	8 040	29	6 434
Total liabilities	**161 121**	156 346	3	154 594
Financial performance (%)				
RoRWA	**1,84**	1,55		1,87
RoA	**0,76**	0,54		0,70

Note

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

Investment Bank				Total CIB South Africa			
30 June			31 December	30 June			31 December
2017	2016[1]	Change %	2016[1]	**2017**	2016[1]	Change %	2016[1]
1 563	1 454	7	2 782	**3 253**	3 007	8	6 039
1 441	1 532	(6)	2 984	**2 108**	2 105	0	4 238
3 004	2 986	1	5 766	**5 361**	5 112	5	10 277
(166)	(999)	(83)	(935)	**(213)**	(1 101)	(81)	(1 020)
(1 305)	(1 278)	2	(2 681)	**(2 796)**	(2 692)	4	(5 552)
(108)	(90)	20	(134)	**(117)**	(102)	15	(152)
1 425	619	>100	2 016	**2 235**	1 217	84	3 553
(179)	(30)	>100	(182)	**(408)**	(196)	>100	(615)
1 246	589	>100	1 834	**1 827**	1 021	79	2 938
1 206	554	>100	1 760	**1 764**	967	82	2 822
—	—	—	—	**—**	—	—	—
40	35	14	74	**63**	54	17	116
1 246	589	>100	1 834	**1 827**	1 021	79	2 938
1 206	588	>100	1 793	**1 764**	1 001	76	2 856
2,76	2,89		2,67	**2,59**	2,46		2,44
0,21	1,29		0,59	**0,18**	0,97		0,44
48,0	51,3		51,8	**39,3**	41,2		41,2
1	22		13	**5**	17		13
2	(4)		(5)	**4**	1		—
43,4	42,8		46,5	**52,2**	52,6		54,0
125 569	116 182	8	125 140	**204 684**	193 205	6	202 015
27 330	37 140	(26)	33 011	**29 858**	39 147	(24)	34 121
22 634	15 550	46	19 403	**28 946**	21 246	36	25 367
111 090	134 996	(18)	103 165	**184 967**	207 199	(11)	175 031
286 623	303 868	(6)	280 719	**448 455**	460 797	(3)	436 534
32 559	28 120	16	25 628	**183 304**	176 416	4	173 783
12 277	17 401	(29)	14 321	**12 282**	17 411	(29)	14 326
237 344	255 015	(7)	236 227	**247 715**	263 055	(6)	242 661
282 180	300 536	(6)	276 176	**443 301**	456 882	(3)	430 770
1,94	0,99		1,48	**1,91**	1,16		1,61
0,83	0,38		0,59	**0,80**	0,43		0,63

CIB South Africa

for the reporting period ended

Business profile

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

Key business areas

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

- **Investment Bank comprising:**
  - **Markets** – engages in trading, sales and research activities across all major asset classes and products in Africa, delivering pricing, hedging and risk management capabilities to both corporate and institutional clients;
  - **Banking** – structures innovative solutions delivering to meet clients' strategic advisory, financing and risk management requirements across industry sectors;
  - **Commercial Property Finance** – specializes in financing commercial, industrial, retail and residential development property (with a focus on affordable housing) across our African footprint as well as cross border financing in other jurisdictions; and
  - **Infrastructure Investments and private Equity** – Infrastructure Investments acts as a principal by investing in equity to entities focused on infrastructure development in sub-Saharan Africa. Private Equity traditionally acted as a principal by investing in unlisted equity exposures. This portfolio continues to be reduced in line with the Group's strategy to exit non-core businesses.
- **Corporate** – provides corporate banking solutions spanning financing and transactional banking requirements, including trade and working capital solutions, as well as a full suite of cash management, payments and liquidity products and solutions. These services are provided across our combined Pan-African institutional and corporate client base.

Financial performance

Headline earnings increased by 76% to **R1 764m** (30 June 2016: R1 001m), Investment Bank increased by 105% to **R1 206m** (30 June 2016: R588m) and Corporate Bank increased by 35% to **R558m** (30 June 2016: R413m). Pre-provision profits increased by 6% to **R2 565m** (30 June 2016: R2 420m).

CIB income net of impairments increased by 28% to **R5 148m** (30 June 2016: R4 011m); excluding impairments, total income increased by 5%.

- Corporate Bank income increased by 11% to **R2 357m** (30 June 2016: R2 126m), continuing to consistently deliver double digit revenue growth. The performance was supported by improved margins in Debt Finance, Trade and cheque deposits and increased guarantee fees slightly offset by lower margins in Working Capital.
- Investment Bank income increased by 1% to **R3 004m** (30 June 2016: R2 986m), off a high base. The performance was adversely impacted by an overall negative sentiment in the economy resulting in reduced client flows and market volumes, which led to a 17% decline in Markets income. This was offset by Banking and CPF income growth of 14% and 38% respectively, supported by a combination of loans and advances growth in both businesses, and increased advisory fee income.
- Impairments decreased by 81% to **R213m** (30 June 2016: R1 101m) following a large charge in the first half of 2016.

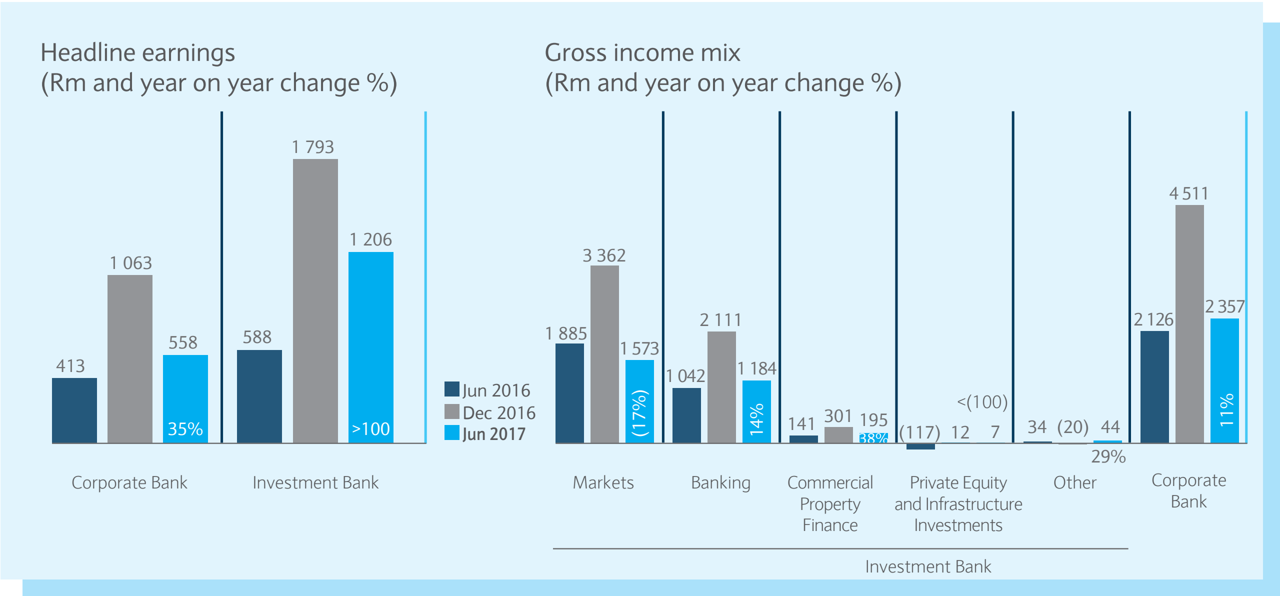
Costs growth was contained at 4% to **R2 796m** (30 June 2016: R2 692m), despite continued investment in IT platforms.

Loans and advances to customers increased by 6% to **R205bn** (30 June 2016: R193bn). Long-term average loans increased by 10% benefiting from strong growth in the last quarter of 2016.

Deposits due to customers increased by 4% to **R183bn** (30 June 2016: R176bn), with cheque account deposits growth of 8% to **R87bn** (30 June 2016: R81bn).

CIB South Africa

for the reporting period ended



Business performance

The CIB business performance was strong despite macro-economic headwinds, which translated into difficult trading conditions in SA. The sustained performance, delivered on the back of the PLC sell down, is a testament of the resilience of the business. The following key capabilities, which strengthened the transactional banking value proposition, were achieved during the current reporting period:

- The business managed to go live with DebiCheck, ensuring compliance with industry requirements for Authenticated Collections; and
- Transactional banking platforms were stabilised.

The strengthened value proposition has enabled the business to continue to support and partner with clients as they seek growth opportunities across the region.

Furthermore, the following accolades were received in this period:

- Best Deal 2016, Global Trade Review;
- Bonds deal of the year, The Banker Deal of the Year 2017 awards;
- M&A Deal of the year, The Banker Deal of the Year 2017 awards;
- Leveraged Finance and High Yield Bond deal of the year, The Banker Deal of the Year 2017 awards;
- Africa Loan Deal of the Year, Global Capital;
- 1st place Fixed Income Securities Dealing, Financial Mail;
- 1st place Credit Research, Financial Mail;
- Best Securitisation House in Africa and Best Syndicate Loan, EMEA Finance;
- Best Follow-on funding in EMEA, EMEA Finance; and
- Best Investment Bank in Southern Africa, Banker Africa.

CIB South Africa

for the reporting period ended

Business performance *(continued)*

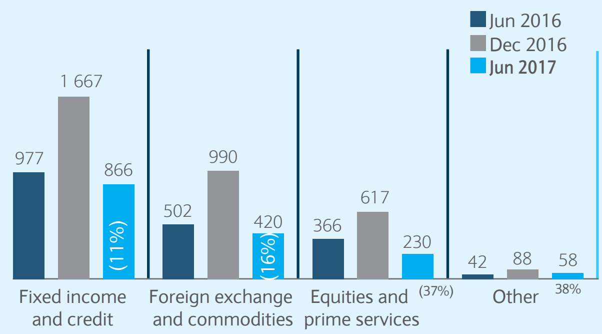
Investment Bank

Markets

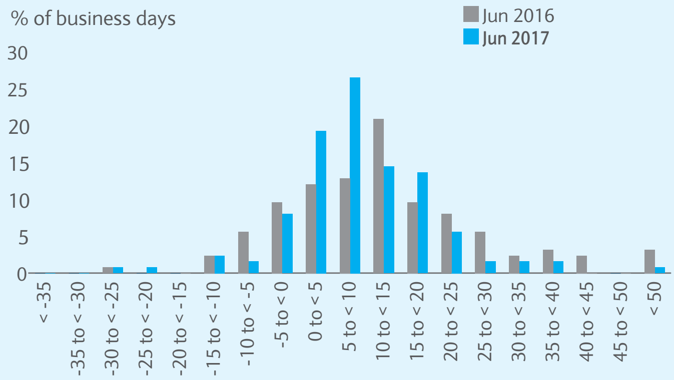
Total markets income across the continent declined by 7%; Markets SA income declined by 17% to **R1 573m** (30 June 2016: R1 885m), driven by the following:

- **Fixed Income and Credit decreased by 11% to R866m** (30 June 2016: R977m) driven by headwinds adversely affecting bond flows and clients' appetite to raise capital, resulting in reduced trading volumes. This was offset by Structured Trading due to favourable risk management coupled with increased client flow as a result of market volatility.
- **Foreign exchange and commodities desk decreased by 16% to R420m** (30 June 2016: R502m) mainly due to subdued client flow. Margins remain under pressure as clients continue to migrate to electronic platforms.
- **Equities and Prime services decreased by 37% to R230m** (30 June 2016: R366m) adversely impacted by reduced JSE volumes (which had a negative impact on trading opportunities) and the impact of PLC exit on the research offering, partially offset by continued acquisition of new mandates in Prime Services.

Markets gross income split
(Rm and year on year change %)



Daily markets income distribution (Rm)



Business performance *(continued)*

Investment Bank (continued)

Banking

Banking income was up 14% to **R1 184m** (30 June 2016: R1 042m), supported by fee income from the execution of key deals within the Equity Capital Market and foreign currency Debt Capital Market products across the mining and health sectors. Global Finance income was up 5% with average balance sheet growth of 13% to **R81bn** (30 June 2016: R72bn). The loan book benefited from growth in the last quarter of 2016 across Technology, Healthcare and Public Sector. Exposure to these sectors along with additional high quality liquid assets purchased in H1 2017 has resulted in margin compression across the book.

	30 June			31 December
Salient features	**2017**	2016[1]	Change %	2016[1]
Gross income (Rm)	**1 184**	1 042	14	2 111
Margin business (Rm)	**1 051**	1 002	5	1 992
Fee business (Rm)	**133**	40	>100	119
Credit impairment (Rm)	**(167)**	(1 019)	(84)	(880)
Net income (Rm)	**1 017**	23	>100	1 231
Average loans and advances to customers (Rbn)	**81,2**	71,9	13	74,6

Commercial Property Finance (CPF)

CPF gross income increased by 38% to **R195m** (30 June 2016: R141m) as the business continues to grow with new business of good quality. Loans and advances have grown by 6% to **R22bn** (30 June 2016: R21bn). This business continues to benefit from strategies implemented to improve client engagement and deliver process efficiencies.

	30 June			31 December
Salient features	**2017**	2016[1]	Change %	2016[1]
Gross income (Rm)	**195**	141	38	301
Credit impairment (Rm)	**—**	—	—	—
Net income (Rm)	**195**	141	38	301
Loans and advances to customers (Rbn)	**22,1**	20,9	6	22,2

Private Equity and Infrastructure Investments

Non-Core Private Equity and Infrastructure Investments reported revenue of **R7m** (30 June 2016: -R117m) as a result of material negative revaluations on legacy assets in H1 2016 compared to the current reporting period. The portfolio reduced slightly to **R2,1bn** (30 June 2016: R2,2bn), largely due to negative revaluations and disposals in line with strategy.

	30 June			31 December
Salient features	**2017**	2016[1]	Change %	2016[1]
Revaluations (Rm)	**(99)**	(162)	(39)	(71)
Realisations, dividends, interest and fees (Rm)	**112**	59	90	103
Funding (Rm)	**(6)**	(14)	(57)	(20)
Net income (Rm)	**7**	(117)	<(100)	12
Total portfolio size (Rbn)	**2,1**	2,2	(5)	2,2

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

CIB South Africa

for the reporting period ended

Business performance *(continued)*

Corporate

Corporate income growth of 11% was supported by Debt Finance which showed improved margins and strong growth in average advances. There was continued momentum in focus product areas with Transactional Banking up 8% from increased volumes mainly in domestic collections, Trade up 17% from improved margins and increased guarantee fees and deposits up 9% due to improved margins. Deposit balances remain a challenge, with average deposit balances down 3%. The focus remains on converting client relationships into primary banking relationships.

Salient features	30 June 2017	30 June 2016[1]	Change %	31 December 2016[1]
Gross income (Rm)	**2 357**	2 126	11	4 511
Credit impairments (Rm)	**(47)**	(102)	(54)	(85)
Net income (Rm)	**2 311**	2 024	14	4 426
Average loans and advances to customers (Rbn)	**74,6**	70,6	6	73,3
Average deposits due to customers (Rbn)	**143,1**	148,1	(3)	145,7

Looking ahead

Looking forward, focus will be on execution of the CIB strategy, and strengthening collaboration with other clusters across the Group. Execution priorities remain unchanged – the following themes will be prioritised in order to achieve the firm's objectives:

- Compelling client value proposition development, focused on key client segments and sectors: Mid-Corporates, Public Sector, Financial Institutions, Consumer, Basic Materials and Industrials
- Seamless, consistent and superior client experience, delivered through end-to-end digital enablement
- Core product excellence, underpinned by a stable transactional banking platform
- Compelling employee value proposition, that emphasises diversity, flexibility, accountability
- Data-driven insights that enable colleagues to deliver to clients; and
- Risk culture that protects and enables clients, and the bank.

Note

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

Rest of Africa Banking

for the reporting period ended

Rest of Africa Banking delivered a solid set of results with headline earnings up 19% (CCY up 50%) year on year and return on equity of 17,4%. This was achieved despite headwinds from regulatory changes most notably interest rate caps on lending and interest rate floors on deposits in Kenya. In addition, some markets have experienced economic downturns during the past 12 months, most notably in Mozambique. The effect of these headwinds has been ameliorated by interest rate reductions in some markets and a gradual recovery of global markets. An overall stronger Rand against the currencies of the markets in which we operate compared to the comparative period dampened underlying earnings growth.

Headline earnings grew year on year by 19% (CCY: 50%) to **R1 512m** (30 June 2016: R1 266), a testament to our strategy of building a strong Corporate franchise across the Rest of Africa with Corporate earnings growing by 32% (CCY: 61%). The business continues to service our customers by launching several new products and product enhancements resulting in significant customer migration to digital channels, making it easier for customers to transact. A continued focus on the quality of our book, coupled with improved collections and recoveries has seen a 31% (CCY: 21%) year on year decline in impairments. Cost growth has been contained well below the average inflation rate of the markets in which we operate through focused cost initiatives to improve our cost-to-income ratio to 55,8%.

Key performance highlights for the reporting period include:

- ▲ Headline earnings growth of 19% (CCY: 50%) and RoE of **17,4%**.
- ▲ Impairments down year on year by 31% (CCY 21%) resulting in an improved credit loss ratio of **1,38%** (30 June 2016: 1,68%).
- ▲ Improved cost-to-income ratio of **55,8%** (30 June 2016: 58,9%) and positive Jaws of 5% through focused cost initiatives.
- ▲ Revenue growth of 13% (CCY: 36%) and 7% (CCY: 25%) in Investment Bank and Corporate respectively.
- ▼ RBB Revenues down 15% (CCY: down 1%) with both net interest income and non-interest income reflecting negative year on year growth.
- = Growth in loans and advances to customers, excluding foreign exchange translation differences, of 8% driven by an 18% year on year growth in Corporate loans and advances to customers, partially offset by marginally lower loans and advances to customers in RBB (CCY down 1%) informed by prudent lending in some markets due to liquidity constraints and pressure on consumers from high interest rates.
- = Growth in deposits due to customers, excluding foreign exchange translation differences, of 9% driven by a 14% year on year growth in Corporate deposits due to customers, partially offset by marginal growth in deposits due to customers in RBB (CCY up 2%) from liquidity constraints in some markets.
- = A reduction in the number of branches across the Rest of Africa to **424** (30 June 2016: 456) as cost-reduction initiatives and digital migration gains traction in line with our strategy.
- ▼ Overall margins declined by 15 basis points to **7,13%** (30 June 2016: 7,28%). This was driven by a decline in net interest income in RBB, down 15% (CCY: 1%) to **R3 255m** (30 June 2016: R3 821m), and a 139 basis point decline in RBB margins to **8,04%** (30 June 2016: 9,43%) reflecting the impact of interest rate caps on lending and interest rate floors on deposits in Kenya.

	30 June				31 December
Salient features	**2017**	2016[1]	C%	Change %	2016[1]
Income (Rm)	**7 670**	8 185	10	(6)	16 044
Attributable earnings (Rm)	**1 531**	1 268	52	21	2 761
Headline earnings (Rm)	**1 512**	1 266	50	19	2 756
Credit loss ratio (%)	**1,38**	1,68			1,62
Cost-to-income ratio (%)	**55,8**	58,9			57,5
RoRC (%)[2]	**17,4**	13,5			15,1
RoRWA (%)	**1,91**	1,47			1,64
RoA (%)	**1,83**	1,46			1,62

Notes

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

[2] As the Rest of Africa Banking consists primarily of a set of legal entities, the denominator in the RoRC for the Rest of Africa Banking is calculated as the sum of the average equity of the legal entities.

Rest of Africa Banking

for the reporting period ended

	RBB Rest of Africa					CIB Rest of Africa				
	30 June				31 December	30 June				31 December
	2017	2016[1]	C%	Change %	2016[1]	**2017**	2016[1]	C%	Change %	2016[1]
Statement of comprehensive income (Rm)										
Net interest income	**3 255**	3 821	(1)	(15)	7 350	**1 943**	1 718	33	13	3 480
Non-interest income	**1 257**	1 469	(1)	(14)	2 782	**1 214**	1 179	21	3	2 447
Total income	**4 512**	5 290	(1)	(15)	10 132	**3 157**	2 897	28	9	5 927
Impairment losses on loans and advances	**(522)**	(647)	(6)	(19)	(1 349)	**(116)**	(281)	(54)	(59)	(383)
Operating expenses	**(3 197)**	(3 646)	2	(12)	(7 004)	**(1 105)**	(1 173)	8	(6)	(2 234)
Other operating expenses	**(71)**	(61)	37	16	(131)	**(14)**	(19)	(14)	(26)	(39)
Operating profit before income tax	**722**	936	(8)	(23)	1 648	**1 922**	1 424	64	35	3 271
Tax expenses	**(296)**	(369)	(8)	(20)	(700)	**(549)**	(343)	90	60	(791)
Profit for the reporting period	**426**	567	(8)	(25)	948	**1 373**	1 081	55	27	2 480
Profit attributable to:										
Ordinary equity holders	**355**	412	10	(14)	713	**1 206**	931	60	30	2 174
Non-controlling interest – ordinary shares	**71**	155	(50)	(54)	235	**167**	150	28	11	306
	426	567	(8)	(25)	948	**1 373**	1 081	55	27	2 480
Headline earnings	**336**	410	5	(18)	709	**1 206**	931	60	30	2 174
Operating performance (%)										
Net interest margin on average interest-bearing assets	**8,04**	9,43			9,12	**6,76**	5,42			5,53
Credit loss ratio	**2,49**	2,72			2,92	**0,60**	1,34			0,94
Non-interest income as % of income	**27,9**	27,8			27,5	**38,5**	40,7			41,3
Income growth	**(15)**	26			15	**9**	33			24
Operating expenses growth	**(12)**	15			9	**(6)**	24			16
Cost-to-income ratio	**70,9**	68,9			69,1	**35,0**	40,5			37,7
Statement of financial position (Rm)										
Loans and advances to customers	**39 233**	44 506	(1)	(12)	40 201	**39 703**	37 368	18	6	37 675
Loans and advances to banks	**—**	—	—	—	—	**178**	2	>100	>100	1
Investment securities	**7**	4	86	75	6	**24**	1	>100	>100	64
Other assets	**44 463**	41 388	21	7	40 084	**31 758**	31 799	12	(0)	26 327
Total assets	**83 703**	85 898	9	(3)	80 291	**71 663**	69 170	16	4	64 067
Deposits due to customers	**60 539**	66 926	2	(10)	61 715	**57 983**	56 236	14	3	50 034
Debt securities in issue	**30**	—	100	100	—	**—**	—	—	—	—
Other liabilities	**23 959**	19 123	38	25	19 589	**13 337**	12 989	17	3	12 884
Total liabilities	**84 528**	86 049	10	(2)	81 304	**71 320**	69 225	15	3	62 918
Financial performance (%)										
RoRWA	**1,02**	1,20			1,05	**4,36**	2,98			3,68
RoA	**0,78**	0,94			0,82	**3,84**	2,77			3,23

Note

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

Rest of Africa Banking

for the reporting period ended

Head Office, Treasury and other operations in Rest of Africa					Total Rest of Africa Banking				
30 June				31 December	30 June				31 December
2017	2016[1]	C%	Change %	2016[1]	**2017**	2016[1]	C%	Change %	2016[1]
3	(4)	<(100)	<(100)	(12)	**5 201**	5 535	10	(6)	10 818
(2)	2	<(100)	<(100)	(3)	**2 469**	2 650	9	(7)	5 226
1	(2)	<(100)	<(100)	(15)	**7 670**	8 185	10	(6)	16 044
—	—	—	—	—	**(638)**	(928)	(21)	(31)	(1 732)
23	(2)	>100	<(100)	15	**(4 279)**	(4 821)	3	(11)	(9 223)
—	—	>100	—	(1)	**(85)**	(80)	25	6	(171)
24	(4)	>100	<(100)	(1)	**2 668**	2 356	36	13	4 918
(54)	(71)	(27)	(24)	(125)	**(899)**	(783)	32	15	(1 616)
(30)	(75)	(60)	(60)	(126)	**1 769**	1 573	39	12	3 302
(30)	(75)	(60)	(60)	(126)	**1 531**	1 268	52	21	2 761
—	—	>100	—	—	**238**	305	(12)	(22)	541
(30)	(75)	(60)	(60)	(126)	**1 769**	1 573	39	12	3 302
(30)	(75)	(60)	(60)	(127)	**1 512**	1 266	50	19	2 756
n/a	n/a			n/a	**7,13**	7,28			7,25
n/a	n/a			n/a	**1,38**	1,68			1,62
n/a	n/a			n/a	**32,2**	32,4			32,6
n/a	n/a			n/a	**(6)**	28			17
n/a	n/a			n/a	**(11)**	17			11
n/a	n/a			n/a	**55,8**	58,9			57,5
2	—	>100	100	1	**78 938**	81 874	8	(4)	77 877
12 765	19 938	(29)	(36)	27 259	**12 943**	19 940	(28)	(35)	27 260
28 084	21 190	50	33	23 392	**28 115**	21 195	50	33	23 462
(25 706)	(27 665)	(15)	(7)	(33 529)	**50 515**	45 522	42	11	32 882
15 145	13 463	>100	12	17 123	**170 511**	168 531	17	1	161 481
1 474	—	100	<(100)	244	**119 996**	123 162	9	(3)	111 993
491	337	58	46	331	**521**	337	68	55	331
(7 984)	(8 564)	(43)	(7)	(4 093)	**29 312**	23 548	79	24	28 380
(6 019)	(8 227)	(59)	(27)	(3 518)	**149 829**	147 047	19	2	140 704
n/a	n/a			n/a	**1,91**	1,47			1,64
n/a	n/a			n/a	**1,83**	1,46			1,62

Rest of Africa Banking

for the reporting period ended

Business profile

Rest of Africa Banking operates in 11 countries across the African continent outside of South Africa through 10 legal entities and two representative offices. Rest of Africa Banking offers a comprehensive suite of banking products and services in four main market segments being Retail and Business Bank, Corporate and Investment banking.

Key segment areas

- Retail and Business Bank (RBB) Rest of Africa
- Corporate and Investment Bank (CIB) Rest of Africa
  - Corporate
  - Investment Bank
- Head Office, Treasury and other operations in Rest of Africa

Key business areas

Customers and clients across the continent are served through the following key business areas:

- 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
- Absa Namibia – Representative office
- Nigeria – Representative office

Operating environment

The first half of 2017 has seen some recovery from the headwinds, such as low commodity prices, a sluggish performance in the global economy and a gradual deceleration in China's growth, that hit the Rest of Africa in 2016. Economic performance across the continent is however not homogenous and the current climate has resulted in a dichotomy between resource intensive and non-resource intensive countries. While commodity exporting countries, approximately half of the region, have struggled, growth has continued for non-resource reliant economies which have benefited from lower energy prices and continued infrastructure investment.

The following changes to the operating environment have influenced performance:

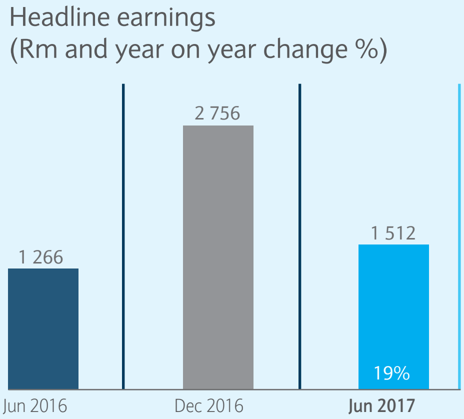
- Regulatory changes continue to negatively influence performance and returns most notably interest rate caps on lending and floors on deposits in Kenya;
- Monetary policy tightening in Mozambique has resulted in a decline in household purchasing power, reduced enterprise profitability, rising inflation, and foreign exchange and liquidity constraints;
- Adverse macro-economic conditions impacting credit performance, most notably in Zambia and Mozambique resulting in a cautious lending approach;
- Drought conditions across Southern and Eastern Africa have further placed consumers and agricultural businesses under strain;
- Despite monetary policy easing and interest rate reductions implemented in Ghana and Zambia cost of doing business in these countries remained relatively high; and
- High levels of competition from local and international banks as well as Mobile Network Operators (MNOs) have remained a feature in certain markets.

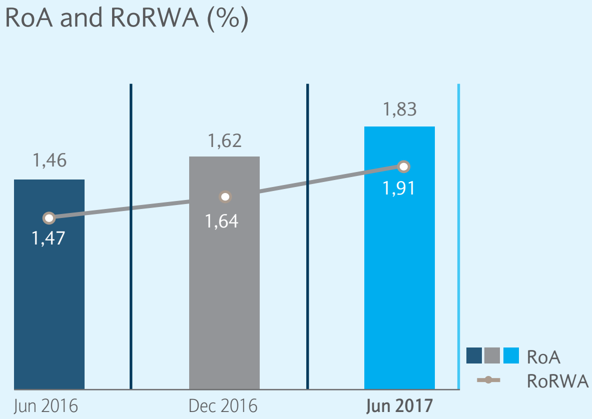
Rest of Africa Banking

for the reporting period ended

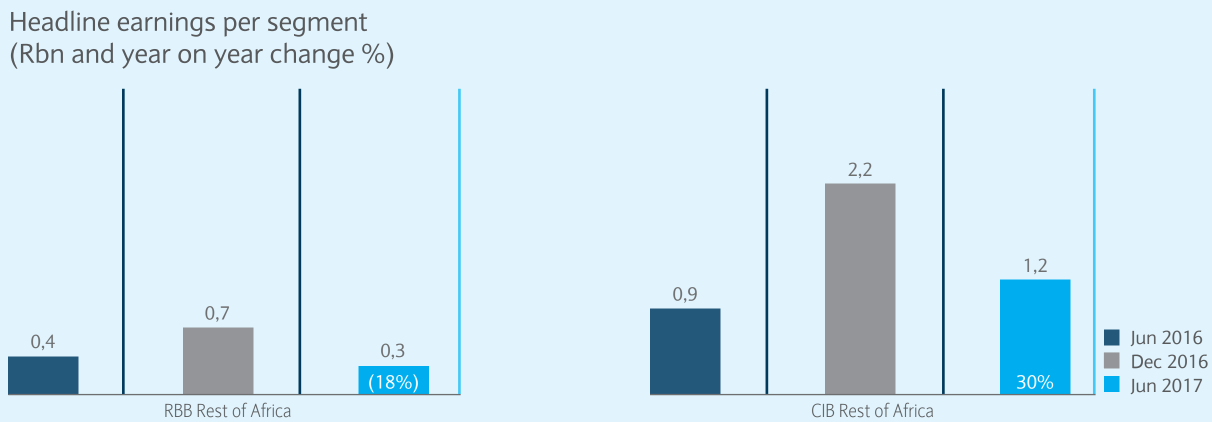
Financial performance

Headline earnings grew by **19%** (CCY: 50%) to **R1 512m** (30 June 2016: R1 266m), RBB Rest of Africa's headline earnings declined by 18% (CCY grew by 5%) to **R336m** (30 June 2016: R410m) and CIB Rest of Africa's headline earnings grew by **30%** (CCY: 60%). Strong headline earnings growth and improved capital management improved return on average equity to **17,4%** (30 June 2016: 13,5%) and return of average risk weighted assets to **1,91%** (30 June 2016: 1,47%).





Headline earnings by segment	30 June 2017	2016[1]	C%	Change %	31 December 2016[1]
Rest of Africa Banking (Rm)	**1 512**	1 266	50	19	2 756
RBB Rest of Africa (Rm)	**336**	410	5	(18)	709
CIB Rest of Africa (Rm)	**1 206**	931	60	30	2 174
Corporate Rest of Africa (Rm)	**798**	603	61	32	1 397
Investment Bank Rest of Africa (Rm)	**408**	328	57	24	777
Head Office, Treasury and other operations in Rest of Africa (Rm)	**(30)**	(75)	(60)	(60)	(127)



Note

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

Rest of Africa Banking

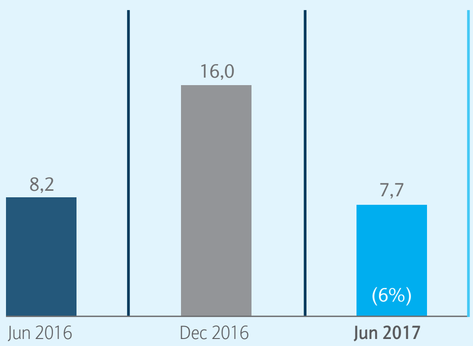
for the reporting period ended

Financial performance *(continued)*

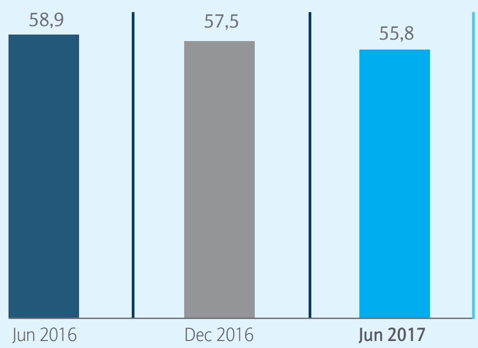
Net interest income decreased by 6% (CCY: increased by 10%) to **R5 201m** (30 June 2016: R5 535m) with a decline in margins by 15 basis points to **7,13%** (30 June 2016: 7,28%). CIB's net interest income grew year on year by 13% (CCY: 33%) to **R1 943m** (30 June 2016: R1 718m) on the back of solid balance sheet growth and margins improving by 134 basis points to **6,76%** (30 June 2016: 5,42%). RBB's net interest income declined year on year by 15% (CCY: 1%) to **R3 255m** (30 June 2016: R3 821m) with margins declining by 139 basis points to **8,04%** (30 June 2016: 9,43%) as a result of interest rate caps on lending and interest rate floors on deposits in Kenya, coupled with muted lending growth from the application of prudent lending criteria in strained markets and markets experiencing liquidity constraints.

Non-interest income decreased year on year by 7% (CCY: increased by 9%) to **R2 469m** (30 June 2016: R2 650m). CIB's non-interest income grew year on year by 3% (CCY: 21%) to **R1 214m** (30 June 2016: R1 179m) driven by exceptional performance in the Markets business from large client trades and solid trading performance in certain markets. RBB's non-interest income declined year on year by 14% (CCY: 1%) to **R1 257m** (30 June 2016: R1 469m) due to lower fees collected on transactional accounts offset by improved performances in the Card payments business, Trade and Forex products.

Income (Rbn and year on year change %)



Cost-to-income (%)



Impairments improved by 31% (CCY: 21%) to **R638m** (30 June 2016: R928m) resulting in an improved loan loss rate of **1,38%** (30 June 2016: 1,68%). Impairments improved across most portfolios driven by improved portfolio construct, an increased focus on collections capabilities and lower identified impairments compared to the comparative reporting period.

The continued focus on cost containment and rightsizing the business in the current economic climate, with a reduction in the number of branches across the region since December 2016, resulted in sub-inflationary underlying cost growth, despite spiking inflation rates in some countries, most notably Mozambique. Operating expenses decreased year on year by 11% (CCY: increased by 3%) to **R4 279m** (30 June 2016: R4 821m) resulting in an improvement in the cost-to-income ratio to **55,8%** (30 June 2016: 58,9%).

Loans and advances to customers decreased year on year by 4% (CCY: increased by 8%) to **R78,9bn** (30 June 2016: R81,9bn). CIB's loans and advances grew year on year by 6% (CCY: 18%) to **R39,7bn** (30 June 2016: R37,4bn) with growth driven by strong local client flows as well as a focused regional client coverage model. RBB's loans and advances declined year on year by 12% (CCY: 1%) to **R39,2bn** (30 June 2016: R44,5bn) from the application of prudent lending criteria in strained markets and markets experiencing liquidity constraints, most notably in personal lending. This was partially offset by solid growth in business lending which improved year on year by 10% excluding the impact of foreign exchange translations.

Deposits due to customers decreased year on year by 3% (CCY: increased by 9%) to **R120,0bn** (30 June 2016: R123,2bn). CIB's deposits due to customers grew year on year by 3% (CCY: 14%) to **R58,0bn** (30 June 2016: R56,2bn) with growth driven by strong local client flows as well as a reinforced regional client coverage model. Growth was somewhat dampened by regulations aimed at moving public sector deposits away from commercial banks in certain markets. RBB's deposits due to customers declined year on year by 10% (CCY: grew year on year by 2%) to **R60,5bn** (30 June 2016: R66,9bn) largely driven by market liquidity challenges faced in certain key markets.

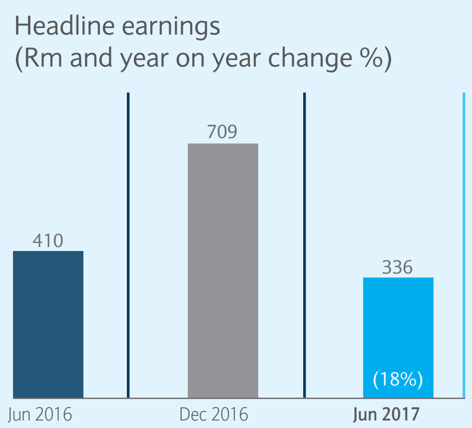
RBB Rest of Africa

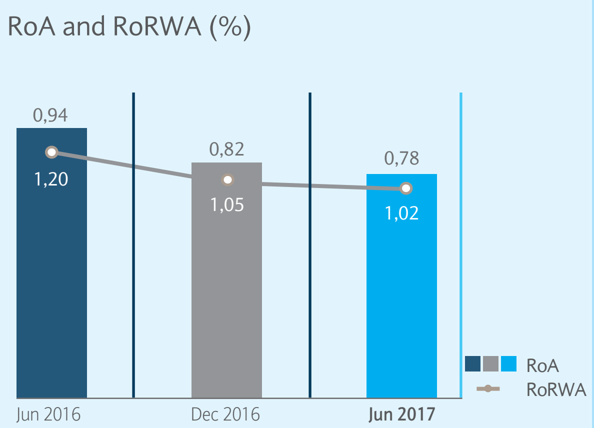
for the reporting period ended

Financial performance *(continued)*

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

- Improved credit loss ratio of **2,49%** (30 June 2016: 2,72%).
- Continued investment in IT infrastructure has resulted in greater productivity and improved customer service levels.
- Business banking showed substantial lending growth of 10% excluding the impact of foreign exchange translations.
- Expansion of our prepaid debit card business.
- Launch of the Africa referral unit, helping our South African outbound clients expand in to the Rest of Africa.
- Several accolades received, namely:
  - NBC named Best Retail Islamic bank in Tanzania in the National Islamic Banking and Finance Awards;
  - Barclays Bank of Botswana was named Bank of the year 2016 by AI finance; and
  - Barclays Bank of Ghana named the Best Agricultural bank in Ghana by USAID.
- Headline earnings declined by 18% (CCY: increased by 5%) to **R336m** (30 June 2016: R410m) on the back of challenging operating environments; including foreign currency shortages in some markets and the introduction of an interest rate cap on lending and interest rate floor on deposits in Kenya.
- Return on risk-weighted assets (RoRWA) declined to **1,02%** (30 June 2016: 1,20%) and return on average assets (RoA) decreased to **0,78%** (30 June 2016: 0,94%).
- The increased competition for liquidity in some markets has resulted in increased rates being paid to attract customer deposits.





Salient features	30 June 2017	30 June 2016[1]	C%	Change %	31 December 2016[1]
Income (Rm)	**4 512**	5 290	(1)	(15)	10 132
Attributable earnings (Rm)	**355**	412	10	(14)	713
Headline earnings (Rm)	**336**	410	5	(18)	709
Credit loss ratio (%)	**2,49**	2,72			2,92
Cost-to-income ratio (%)	**70,9**	68,9			69,1
RoRWA (%)	**1,02**	1,20			1,05
RoA (%)	**0,78**	0,94			0,82

Note

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

RBB Rest of Africa

for the reporting period ended

	RBB Rest of Africa				
	30 June				31 December
	2017	2016[1]	C%	Change %	2016[1]
Statement of comprehensive income (Rm)					
Net interest income	**3 255**	3 821	(1)	(15)	7 350
Non-interest income	**1 257**	1 469	(1)	(14)	2 782
Total income	**4 512**	5 290	(1)	(15)	10 132
Impairment losses on loans and advances	**(522)**	(647)	(6)	(19)	(1 349)
Operating expenses	**(3 197)**	(3 646)	2	(12)	(7 004)
Other operating expenses	**(71)**	(61)	37	16	(131)
Operating profit before income tax	**722**	936	(8)	(23)	1 648
Tax expenses	**(296)**	(369)	(8)	(20)	(700)
Profit for the reporting period	**426**	567	(8)	(25)	948
Profit attributable to:					
Ordinary equity holders	**355**	412	10	(14)	713
Non-controlling interest – ordinary shares	**71**	155	(50)	(54)	235
	426	567	(8)	(25)	948
Headline earnings	**336**	410	5	(18)	709
Operating performance (%)					
Net interest margin on average interest-bearing assets	**8,04**	9,43			9,12
Credit loss ratio	**2,49**	2,72			2,92
Non-interest income as % of income	**27,9**	27,8			27,5
Income growth	**(15)**	26			15
Cost growth	**(12)**	15			9
Cost-to-income ratio	**70,9**	68,9			69,1
Statement of financial position (Rm)					
Loans and advances to customers	**39 233**	44 506	(1)	(12)	40 201
Loans and advances to banks	**—**	—	—	—	—
Investment securities	**7**	4	86	75	6
Other assets	**44 463**	41 388	21	7	40 084
Total assets	**83 703**	85 898	9	(3)	80 291
Deposits due to customers	**60 539**	66 926	2	(10)	61 715
Debt securities in issue	**30**	—	100	100	—
Other liabilities	**23 959**	19 123	38	25	19 589
Total liabilities	**84 528**	86 049	10	(2)	81 304

Note

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

RBB Rest of Africa

for the reporting period ended

Business profile

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

Key product/segment areas

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

Financial performance

Retail and Business Bank Rest of Africa produced results that were in line with expectations considering the impact of regulatory changes and liquidity constraints in some markets. Headline earnings declined by 18% (CCY grew by 5%) to **R336m** (30 June 2016: R410m), largely due to subdued revenue growth.

Income declined by 15% (CCY 1%) to **R4 512m** (30 June 2016: R 5 290m), impairments improved by 19% (CCY: 6%) to **R522m** (30 June 2016: R647m) while operating expenses decreased by 12% (CCY increased by 2%) to **R3 197m** (30 June 2016: R3 646m) resulting in negative Jaws of 3%.

A significant reduction in revenue is attributable to the weakening of emerging market currencies against the South African Rand. On a constant currency basis revenue declined slightly due to interest rate caps and interest rate floors implemented in Kenya. Normalising for this impact, revenue grew year on year by 6% on a constant currency basis. Underlying revenue growth was achieved mainly on the back of:

- Increased focus on customers through the Customer Lifecycle Management framework;
- An improved suite of product and service offerings focused on specific sectors;
- Continued success in the commercial banking segment; and
- A streamlining of processes designed to improve turnaround time.

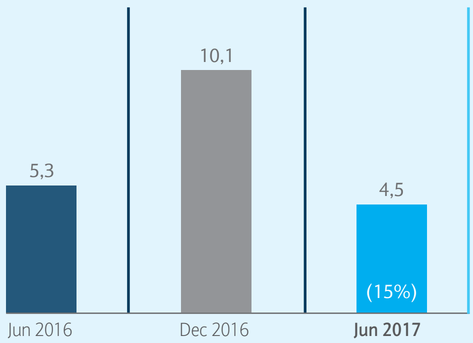
Net interest income declined by 15% (CCY 1%) to **R3 255m** (30 June 2016: R3 821m) predominantly due to:

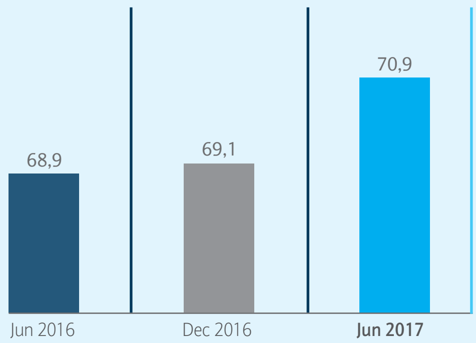
- Reduced margins largely driven by the interest rate caps that was introduced in Kenya in September 2016;
- Liquidity constraints in the Zambian market which led to a dramatic slowdown in lending from the second half of 2016;
- High interest rates in some of our markets impacted consumer affordability, most notably in Mozambique; and
- The change in lending framework impacting the consumer lending portfolio due to the stress in the mining sector in Botswana and Zambia.

RBB Rest of Africa

for the reporting period ended

Financial performance *(continued)*





Non-interest income declined year on year by 14% (CCY 1%) to **R1 257m** (30 June 2016: R1 469m) due to lower fees collected on transactional accounts offset by improved performances in the Card payments business, Trade and Forex products. Digital and self-service channel usage has increased year on year by 14%. This has resulted in reduced queues and improved service levels within our branches, however this migration to lower fee channels has resulted in a reduction in total fee income. The increased focus to drive customer awareness and education on the debit card usage has contributed to an increase of 18% on point of sale spend. The Card acquiring business increased the number of active merchants year on year by 15% driving a 22% growth in turnover – largely coming from the Government and Retail sectors and e-commerce payment channels. Trade income increased year on year in the Commercial segment by 17% driven by greater focus on client needs.

Impairments improved year on year by 19% (CCY: 6%) due to an increased focus on collection capability and activities as well as improved portfolio construct; resulting in a credit loss ratio of **2,49%** (30 June 2016: 2,72%).

Continued focus on branch optimisation as well as our enhanced digital capability and increased focus on managing cost efficiencies has resulted in operating expenses decreasing year on year by 12% (CCY: increased by 2%) to **R3 197m** (30 June 2016: R3 646m), reflecting an underlying growth which is sub-inflation. Cost-to-income ratio has deteriorated to **70,9%** (30 June 2016: 68,9 %).

Balance sheet growth remains muted due to high interest rate environments coupled with high inflationary pressures and lower customer disposable income. Loans and advances to customers declined year on year by 12% (CCY: 1%) to **R39,2bn** (30 June 2016: R44,5bn) despite this, business loans exhibiting strong year on year growth of 10% as a result of increased sector and customer-centricity focus. The decline in the consumer lending portfolio that was experienced in the second half of 2016 continued into 2017 due to adverse market conditions that resulted in the business tightening lending criteria most notably in the personal lending segment.

Key asset balance sheet highlights include:

- Personal loans growth muted in line with strategy to selectively lend in some of our key markets due to liquidity constraints and impairment pressures; and
- Total new loan bookings in the Consumer segment increased by 6% in volume and top-up bookings marking an impressive 63% growth.

Deposits due to customers decreased year on year by 10% (CCY: increased by 2%) to **R60,5bn** (30 June 2016: R66,9bn), largely driven by market liquidity challenges being faced in a number of our key markets and aggressive competitor pricing. A deliberate effort was made to source cheaper deposits to grow income and drive down the cost of funding. Over 150 000 new to bank Retail customers and over 4 300 new to bank SME customers (over 13 000 accounts) have been on-boarded.

.

RBB Rest of Africa

for the reporting period ended

Business performance

RBB Rest of Africa's strategic goals remain intact, with consistent performance reflective of a business that is well positioned to achieve its long-term targets.

Growth was supported by:

- Launch of our new Africa referral unit to drive South African outbound business into our African markets;
- Launch of China UnionPay card acceptance on our ATMs and merchants across all African markets delivering a new revenue stream, taking advantage of the high number of Chinese visitors coming to our continent;
- Expansion of our pre-paid card business that included the issuance of 54 000 pre-paid cards to farmers in Zambia for the payment of farming materials; and
- Launch of twin account in Kenya with the specific purpose of improving primacy and rewarding the change in customer behaviour. Since the launch of the product in March 2017, volumes in excess of 6 000 accounts have been booked.

Efficiency was supported by:

- Significant growth in digital adoption by customers across a number of channels including iATM (withdrawal and deposits), Mobile Banking, POS and internet banking. This has been supported by additional functionality such as Cash Acceptance, Bill Payments and Money Transfers. Digital channels have grown to account for 76% of total transaction volumes;
- Digital on-boarding of transaction and savings account customers on i-Pads reducing the turn-around time substantially and providing a superior customer experience; and
- Continued optimisation of the branch network to serve customers more economically and efficiently with a reduction in the number of branches across the region.

Looking ahead, we continue to see potential to extract greater value from our existing franchise in the Rest of Africa. Our focus remains on embedding customer-centricity; delivering value propositions that serve business and personal needs and enhancing the customer's Omni-channel experience. The strategy focuses on:

- Customer Lifecycle Management to further improve the quality of new-to-franchise customer acquisition and deepen the relationship with existing customers through enhanced digital solutions with a focus on mobile and internet banking solutions;
- Optimised branch operating model to build fit-for-purpose branches, ensuring that we are optimally positioned to serve our customers and reduce service costs;
- Rolling out the Universal Banker concept to ensure our front-line colleagues have the capability and skills to service both Retail and

  Business Banking customers;
- Delivering a multi-channel franchise through the launch of digital products;
- Continuing to embed and enhance the sector focus approach in Commercial and Small and Medium Enterprise Banking; and
- Continuing to drive retail segment with particular focus on affluent customers.

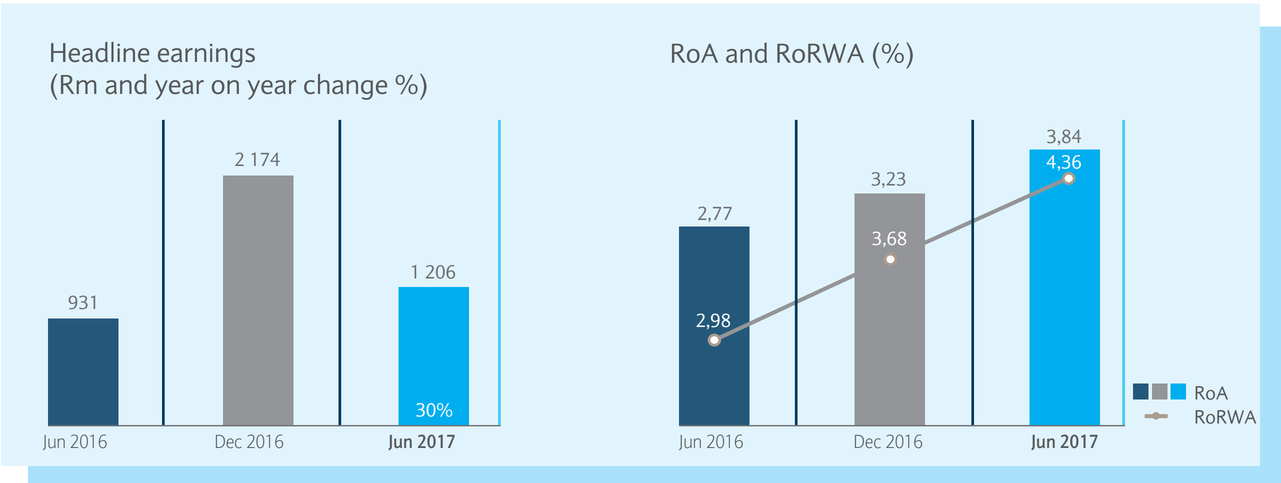
CIB Rest of Africa

for the reporting period ended

- Headline earnings growth of 30% (CCY 60%), underpinned by strong revenue growth and significantly lower impairments. This was achieved despite challenging trading conditions across the continent with economic headwinds, illiquid markets, lack of volatility in global markets and increased regulations impacting the trading businesses.
- Revenue growth driven by strong in-country balance sheet growth and increased margins in Corporate. Markets income performance was also significantly up on the back of large client trades and good trading activity in certain countries.
- Cost to income ratio improved to **35,0%** (30 June 2016: 40,5%) mainly as a result of the excellent income growth registered.
- Several accolades received at the Banker Africa Awards, namely:
  - Best Commercial Bank and Best Investment Bank in Southern Africa;
  - Best Investment Bank in East Africa;
  - Best Commercial Bank in Tanzania for Barclays Bank Tanzania; and
  - Best Corporate Bank in Uganda.

In addition, Mozambique was named the Fastest Growing Corporate Bank and Fasting Growing Commercial Bank by the Global Banking & Finance Review, and Barclays Bank Kenya was awarded Corporate Banker of the year at the Think Business Awards.

- Sales margins decreased in the Markets business due to increased competition and regulatory constraints.



	30 June				31 December
Salient features	**2017**	2016[1]	C%	Change %	2016[1]
Income (Rm)	**3 157**	2 897	28	9	5 927
Attributable earnings (Rm)	**1 206**	931	60	30	2 174
Headline earnings (Rm)	**1 206**	931	60	30	2 174
Cost-to-income ratio (%)	**35,0**	40,5			37,7
Credit loss ratio (%)	**0,60**	1,34			0,94
RoRWA (%)	**4,36**	2,98			3,68
RoA (%)	**3,84**	2,77			3,23

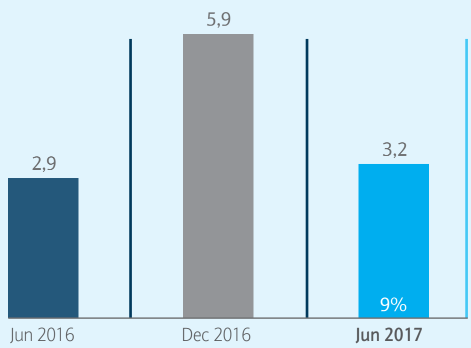
Note

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

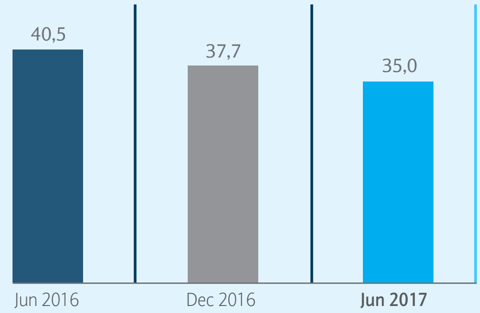
CIB Rest of Africa

for the reporting period ended

Income (Rbn and year on year change %)



Cost-to-income (%)



Business profile

CIB provides innovative solutions to meet clients' needs by delivering specialist investment banking, corporate banking, financing, risk management and advisory solutions. Our value proposition is geared to solution clients across the various sectors and industries driving local economies. Our focus remains that of delivering shared growth through a deep understanding of our client ecosystems e.g. unlocking supply chain opportunities for SMEs by connecting them to the local, regional and global corporates. This approach also enables the CIB business to create growth opportunities for colleagues and contribute towards the upliftment of local communities in our presence markets.

Key product/segment areas

Client relationship management provides holistic solutions to clients by leveraging our sector specialisation across Africa as well as our proven corporate and investment banking expertise in the following business areas:

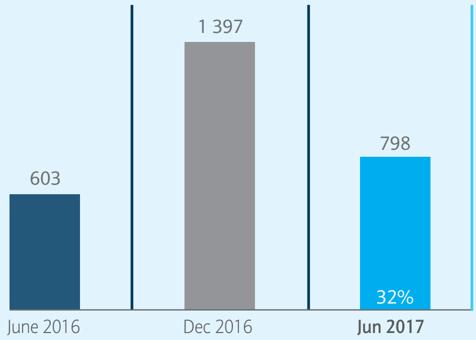
- **Investment Banking:**
  - Markets – engages in trading, sales and research activities across all major asset classes and products in Africa, delivering pricing, hedging and risk management capabilities to both corporate and institutional clients;
  - Banking – structures innovative solutions to meet clients' strategic advisory, financing and risk management requirements across various sectors;
- **Corporate:** provides corporate banking solutions spanning financing and transactional banking requirements, trade and working capital solutions, and a full suite of cash management solutions including payments and liquidity products. These services are provided across our combined pan-African institutional and corporate client base, including public sector.

Financial performance

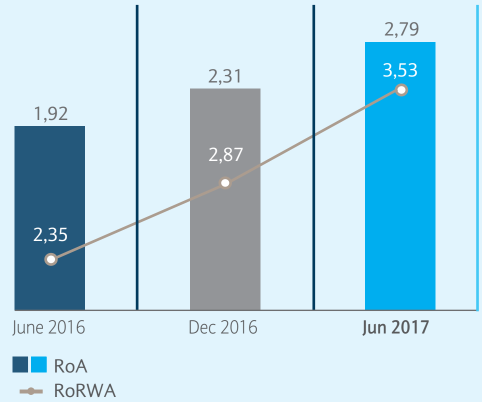
Corporate

Headline earnings increased by 32% (CCY 61%) to **R798m** (30 June 2016: R603m) off the back of strong revenue growth, significantly reduced impairments and low cost growth.

Headline earnings
(Rm and year on year change %)



RoA and RoRWA (%)



CIB Rest of Africa

for the reporting period ended

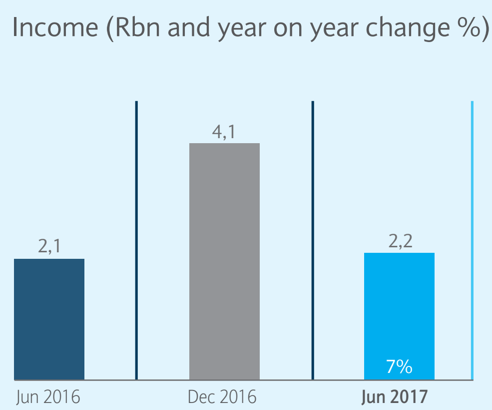
Financial performance *(continued)*

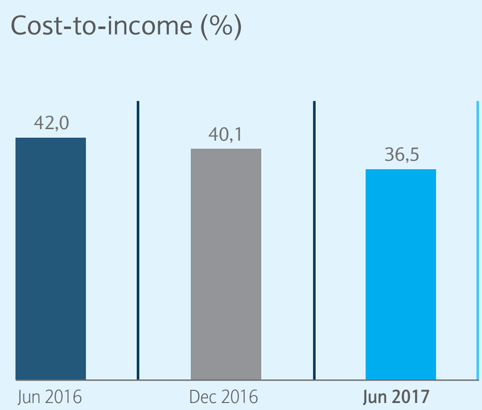
Corporate (continued)

Salient features	30 June 2017	30 June 2016[1]	C%	Change %	31 December 2016[1]
Income (Rm)	**2 207**	2 058	25	7	4 146
Attributable earnings (Rm)	**798**	604	61	32	1 397
Headline earnings (Rm)	**798**	603	61	32	1 397
Cost-to-income ratio (%)	**36,5**	42,0			40,1
Credit loss ratio (%)	**0,60**	1,34			0,94
RoRWA (%)[1]	**3,53**	2,35			2,87
RoA (%)	**2,79**	1,92			2,31

Income increased by 7% (CCY 25%) to **R2 207m** (30 June 2016: R2 058m), comprised mainly of net interest income, which grew by 13% (CCY 32%) to **R1 945m** (2016: R1 724m). The primary driver of this strong performance was balance sheet growth, with loans and advances to customers up year on year 6% (CCY 18%) and deposits due to customers up year on year 3% (CCY 14%). This was accompanied by increased margins as a result of sustained structural changes in client mix, while in a few of our markets, performance was enhanced by the favourable interest rate environment.

Non-interest income decreased by 22% (CCY 9%) to **R262m** (2016: R334m). Underlying non-interest income grew 11% year on year however this was offset by the impact of some reclassification of certain lending fees into interest income in accordance with IAS 39 and due to growth of our deposits relating to Islamic Banking which has grown, and consequently eroded non-interest income growth.





Impairment losses on loans and advances of **R116m** were down by 59% (CCY 54%) off a high base (30 June 2016: R281m), as the prior year was impacted by the adjustment for the change in emergence period. In addition, due to the improved quality of our asset holdings, there were no significant charges compared to prior year losses taken on a few big ticket deals.

Operating expenses were down 7% (CCY 7% growth) to **R805m** (30 June 2016: R865m) resulting in positive Jaws of 14% and an improved cost-to-income ratio of **36,5%** (30 June 2016: 42%). While internally allocated support costs increased on the back of higher transaction volumes and increased branch usage, costs were contained in many countries on the back of cost-efficiency initiatives and more rigorous controls over discretionary spend.

At a consolidated level, advances to customers increased by 6% (CCY 18%) to **R39,7bn** (30 June 2016: R37,4bn) while deposits due to customers increased by 3% (CCY 14% growth) to **R58bn** (30 June 2016: R56,2bn). Underlying growth was driven by strong client flows in-country as well as a reinforced regional client coverage model. In certain instances, deposit growth has been hampered by regulations aimed at moving public sector deposits from commercial banks to state institutions and the inherent volatility of large call balances held by certain public sector and offshore clients.

Note

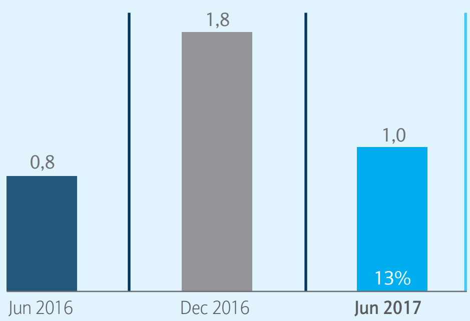
[1] These numbers have been restated, refer to the reporting changes overview on the inside front cover.

Financial performance *(continued)*

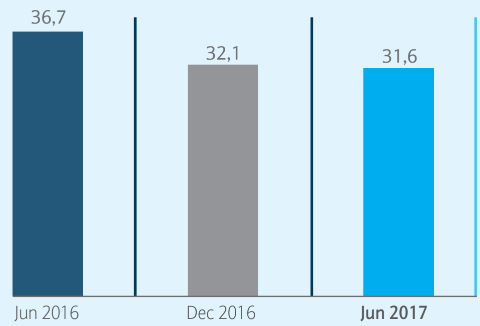
Investment Banking

Headline earnings increased by 24% (CCY 57%) to **R408m** (30 June 2016: R328m) due to very strong revenue growth. Despite difficult trading conditions in certain countries, income increased by 13% (CCY 36%) to **R950m** (30 June 2016: R839m), primarily driven by large client trades and good trading activity in certain countries.

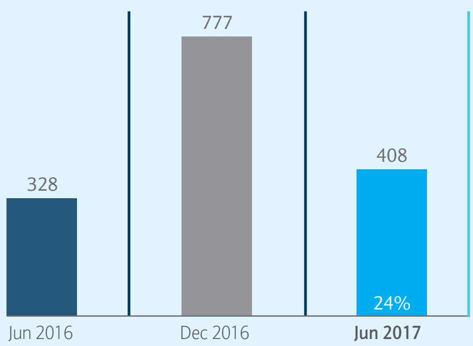
Income (Rbn and year on year change %)



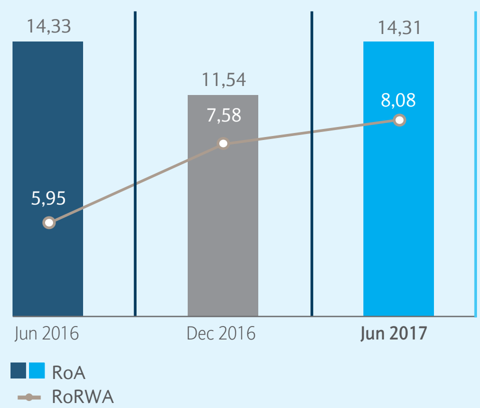
Cost-to-income (%)



Headline earnings
(Rm and year on year change %)



RoA and RoRWA (%)



Operating expenses decreased by 3% (CCY: increased by 11%) to **R300m** (30 June 2016: R308m), resulting in positive Jaws of 15% and a reduction in cost-to-income ratio to **31,6%** (2016: 36,7%).

	30 June				31 December
Salient features	**2017**	2016[1]	C%	Change %	2016[1]
Income (Rm)	**950**	839	36	13	1 781
Attributable earnings (Rm)	**408**	327	57	25	777
Headline earnings (Rm)	**408**	328	57	24	777
Cost-to-income ratio (%)	**31,6**	36,7			32,1
Credit loss ratio (%)	**n/a**	n/a			n/a
RoRWA (%)[1]	**8,08**	5,95			7,58
RoA (%)	**14,31**	14,33			11,54

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

CIB Rest of Africa

for the reporting period ended

	Corporate				
	30 June				31 December
	2017	2016[1]	C%	Change %	2016[1]
Statement of comprehensive income (Rm)					
Net interest income	**1 945**	1 724	32	13	3 527
Non-interest income	**262**	334	(9)	(22)	619
Total income	**2 207**	2 058	25	7	4 146
Impairment losses on loans and advances	**(116)**	(281)	(54)	(59)	(383)
Operating expenses	**(805)**	(865)	7	(7)	(1 662)
Other operating expenses	**(10)**	(14)	(21)	(29)	(29)
Operating profit before income tax	**1 276**	898	70	42	2 072
Tax expenses	**(353)**	(199)	>100	77	(464)
Profit for the reporting period	**923**	699	60	32	1 608
Profit attributable to:					
Ordinary equity holders	**798**	604	61	32	1 397
Non-controlling interest – ordinary shares	**125**	95	51	32	211
	923	699	60	32	1 608
Headline earnings	**798**	603	61	32	1 397
Operating performance (%)					
Net interest margin on average interest-bearing assets	**6,77**	5,46			5,79
Credit loss ratio	**0,60**	1,34			0,94
Non-interest income as % of income	**11,9**	16,2			14,9
Income growth	**7**	36			24
Operating expenses growth	**(7)**	24			16
Cost-to-income ratio	**36,5**	42,0			40,1
Statement of financial position (Rm)					
Loans and advances to customers	**39 703**	37 368	18	6	37 675
Loans and advances to banks	**126**	—	>100	> 100	—
Investment securities	**3**	1	91	>100	2
Other assets	**23 439**	26 054	(1)	(10)	20 458
Total assets	**63 271**	63 423	11	(0)	58 135
Deposits due to customers	**57 983**	56 236	14	3	50 031
Other liabilities	**4 898**	6 638	(18)	(26)	6 787
Total liabilities	**62 881**	62 874	11	0	56 818

Note

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

	Investment Bank					CIB Rest of Africa				
	30 June				31 December	30 June				31 December
	2017	2016[1]	C%	Change %	2016[1]	**2017**	2016[1]	C%	Change %	2016[1]
	(2)	(6)	<(100)	(67)	(47)	**1 943**	1 718	33	13	3 480
	952	845	34	13	1 828	**1 214**	1 179	21	3	2 447
	950	839	36	13	1 781	**3 157**	2 897	28	9	5 927
	—	—	—	—	—	**(116)**	(281)	(54)	(59)	(383)
	(300)	(308)	11	(3)	(572)	**(1 105)**	(1 173)	8	(6)	(2 234)
	(4)	(5)	4	(20)	(10)	**(14)**	(19)	(14)	(26)	(39)
	646	526	52	23	1 199	**1 922**	1 424	64	35	3 271
	(196)	(144)	69	36	(327)	**(549)**	(343)	90	60	(791)
	450	382	46	18	872	**1 373**	1 081	55	27	2 480
	408	327	57	25	777	**1 206**	931	60	30	2 174
	42	55	(13)	(24)	95	**167**	150	28	11	306
	450	382	46	18	872	**1 373**	1 081	55	27	2 480
	408	328	57	24	777	**1 206**	931	60	30	2 174
	n/a	n/a			n/a	**6,76**	5,42			5,53
	n/a	n/a			n/a	**0,60**	1,34			0,94
	100,2	100,7			102,7	**38,5**	40,7			41,3
	13	25			24	**9**	33			24
	(2)	24			16	**(6)**	24			16
	31,6	36,7			32,1	**35,0**	40,5			37,7
	—	—	—	—	—	**39 703**	37 368	18	6	37 675
	52	2	>100	>100	1	**178**	2	>100	>100	1
	21	—	>100	100	62	**24**	1	>100	>100	64
	8 319	5 745	71	45	5 869	**31 758**	31 799	12	(0)	26 327
	8 392	5 747	72	46	5 932	**71 663**	69 170	16	4	64 067
	—	—	100	—	3	**57 983**	56 236	14	3	50 034
	8 439	6 351	54	33	6 097	**13 337**	12 989	17	3	12 884
	8 439	6 351	54	33	6 100	**71 320**	69 225	15	3	62 918

Business performance

Corporate

The business produced strong results over the period, growing revenue year on year by **7%** (CCY 25%). This was achieved by focusing on the delivery of key Corporate and Markets product capabilities across the region, which further strengthened our client value proposition. Highlights include the following:

- A more robust and synergised pan-African coverage model that has allowed us to secure key deals across the different markets in the Global Corporates and SA outbound portfolio;
- Our understanding of the customer ecosystem has allowed us to deliver the BAGL 'one bank' proposition to clients resulting in increased market penetration. In addition, the broadening of the CIB value proposition has positioned the business to increase the number of primary banking relationships in presence markets;
- More effective partnering with clients, through growth of deeper relationships and leveraging of our regional expertise and local execution capabilities to support their ambitions;
- Increased margins as a result of optimised client portfolio mix;
- Improved Turn Around Time (TAT) through simplification of our business processes such as credit and on-boarding, which has allowed us to be more competitive in the marketplace;
- Accolades including:
  - o Banker Africa Awards: Best Commercial Bank in Southern Africa;
  - o Banker Africa Awards: Best Corporate Bank in Uganda;
  - o Best Commercial Bank in Tanzania for Barclays Bank Tanzania;
  - o Global Banking & Finance Review: Mozambique named the Fastest Growing Corporate Bank and the Fasting Growing Commercial Bank; and
  - o Think Business Awards in Kenya: Barclays Bank Kenya was awarded Corporate Banker of the year.

Factors that adversely affected the business during the period:

- Delay in the materialisation of certain large deals due to changing market environment and liquidity challenges;
- Economic headwinds leading to reduced transactional volumes in certain markets;
- Increased lobbying to move public deposits away from commercial banks; and
- Regulations to cap interest rates in certain jurisdictions.

Looking ahead, we will continue to embed our client-centric strategy, focusing on the following:

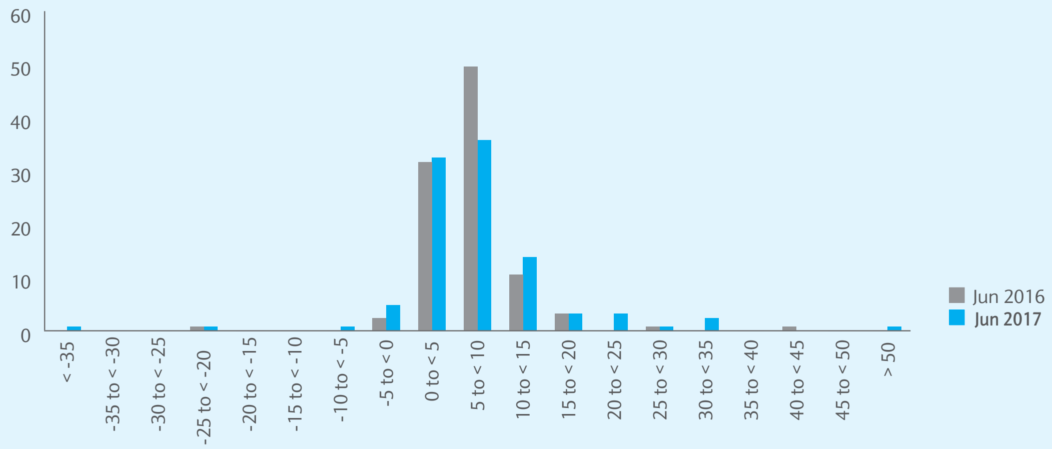
- Leveraging our regional network to facilitate regional expansion of our key clients and benefiting from the resulting increased business flows;
- Improving wallet share penetration by adapting our service model to the client's ecosystem and enhancing the client experience;
- Improve customer relationships through the continuous up-skilling of our relationship bankers and digitising the client engagement process;
- Building and rolling out our digital channels to drive more self-service and free up our bankers to focus on strategic conversations with clients;
- Leveraging the strength of both our primary banker relationship with local clients and the BAGL balance sheet to enable regional corporate expansion across the continent; and
- Sustaining current business performance subsequent to the PLC sell down through strengthening existing transactional banking capabilities in parallel with investing in new strategic platforms as we look into the future.

Business performance *(continued)*

Investment Banking

Revenue growth was strong at **13%** (CCY 36%) year on year despite difficult trading conditions across markets. Trading volumes increased by 83%, but the impact was mitigated by notable margin contraction in FX in many of the jurisdictions.

Daily markets income distribution (%)



Growth was supported by the following factors:

- Investment in e-trading platforms (BARX and 360 T) technology which simplified value delivery and allowed operational excellence to be achieved in key client segments;
- Increased focus on superior product development and structuring capabilities through speedy execution (secured financing);
- Development of a joint client value proposition with Retail as well as the various client segments in Corporate, driving a joint effort in solutioning for clients;
- New products traded in some countries, such as FX swaps, non-deliverable forwards and option dated forwards;
- Our revised DVP framework which proved quite successful in capturing liquidity pools in some of the interbank markets; and
- Key recruitments which helped ramp up volumes and capitalise on emerging opportunities in the marketplace.

Adverse factors included:

- Concentration risk in certain territories;
- Illiquid interbank markets due to bank collapses in several countries; and
- Regulatory measures in some countries which restricted dealings with certain clients and weakened our FX trading capabilities.

Accolades included awards for Best Investment Bank in both East Africa and Southern Africa at the Banker Africa Awards.

Looking ahead, we will continue to embed our growth strategy encompassing the following:

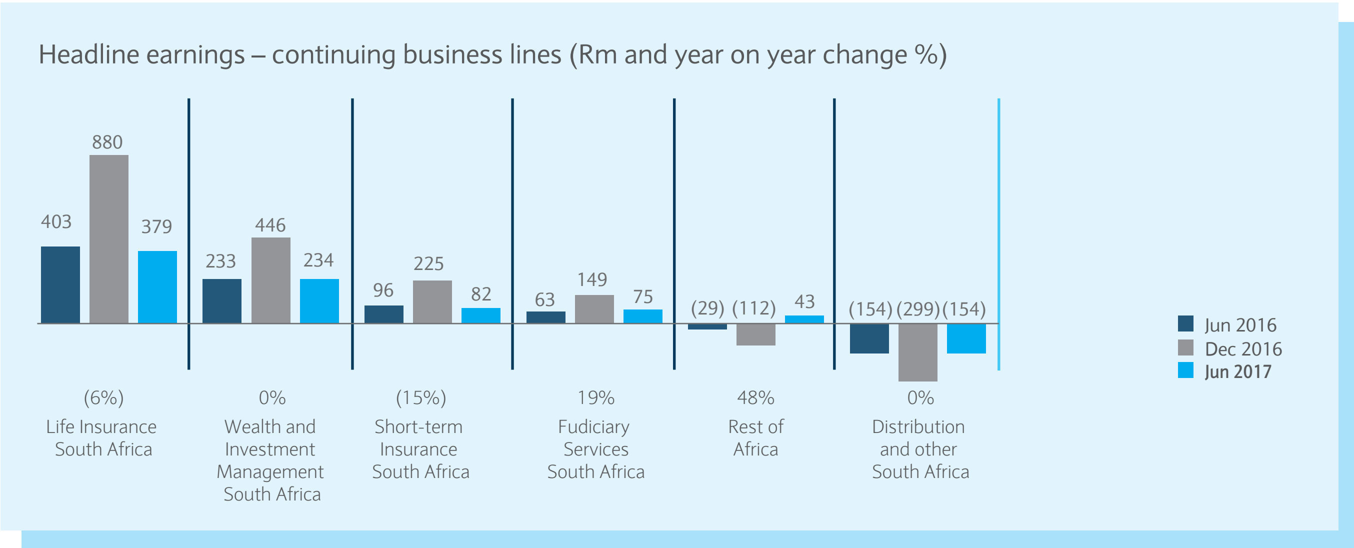
- Sustained investment in our digital channels to achieve seamless, consistent and superior client experience;
- Providing a full service securities offering and becoming the preferred execution partner in risk management and investment products;
- Embedding of engagement and strategy interlock across the region favouring enhanced cross-selling from both Retail and Business Banking businesses and increased focus on critical FX liquidity generators in the corporate space; and
- Increased investment in dedicated resources to focus on superior product development and the structuring of solutions for institutional clients across the continent.

This page has been left blank intentionally

WIMI

for the reporting period ended

- Premium income up 7% for Life SA.
- Assets under management increased by R11bn to R295bn.
- Operating expenses contained to 3% growth.
- Improved claims expenses in Short-term insurance (13%) due to remedial action taken to improve margins.
- WIMI's continued earnings declined 6% (catastrophic events driving 7% decline in earnings).
- Wealth adversely impacted by reduced international profit share and sales activity.
- SA Short-term insurance earnings adversely impacted by catastrophic events.
- Life SA's EVNB and earnings impacted by significant reduction in single premium investment business.



Salient features	30 June 2017	2016[1]	Change %	31 December 2016[1]
Headline earnings (Rm)	**574**	621	(8)	1 258
Headline earnings (Rm) (Continuing lines of business)	**573**	612	(6)	1 289
Gross operating income (Rm) (Continuing lines of business)	**3 061**	3 034	1	5 974
Cost-efficiency ratio (Rm)	**37,5**	32,9		33,2
Combined ratio (%) (including terminating lines)	**101,4**	98,2		100,7
Assets under management and administration (Rbn)	**295**	284	4	288
Embedded value of new business (EVNB) (Rm)	**226**	221	2	547
Return on embedded value (%)	**32,1**	44,9		33,4
Return on embedded value (excluding impact of acquired business) (%)	**32,1**	28,2		26,8
RoE (%)	**19,3**	21,1		21,7

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

WIMI

for the reporting period ended

	Continuing Business Lines			
	30 June			31 December
	2017	2016[1]	Change	2016[1]
	Rm	Rm	%	Rm
Statement of comprehensive income				
Net insurance premium income	**3 126**	3 218	(3)	6 473
Net insurance claims and benefits paid	**(1 649)**	(1 752)	(6)	(3 464)
Investment income				
Policyholder investment contracts	**661**	344	92	354
Policyholder insurance contracts	**56**	132	(58)	197
Changes in investment and insurance contract liabilities				
Policyholder investment contracts	**(601)**	(296)	>100	(365)
Policyholder insurance contracts	**43**	(129)	<(100)	(134)
Other income	**1 425**	1 517	(6)	2 913
Gross operating income	**3 061**	3 034	1	5 974
Net commission paid by insurance companies	**(597)**	(507)	18	(1 141)
Operating expenses	**(1 668)**	(1 586)	5	(3 152)
Other operating expenses	**(107)**	(52)	>100	(151)
Net operating income	**689**	889	(22)	1 530
Investment income on shareholder funds	**217**	129	68	330
Shareholder expenses	**(174)**	(165)	5	(341)
Taxation expense	**(180)**	(254)	(29)	(289)
Profit for the period	**552**	599	(8)	1 230
Headline earnings	**573**	612	(6)	1 289

	30 June			31 December
	2017	2016	Change	2016
	Rm	Rm	%	Rm
Note				
Investment income				
Policyholder investment contracts	**661**	344	92	354
Net interest income	**496**	314	58	721
Dividend income	**163**	121	35	273
Fair value gains	**2**	(91)	<(100)	(640)
Policyholder insurance contracts	**56**	132	(58)	197
Net interest income	**80**	76	5	155
Dividend income	**7**	10	(30)	19
Fair value gains	**(31)**	46	<(100)	23
Shareholder funds	**217**	129	68	330
Net interest income	**143**	106	35	294
Dividend income	**18**	18	—	33
Fair value gains	**56**	5	>100	3
Total	**934**	605	54	881
Net interest income	**719**	496	45	1 170
Dividend income	**188**	149	26	325
Fair value gains/(losses)	**27**	(40)	<(100)	(614)

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
2017	2016	Change	2016[1]	**2017**	2016[1]	Change	2016[1]
Rm	Rm	%	Rm	**Rm**	Rm	%	Rm
—	154	(100)	228	**3 126**	3 372	(7)	6 701
—	(92)	(100)	(175)	**(1 649)**	(1 844)	(11)	(3 639)
—	—	—	—	**661**	344	92	354
1	3	(67)	4	**57**	135	(58)	201
—	—	—	—	**(601)**	(296)	>100	(365)
—	—	—	—	**43**	(129)	<(100)	(134)
—	(2)	(100)	30	**1 425**	1 515	(6)	2 943
1	63	(98)	87	**3 062**	3 097	(1)	6 061
—	(24)	(100)	(39)	**(597)**	(531)	12	(1 180)
—	(27)	(100)	(47)	**(1 668)**	(1 613)	3	(3 199)
—	—	—	(20)	**(107)**	(52)	>100	(171)
1	12	(92)	(19)	**690**	901	(23)	1 511
—	—	—	—	**217**	129	68	330
—	—	—	—	**(174)**	(165)	5	(341)
—	(3)	(100)	(2)	**(180)**	(257)	(30)	(291)
1	9	(89)	(21)	**553**	608	(9)	1 209
1	9	(89)	(31)	**574**	621	(8)	1 258

30 June			31 December	30 June			31 December
2017	2016	Change	2016	**2017**	2016[1]	Change	2016
Rm	Rm	%	Rm	**Rm**	Rm	%	Rm
—	—	—	—	**661**	344	92	354
—	—	—	—	**496**	314	58	721
—	—	—	—	**163**	121	35	273
—	—	—	—	**2**	(91)	<(100)	(640)
1	3	(67)	4	**57**	135	(58)	201
1	3	(67)	4	**81**	79	3	159
—	—	—	—	**7**	10	(30)	19
—	—	—	—	**(31)**	46	<(100)	23
—	—	—	—	**217**	129	68	330
—	—	—	—	**143**	106	35	294
—	—	—	—	**18**	18	—	33
—	—	—	—	**56**	5	>100	3
1	3	(67)	4	**935**	608	54	885
1	3	(67)	4	**720**	499	44	1 174
—	—	—	—	**188**	149	26	325
—	—	—	—	**27**	(40)	<(100)	(614)

This page has been left blank intentionally

WIMI
for the reporting period ended

	Life Insurance			
	30 June			31 December
	2017	2016	Change	2016
	Rm	Rm	%	Rm
Statement of comprehensive income				
Net insurance premium income	**1 577**	1 509	5	3 141
Net insurance claims and benefits paid	**(557)**	(498)	12	(1 039)
Investment income				
Policyholder investment contracts	**804**	369	>100	316
Policyholder insurance contracts	**28**	108	(74)	144
Changes in investment contracts and insurance contract liabilities				
Policyholder investment contracts	**(744)**	(321)	>100	(327)
Policyholder insurance contracts	**43**	(129)	<(100)	(134)
Other income[2]	**8**	8	—	66
Gross operating income	**1 159**	1 046	11	2 167
Net commission paid by insurance companies[2]	**(380)**	(260)	46	(661)
Operating expenses	**(296)**	(260)	14	(538)
Other operating expenses	**(46)**	(42)	10	(90)
Net operating income	**437**	484	(10)	878
Investment income on shareholder funds	**51**	47	9	80
Shareholder expenses	**—**	—	—	—
Taxation expense	**(108)**	(163)	(34)	(129)
Profit for the period	**380**	368	3	829
Headline earnings	**384**	385	(0)	848
Note				
Investment income				
Policyholder investment contracts	**804**	369	>100	316
Net interest income	**494**	310	59	712
Dividend income	**130**	89	46	206
Fair value gains	**180**	(30)	<(100)	(602)
Policyholder insurance contracts	**28**	108	(74)	144
Net interest income	**52**	52	—	100
Dividend income	**7**	10	(30)	19
Fair value gains	**(31)**	46	<(100)	25
Shareholder funds	**51**	47	9	80
Net interest income	**22**	31	(29)	57
Dividend income	**11**	13	(15)	23
Fair value gains/(losses)	**18**	3	>100	—
Total	**883**	524	69	540
Net interest income	**568**	393	45	869
Dividend income	**148**	112	32	248
Fair value gains/(losses)	**167**	19	>100	(577)

	30 June			31 December
	2017	2016[1]	Change	2016
Net fee and commission income	**Rm**	Rm	%	Rm
Employee benefit-related fees	**164**	188	(13)	375
Investment management and related fees	**653**	660	(1)	1 275
Net commission from distribution business	**207**	198	5	392
Net commission paid by insurance companies[3]	**(597)**	(531)	12	(1 180)
Trust and estate income	**172**	157	10	335
Other	**35**	18	94	70
Total	**634**	690	(8)	1 267

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
2017 Rm	2016[1] Rm	Change %	2016 Rm	**2017 Rm**	2016[1] Rm	Change %	2016[1] Rm	**2017 Rm**	2016 Rm	Change %	2016 Rm
—	—	—	—	**1 549**	1 709	(9)	3 332	**—**	—	—	—
—	—	—	—	**(1 092)**	(1 254)	(13)	(2 425)	**—**	—	—	—
—	—	—	—	**—**	—	—	—	**—**	—	—	—
—	—	—	—	**28**	24	17	53	**—**	—	—	—
—	—	—	—	**—**	—	—	—	**—**	—	—	—
—	—	—	—	**—**	—	—	—	**—**	—	—	—
799	822	(3)	1 576	**67**	86	(22)	121	**341**	346	(1)	713
799	822	(3)	1 576	**552**	565	(2)	1 081	**341**	346	(1)	713
—	—	—	—	**(219)**	(247)	(11)	(480)	**—**	—	—	—
(497)	(515)	(3)	(993)	**(273)**	(197)	39	(442)	**(246)**	(270)	(9)	(532)
(3)	(4)	(25)	(8)	**(51)**	(1)	>100	(37)	**(1)**	1	<(100)	4
299	303	(1)	575	**9**	120	(93)	122	**94**	77	22	185
30	23	30	48	**57**	55	4	126	**10**	10	—	22
—	—	—	—	**—**	—	—	—	**—**	—	—	—
(93)	(91)	2	(172)	**(19)**	(40)	(53)	(58)	**(29)**	(24)	21	(58)
236	235	0	451	**47**	135	(65)	190	**75**	63	19	149
234	233	0	446	**66**	132	(50)	229	**75**	63	19	149
—	—	—	—	**—**	—	—	—	**—**	—	—	—
—	—	—	—	**—**	—	—	—	**—**	—	—	—
—	—	—	—	**—**	—	—	—	**—**	—	—	—
—	—	—	—	**—**	—	—	—	**—**	—	—	—
—	—	—	—	**28**	24	17	53	**—**	—	—	—
—	—	—	—	**28**	24	17	53	**—**	—	—	—
—	—	—	—	**—**	—	—	—	**—**	—	—	—
—	—	—	—	**—**	—	—	—	**—**	—	—	—
30	23	30	48	**57**	55	4	126	**10**	10	—	22
27	23	17	46	**45**	44	2	90	**3**	3	—	6
—	—	—	—	**7**	5	40	10	**—**	—	—	—
3	—	100	2	**5**	6	(17)	26	**7**	7	—	16
30	23	30	48	**85**	79	8	179	**10**	10	—	22
27	23	17	46	**73**	68	7	143	**3**	3	—	6
—	—	—	—	**7**	5	40	10	**—**	—	—	—
3	—	100	2	**5**	6	(17)	26	**7**	7	—	16

Segment report per geographical segment

	South Africa				Rest of Africa			
	30 June			31 December	30 June			31 December
	2017 Rm	2016[1] Rm	Change %	2016[1] Rm	**2017 Rm**	2016 Rm	Change %	2016 Rm
Statement of comprehensive income								
Net insurance premium income	**2 700**	2 626	3	5 375	**426**	592	(28)	1 098
Net insurance claims and benefits paid	**(1 448)**	(1 389)	4	(2 777)	**(201)**	(363)	(45)	(687)
Gross operating income	**2 779**	2 791	(0)	5 562	**282**	243	16	412
Operating expenses	**(1 429)**	(1 402)	2	(2 769)	**(239)**	(184)	30	(383)
Net operating income	**723**	923	(22)	1 715	**(34)**	(34)	—	(185)
Profit for the reporting period	**579**	643	(10)	1 399	**(27)**	(44)	(39)	(169)
Headline earnings	**616**	641	(4)	1 401	**(43)**	(29)	48	(112)

Distribution				Other				Total Continuing Business Lines			
30 June			31 December	30 June			31 December	30 June			31 December
2017	2016	Change	2016	2017	2016[1]	Change	2016[1]	2017	2016[1]	Change	2016[1]
Rm	Rm	%	Rm	Rm	Rm	%	Rm	Rm	Rm	%	Rm
—	—	—	—	—	—	—	—	3 126	3 218	(3)	6 473
—	—	—	—	—	—	—	—	(1 649)	(1 752)	(6)	(3 464)
		—				—				—	
—	—	—	—	(143)	(25)	>100	38	661	344	92	354
—	—	—	—	—	—	—	—	56	132	(58)	197
		—				—				—	
—	—	—	—	143	25	>100	(38)	(601)	(296)	>100	(365)
—	—	—	—	—	—	—	—	43	(129)	<(100)	(134)
209	254	(18)	434	1	1	—	3	1 425	1 517	(6)	2 913
209	254	(18)	434	1	1	—	3	3 061	3 034	1	5 974
2	—	100	—	—	—	—	—	(597)	(507)	18	(1 141)
(219)	(237)	(8)	(457)	(137)	(107)	28	(190)	(1 668)	(1 586)	5	(3 152)
(4)	(4)	—	(16)	(2)	(2)	—	(4)	(107)	(52)	>100	(151)
(12)	13	<(100)	(39)	(138)	(108)	28	(191)	689	889	(22)	1 530
39	—	100	85	30	(6)	<(100)	(31)	217	129	68	330
—	—	—	—	(174)	(165)	5	(341)	(174)	(165)	5	(341)
(4)	(1)	>100	—	73	65	12	128	(180)	(254)	(29)	(289)
23	12	92	46	(209)	(214)	(2)	(435)	552	599	(8)	1 230
23	12	92	52	(209)	(213)	(2)	(435)	573	612	(6)	1 289
—	—	—	—	(143)	(25)	>100	38	661	344	92	354
—	—	—	—	2	4	(50)	9	496	314	58	721
—	—	—	—	33	32	3	67	163	121	35	273
—	—	—	—	(178)	(61)	>100	(38)	2	(91)	<(100)	(640)
—	—	—	—	—	—	—	—	56	132	(58)	197
—	—	—	—	—	—	—	—	80	76	4	153
—	—	—	—	—	—	—	—	7	10	(30)	19
—	—	—	—	—	—	—	—	(31)	46	<(100)	25
39	—	100	85	30	(6)	<(100)	(31)	217	129	68	330
39	—	100	85	7	5	40	10	143	106	35	294
—	—	—	—	—	—	—	—	18	18	—	33
—	—	—	—	23	(11)	<(100)	(41)	56	5	>100	3
39	—	100	85	(113)	(31)	>100	7	934	605	54	881
39	—	100	85	9	9	—	19	719	496	45	1 168
—	—	—	—	33	32	3	67	188	149	26	325
—	—	—	—	(155)	(72)	>100	(79)	27	(40)	<(100)	(612)

Total Continuing Business Lines			
30 June			31 December
2017	2016[1]	Change	2016[1]
Rm	Rm	%	Rm
3 126	3 218	(3)	6 473
(1 649)	(1 752)	(6)	(3 464)
3 061	3 034	1	5 974
(1 668)	(1 586)	5	(3 152)
689	889	(22)	1 530
552	599	(8)	1 230
573	612	(6)	1 289

WIMI

for the reporting period ended

	30 June 2017 Rm	30 June 2016[1] Rm	Change %	31 December 2016[1] Rm
Statement of financial position				
Assets				
Cash balances and loans and advances to banks[2]	**2 383**	2 251	6	2 662
Non-current assets held for sale	**233**	—	100	—
Investment securities[2]	**408**	317	29	394
Financial assets backing investment and insurance liabilities				
Policyholder investment contracts	**29 854**	28 191	6	29 167
Cash balances and loans and advances to banks	**1 555**	1 135	37	1 663
Investment securities	**28 299**	27 056	5	27 504
Policyholder insurance contracts	**3 545**	3 540	0	3 633
Cash balances and loans and advances to banks	**874**	572	53	849
Investment securities	**1 849**	2 154	(14)	1 834
Reinsurance assets	**822**	814	1	950
Shareholder funds	**3 980**	4 740	(16)	4 512
Cash balances and loans and advances to banks	**1 705**	2 508	(32)	2 053
Investment securities	**2 275**	2 232	2	2 459
Other assets[3]	**10 444**	10 742	(3)	10 352
Property and equipment	**285**	312	(9)	281
Total assets	**51 132**	50 093	2	51 007
Liabilities				
Non-current liabilities held for sale	**114**	—	100	—
Liabilities under investment contracts	**29 936**	28 035	7	29 213
Policyholder liabilities under insurance contracts	**4 475**	4 488	(0)	4 451
Other liabilities	**11 295**	12 115	(7)	11 961
Other liabilities[3]	**11 188**	11 888	(6)	11 834
Other liabilities relating to investment contracts	**107**	227	(53)	127
Deferred tax liabilities	**62**	71	(13)	67
Total liabilities	**45 882**	44 709	3	45 692
Equity				
Capital and reserves	**5 081**	5 177	(2)	5 147
Non-controlling interest	**169**	207	(18)	168
Total equity	**5 250**	5 384	(2)	5 315
Total liabilities and equity	**51 132**	50 093	2	51 007

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.

WIMI

for the reporting period ended

Reconciliation with Group	WIMI Rm	30 June 2017 Inter-segment elimination Rm	Other[1] Rm	Group Rm
Statement of financial position[2]				
Investment securities				
Investments linked to investment contracts	**28 299**	**(9 168)**	**—**	**19 131**
Policyholder liabilities under insurance contract	**4 475**	**(28)**	**48**	**4 495**
Statement of comprehensive income[2]				
Net insurance premium income	**3 126**	**(44)**	**168**	**3 250**
Net insurance claims and benefits paid	**(1 649)**	**3**	**(48)**	**(1 694)**
Gains and losses from investment activities – net gains on investments from insurance activities – policyholder investment contracts	**661**	**(502)**	**—**	**159**

Reconciliation with Group	WIMI Rm	30 June 2016 Inter-segment eliminations Rm	Other[1] Rm	Group Rm
Statement of financial position[2]				
Investment securities	27 056	(7 146)	—	19 910
Investments linked to investment contracts	4 488	2	16	4 506
Policyholder liabilities under insurance contract				
Statement of comprehensive income[2]				
Net insurance premium income	3 372	—	144	3 516
Net insurance claims and benefits paid	(1 844)	—	(25)	(1 869)
Gains and losses from investment activities – net gains on investments from insurance activities – policyholder investment contracts	344	(372)	—	(28)

Reconciliation with Group	WIMI Rm	31 December 2016 Inter-segment eliminations Rm	Other[1] Rm	Group Rm
Statement of financial position[2]				
Investment securities				
Investments linked to investment contracts	27 504	(8 688)	—	18 816
Policyholder liabilities under insurance contract	4 451	(72)	90	4 469
Statement of comprehensive income[2]				
Net insurance premium income	6 701	(15)	300	6 986
Net insurance claims and benefits paid	(3 639)	—	(52)	(3 691)
Gains and losses from investment activities – net gains on investments from insurance activities – policyholder investment contracts	354	(799)	—	(445)

Notes

[1] Consists of Absa Manx Insurance Company and Woolworths Financial Services.

[2] Debit amounts are disclosed as positive, credit amounts are disclosed as negative.

WIMI

for the reporting period ended

Cost-efficiency ratio – WIMI	30 June 2017 Rm	30 June 2016[1] Rm	Change %	31 December 2016[1] Rm	Where included in Group's statement of comprehensive income
Income	**4 909**	5 411	(9)	10 651	Net fee and commission income; other operating income; net interest income
Gross premium income	**3 517**	3 931	(11)	7 771	Net insurance premium income
Net commission from distribution business	**169**	191	(12)	381	Net fee and commission income
Non-insurance-related income[2]	**832**	883	(6)	1 721	Net fee and commission income
Banking-related income	**137**	148	(7)	291	Net fee and commission income
Other income	**254**	258	(2)	487	Net fee and commission income; other operating income; net interest income
Operating expenses	**1 842**	1 778	4	3 540	Operating expenses
Cost-efficiency ratio (%)	**37,5**	32,9	14	33,2	

Reconciliation of WIMI non-interest income to Group	30 June 2017 Rm	30 June 2016[1] Rm	Change %	31 December 2016[1] Rm	Where included in Group's statement of comprehensive income
Aforementioned income	**4 909**	5 411	(9)	10 651	
Net commission paid by insurance companies	**(597)**	(531)	12	(1 180)	Net fee and commission income
Reinsurance premiums	**(391)**	(560)	(30)	(1 070)	Net insurance premium income
Net insurance claims and benefits paid	**(1 649)**	(1 844)	(11)	(3 639)	Net claims and benefits paid on insurance contracts
Changes in investment and insurance contract liabilities	**(558)**	(425)	31	(499)	Changes in investment and insurance contract liabilities
Gains and losses from investment activities	**934**	608	54	885	Gains and losses from investment activities
Other income	**(2)**	(9)	(78)	(10)	Other operating income
Banking-related income	**(137)**	(148)	(7)	(291)	Net interest income
Non-interest income	**2 509**	2 502	0	4 847	

Business profile

Wealth, Investment Management and Insurance (WIMI) is the integrated non-banking financial services provider to Barclays Africa and other partners across the continent, including life insurance, short-term 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** – 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 investments products and solutions to individual and institutional clients.
  - **Wealth management cluster** provides advice-led private client asset management, risk management, structured lending and stockbroking 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, health care consulting and actuarial services. Absa Trust administers deceased estates and provides trustee services for personal, family, charitable and employee benefit trusts.
- **Distribution** – one of the larger financial, wealth, investment and risk advisory companies in South Africa. It provides the full spectrum of financial advisory services and acts as an intermediary between the Group's customers, clients and other product providers.
- **Other** – includes WIMI's head office shareholder investment portfolios, consolidation entries, holding companies as well as allocated shareholder overhead expenses.

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.

WIMI

for the reporting period ended

Operating environment

Given the challenging backdrop of a volatile macroeconomic environment in South Africa, research indicates that household consumption growth is expected to remain subdued, while unemployment is expected to increase to record high levels by the third quarter of 2017. These trends resulted in subdued credit growth due to lower credit lending volumes in home loans, personal loans and credit cards, negatively impacting WIMI's new business volumes. Our financial results for the first half of the year have been adversely impacted by challenging operating conditions in the form of declining credit life volumes. Financial strain on consumers also adversely impacts premium collection rates, our ability to retain policies, grow assets and creates a heightened risk for fraudulent claims and higher lapse rates. While we have experienced increased pressure on customer affordability the actions taken to improve retention has assisted us to maintain collection and lapse rates in line with prior year experience and Retail outflows of assets under management were contained to be marginally negative.

Two natural disaster/catastrophic events were experienced in June across both the Western (storms and flooding) and Southern Cape (fires in Knysna and surrounding areas). For WIMI, this has translated in an estimated increase in gross claims in excess of R100m. Our catastrophe re-insurance cover however assisted to reduce losses to a R60m impact on the profits before tax. Investment markets continued to be volatile against the backdrop of political uncertainty and the recent downgrade of South Africa's credit rating. Our balance sheet continues to be conservatively invested, with a large component of assets invested in cash and money market instruments. Despite volatile markets, asset liability matching and investment return on assets invested performed in line with our assumptions and positively contributed to our profits before tax.

The Barclays Plc sell-down transaction has been successfully completed, laying the foundation for reshaping the business towards re-strategising our Group wide ambitions and establishing a truly pan-African brand. For WIMI, focus will now be placed on rebranding our rest of Africa business over the next three years as well as re-establishing our international banking offering.

Changing regulatory environment (e.g. Retail Distribution Review) continues to drive the market towards refocusing its distribution models and building alternative distribution channels. This impact was anticipated and the WIMI Distribution Advisory Model adjusted accordingly. Market competitive reward practices are being considered, to ensure that WIMI remains attractive as an employer to advisors/financial planners, while adhering to changing regulatory requirements. In addition introduction of the five funds tax regime has adversely impacted the attractiveness of WIMI's Guaranteed investment products.

Economies in African countries where WIMI has a presence continue to reflect fragile growth, despite an encouraging longer-term outlook. The rising debt burden threatens macroeconomic stability in several countries, notably Mozambique. In Mozambique we are also experiencing increased competition in the market. Kenya has experienced a record of large fiscal slippages while public debt is increasing and inflation has risen sharply. Botswana's fiscal conditions and private spending remains weak, however economic momentum is gaining. Zambia is experiencing lower demand for commodities which has led to an increase in inflation and a decrease in loans rendered by the banks. The challenging operating conditions in the rest of Africa impacts WIMI's results due to lower credit lending activities, difficulty to retain or renew Corporate business in Mozambique and volatility in terms of currency as well as return on policyholder and shareholder assets.

Business performance

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

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

- The **Bancassurance partnership with Retail and Business Bank** has proved resilient and whilst the bank volumes in home loans and personal loans were muted, WIMI's overall **embedded value of new business** increased by 2% underpinned by **an 11% growth in the embedded value of new risk polices** as a result of continued focus on standalone business and other innovative opportunities. The continued growth in stand-alone branch sales (increased by more than 50%) assisted to partially offset the significant decline in investment business.
- Following the persistent economic headwinds, we have renewed our strategic focus by consolidating our **rest of Africa** operations to extract greater value from the existing footprint. We have streamlined our rest of Africa operating model to ensure closer alignment with the product centres of excellence in South Africa to drive best practice, and the empowerment of local in-country teams for running their local operations. We remain focused on addressing profitability through exiting low-scale unprofitable products, re-pricing unprofitable products where scale opportunities exist, improved controls over claims cost management while continuing to apply robust focus on risk, governance and controls.
- Despite the challenging and constraining markets we operate in, we have managed to increase **net Assets under Management** and our strong focus on driving our internal House Solutions to provide advice to customers, yielded favourable growth.
- The **Life Insurance** business' overall sales volumes increased year on year. Single premium Guaranteed investment business declined due to changes in tax legislation and credit life sales decreased year on year as a result of customer affordability challenges. These were offset by continued strong growth in the sale of standalone (non-credit related) insurance products to the Banks customer base driving an overall increase in volumes.

Business performance *(continued)*

- In improving the portfolio performance of our **Short-term Insurance** business, we have introduced a more stringent pricing methodology, which resulted in our claims loss ratios and profitability improving (excluding the impact of disaster events) by 5% and our margins improving to 7,4%.
- Our **Fiduciary Services** business delivered solid performance, increasing profit before tax year on year from a continued focus on efficiency.
- We continued to develop our **data enablement and digital capabilities** to enable insight-led sales. WIMI One View (single view of client data) platform is operational and we continue to integrate more data onto this platform improving the ability to cross-sell across the Group. The 'Virtual Investor' has successfully gone live in May 2017, with customers now being able to apply for a recommended Unit Trust product online after going through a risk self-assessment. Further phases will incorporate other investment products.
- We are pleased to have been awarded with the following **accolades during the first half of 2017**:
  - Our Wealth Advisory business has achieved the following rankings during the 2017 Euromoney Private Banking and Wealth Management Survey: Number 2 for Family Office Services, Number 2 for Family Office Services in Sub-Saharan Africa (Barclays Africa Group Limited) and Number 3 for Ultra High Net Worth Services.
  - Our Wealth Advisory business was awarded with the 'Wealth and Finance International 2017 – Finest in Finance' Award, in the category 'Best in Wealth Management in South Africa'.
  - Absa Consultants and Actuaries (ACA) has received a PMR Africa Golden Arrow Award for 'Business Excellence in South Africa'.
  - Absa Insurance Company was the winner of the 'Building and Contents Insurance' category for 2017 Icon brands during the Target Group Index (TGI) Icon Brand Survey Awards.
  - Our Distribution business has achieved the Gold Award for Best Contact Centre during the World Contact Centre Awards for Europe, Middle East and Africa.

Financial performance

WIMI's headline earnings declined by 8% to R574m (30 June 2016: R621m), mainly impacted by a tough macro-economic environment, lower single premium investment business inflows, fragile growth on the continent (particularly in Mozambique) and the recent catastrophic events in the Western and Southern Cape. Excluding the impact of the recent catastrophic events headline earnings would have declined by 1%. Eliminating the impact of the SA Agricultural Crop and SA Commercial intermediated books which we exited, **headlines earnings for our continuing lines of business declined by 6%.**

Key features of our results were:

- **EVNB for WIMI increased by 2%**, while **Life insurance South Africa declined by 3%** due to lower single premium investment business and allowance for higher unit costs per policy as we invested in our direct and branch channels. Risk business in South Africa increased by 11% as a result of continued growth in branch and direct (low advice) sales. Headline earnings for our Life insurance business in South Africa declined by 6% impacted by a reduction of single premium flows and fee income from the closure of guaranteed investment products. The attractiveness of our guaranteed investment products were adversely impacted by changes in tax legislation. Earnings were further adversely impacted by a R17m increase in new business strain on the back of continued growth in new risk business.
- We have continued to deliver benefits from building out our investment management capabilities by **growing assets under management and administration** by R11bn to **R295bn** (30 June 2016: R284bn) while an increase of R7bn was achieved since December 2016. Net inflows originated predominantly from new pension fund mandates and Multi manager funds as a result of continued support by advisors for House solution funds. Advisor productivity gained momentum and in line with our strategic focus, we exited 65% of targeted underperforming advisors and achieved 89% of the flows into our House view portfolio.
- During the first half of the year, we made changes to our **rest of Africa** operating model to embed the businesses into centres of excellence for Life and Short-term insurance, thereby creating Pan-African businesses. However, fragile growth on the continent and operational challenges resulted in our earnings declining by 48%. The following key factors were:
  - Pricing and remedial actions were taken on our **short-term portfolio** in Kenya and increased levels of competitor activity were experienced in Mozambique. Net premium income declined by 41%, while claims expenses improved by 52%, largely due to portfolio management actions taken on the medical book in Kenya and the motor book in Kenya and Mozambique.
  - **Life insurance** businesses reflected significant improvement in earnings and EVNB. EVNB increased from R3m to R15m, mainly due to new business sales and an improvement in the margins from product restructuring actions taken in Kenya. Growth in standalone insurance sales continued to gain momentum with the addition of 3rd party sales channels and improved productivity from the Bank branch kiosk sales.

Financial performance *(continued)*

- Headline earnings for the **South African Short-term Insurance (continuing business lines)** decreased by 15% to **R82m** (30 June 2016: R96m), mainly due to catastrophic events in June and pricing actions taken to improve the performance of our portfolio. This adversely impacted net premium income whilst we saw our claims loss ratios and profitability improve (excluding the impact of disaster events) by 5% and our margins improve to 7,4% which is indicative of sustainable growth and in line with market benchmarks.
- **Other** includes WIMI shareholder investment portfolios which were positively impacted by currency and market movements partially offset by increased shareholder expenses.
- Overall **operating expenses** increased by 3% to **R1,668m** (30 June 2016: R1,613m). Operating expenses for South Africa being contained to muted growth, while operations in the rest of Africa recorded an increase of 30% to **R239m** (30 June 2016: R184m).
- **Income from shareholder funds** increased by 68% to **R217m** (30 June 2016: R129m). This was mainly driven by marginally higher invested assets associated with increased capital requirements in the rest of Africa as well as strong returns from our offshore equities and local fixed income assets. The performance of our local equity investments were largely in line with the previous reporting period.
- **Return on equity** of **19,3%** (30 June 2016: 21,7%) were marginally lower than the previous reporting period due to lower earnings and the marginally higher net equity position held in anticipation of increased capital requirements in the rest of Africa.

Life insurance

Pan African Life insurance headline earnings reflected muted growth with earnings of **R384m**, in line with the previous reporting period. Net premium income increased by 5% to **R1,577m** (30 June 2016: R1,509m). Our rest of Africa businesses grew EVNB (Embedded Value of New Business) from R3m to R15m, with South Africa detracting by 3%, resulting in an aggregate 2% growth in EVNB. Operating expenses increased by 14% to R296m (30 June 2016: R260m), mainly attributed to rest of Africa and investment in our online (Instant Life) capabilities. The embedded value of our Life businesses now exceeds R5bn.

South Africa Life

Headline earnings for the South African business **decreased by 6%**. Growth in net premium income was offset by a decrease in single premium investment fees, higher claims and new business strain.

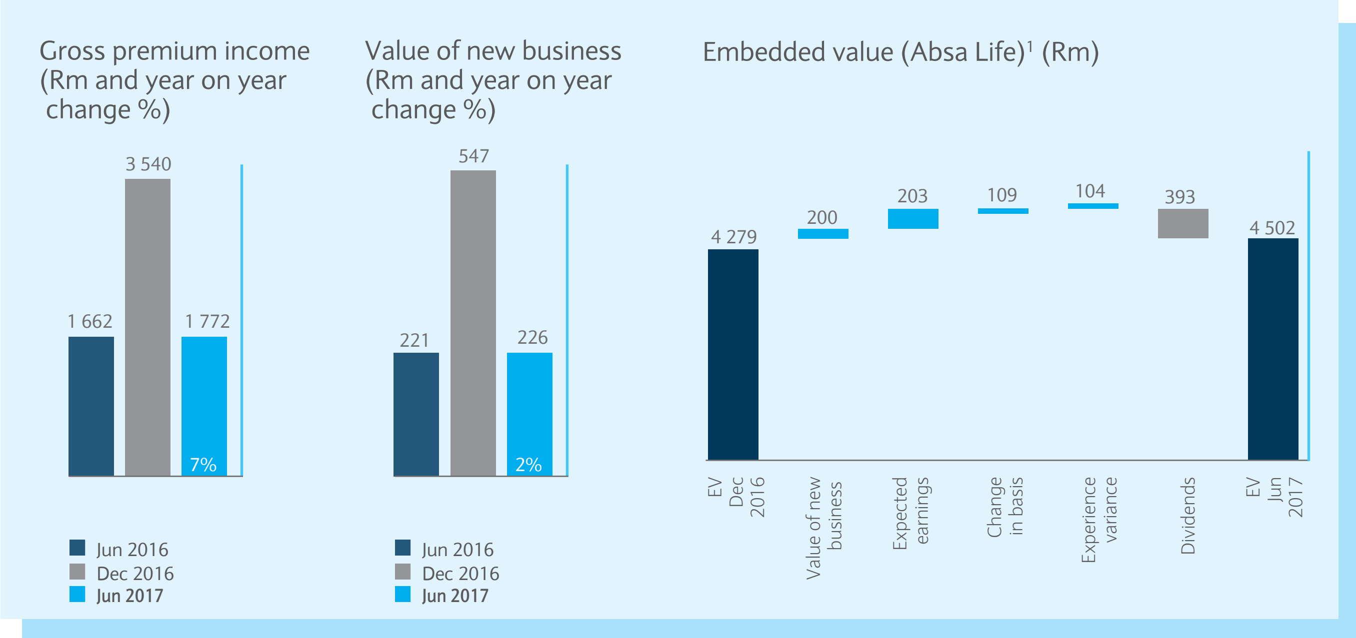
Net premium income increased by 7% to R1,362m (30 June 2016: R1,276m), mainly from growth in standalone products, Group schemes and Instant Life (online, direct). The realisation of the bancassurance opportunity has seen growth in standalone new business sales with EVNB in this product group growing at 40% to R93,8m (30 June 2016: R66,6m). This has assisted in derisking the business growth away from the traditional credit life sales reducing from 48% of EVNB in H1 2016 to 40% in 2017. Single premium investment business declined significantly when compared to the previous reporting period, mainly due to changes in the tax legislation impacting the assessed loss available and reducing EVNB to R3,1m (30 June 2016: R30,5m). The embedded value of the Absa Life book grew by 12,5% from R4,0bn to R4,5bn. Income tax expenses were favourably impacted by an increase in deferred tax assets in response to forecasted utilisation of the assessed loss in future periods. Operating expenses increased by 8% to R209m (30 June 2016: R194m) due to the expansion of the Instant Life operational capability.

Rest of Africa Life

Headline earnings for **rest of Africa** improved to a **profit of R6m** (30 June 2016: R18m loss). This was driven by new business sales and improved claims performance as well as the unwinding of a once-off life fund adjustment in Barclays Life Kenya in 2016. EVNB increased from R3m to R15m, predominantly driven by an improvement in margins in Kenya as a result of product restructuring actions taken.

WIMI

for the reporting period ended



Salient features – Pan Africa Life insurance[1]	30 June 2017	2016	Change %	31 December 2016
Shareholders' net assets (Rm)	**1 422**	1 432	(1)	1 369
Cost of solvency capital (Rm)	**(245)**	(278)	(12)	(283)
Value of business in force (Rm)	**3 934**	3 551	11	3 763
Embedded value (Rm)	**5 111**	4 705	9	4 849
Embedded value earnings (Rm)	**724**	846	(14)	1 450
Return on embedded value (%)	**32,1**	44,9		33,4
Return on embedded value (excluding impact of acquired earnings) (%)	**32,1**	28,2		26,8
EVNB (Rm)	**226**	221	2	547
Value of new business as a percentage of the present value of future premiums (%) (gross)	**9,3**	4,3		5,0

Wealth and Investments

Wealth and Investment Management achieved a headline earnings of **R234m**, in line with the previous reporting period. Wealth and Investment Management comprises of the Investment cluster (Absa Asset Management, Absa Investment Management Services, Absa Multi Manager, Absa Fund Managers and Alternative Asset Management) and the Wealth Management cluster (Wealth Advisory and Stockbrokers & Portfolio Management).

Investment Cluster

Group assets under management increased by 4% to **R295bn** (30 June: R284bn) and year to date net inflows of R6bn were achieved, originating predominantly from Multi manager funds (continued support for House solution funds) with 89% of new flows placed with House solutions funds and continued attraction of pension fund mandates (institutional). Multi manager and institutional inflows were partially offset by retail outflows as a result of a reduced advisor footprint. **Headline Earnings** increased by 4% to R211m (30 June 2016: R202m), a 1% growth in revenue was achieved while cost decreased by 2% as a result of cost saving initiatives.

The assets under management reported below represents a consolidated view of Group assets under management. The reported assets includes the assets held through the ETF joint venture with CIB. We are in the process of implementing changes to the joint venture model. The revised model will create a clearer demarcation of focus between WIMI and CIB resulting in more tailored Retail and Institutional offerings.

Note

1 The embedded value waterfall graph reflects information pertaining to Absa Life South Africa, while the table under 'Salient Features' reflects information relating to Pan Africa.

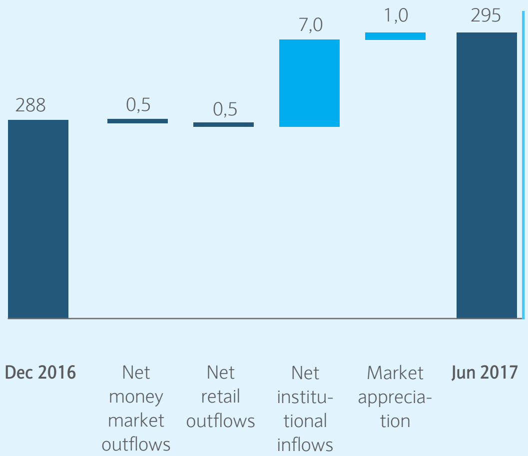
WIMI

for the reporting period ended

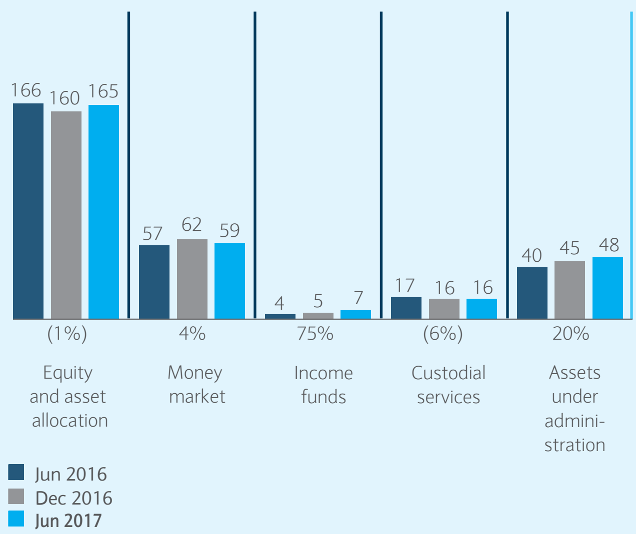
Salient features – Investment cluster	30 June 2017	30 June 2016	Change %	31 December 2016
Headline earnings (Rm)	**211**	202	4	384
Net flows (Rbn) – Group	**6,0**	11,2	(46)	13,1
Money market	**(0,5)**	4,4	<(100)	9,2
Non-money market – retail	**(0,5)**	—	100	(2,6)
Non-money market – institutional	**7,0**	6,8	3	6,5
Net assets under management and administration (Rbn) – Group	**295**	284	4	288

Salient features	30 June 2017	30 June 2016	Change %	31 December 2016
Assets under management and administration (Rbn) – Group	**295**	284	4	288
ETF	**31**	36	(14)	28
Money market	**63**	59	7	64
Non-money market	**209**	197	6	204
Intra-segment eliminations	**(8)**	(8)	—	(8)
Alternative asset management and exchange-traded funds (Rbn)	**81**	87	(7)	75
Deceased estates	**3**	2	50	3
Other	**24**	14	71	25
Portfolio management	**29**	40	(28)	32
Trusts	**4**	4	—	4
Unit trusts	**154**	137	12	149
Total	**295**	284	4	288

Movement in assets under management and administration (Rbn)



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



WIMI

for the reporting period ended

Wealth Management

Headline earnings for the Wealth Management cluster declined by 26% to **R23m** (30 June 2016: R31m) as a result of a 6% decline in revenue and higher impairments relative to the previous reporting period. Costs were well contained and declined by 5%. Net interest income decreased by 7%, mainly due to lower client loans and advance balances. Non-interest revenue declined by 8%, mainly due to changes in Barclays PLC profit sharing agreements during quarter 4 of 2016 coupled with lower transactional activity as a result of the difficult economic climate in 2017. Excluding the impact of the change in profit share, non-interest revenue would reflect muted growth and a 3% improvement to net income.

	30 June			31 December
Salient features – Wealth management cluster	**2017**	2016	Change %	2016
Headline earnings (Rm)	**23**	31	(26)	62
Gross operating income (Rm)	**250**	268	(7)	521
Net interest income	**140**	149	(6)	292
Non-interest revenue	**110**	119	(8)	229
Credit impairments (Rm)	**(3)**	2	<(100)	(10)
Average loans and advances to customers (Rbn)	**5,5**	5,9	(7)	5,7
Client assets (Rbn)	**4,9**	4,9	—	5,1

Short-term Insurance

Pan Africa Short-term Insurance achieved headline earnings of **R66m** (30 June 2016: R132m), a decline of 50% on the previous reporting period. Net insurance premium income decreased by 9%, while underwriting margin declined to a negative 1,4% (30 June 2016: 1,4%), mainly due to the impact of the June catastrophic events in South Africa as well as a deterioration in the expense ratio in the rest of Africa to 54,6% (30 June 2016: 20,9%). This is due to a combination of reduced net premium income and cost increases in Kenya and Tanzania to invest in enhanced risk management and control environments.

Loss ratios improved to **70,5%** (30 June 2016: 73,4%) as a result of pricing actions and the realisation of benefits from claims cost optimisation initiatives.

South Africa Short-term insurance

Headline earnings for the South African continuing lines of business declined by 15% to **R82m** (30 June 2016: R96m) with an underwriting margin of 2,2% (30 June 2016: 3,8%). Margins were impacted by the catastrophic events in Western Cape (storms and flooding) and Southern Cape (fires in Knysna and surrounding areas). The events have resulted in an increase in net claims of R40m and additional reinsurance reinstatement premium of R20m. The underwriting margin excluding these events was 7,4% reflecting the impact of repricing actions and improved claims cost management. Net insurance premium income decreased by 1% to R1,338m (30 June 2016: R1,350m). This was mainly impacted by the reinsurance reinstatement premium, mentioned above and pricing interventions across the business, particularly in the personal lines intermediated and idirect businesses have resulted in a reduction in net insurance premium income. Excluding the catastrophic events, there has been a 5% improvement in the net loss ratio for the period. This is largely as a result of portfolio management interventions. Specific pricing and claims cost containment initiatives have begun to deliver benefit and these are expected to continue through the underwriting cycle. We were successful in efficiently managing our cost base which increased marginally when compared to the previous reporting period, but below inflation.

It is anticipated that we will continue to see uplift due to pricing activity and other targeted business initiatives. This, together with a well-positioned reinsurance program to protect against future catastrophic events, means that we are well placed to deliver improved profitability for the second half of the year.

Financial performance *(continued)*

Rest of Africa Short-term insurance

Operations in the rest of Africa reported a 147% decline in headline earnings to a **loss of R17m** (30 June 2016: R36m profit). The decline in headline earnings is primarily due to a 41% decline in net premium income, mainly attributable to lower renewals and lost business from increased competition in the market in Mozambique and the impact of pricing actions taken in Kenya. The loss ratio improved to 62,7% (31 December 2016: 82,3%) due to the effect of portfolio management actions taken across the short term estate, primarily driven by improvement in the medical book in Kenya and the motor book across both Kenya and Mozambique. The underwriting margin of -24,4% (30 June 2016: -7,7%) is expected to widen in the second half of the year as the portfolio remediation actions gain further traction and momentum picks up through the underwriting cycle.

	30 June			31 December
Salient features – Pan Africa Short-term insurance	**2017**	2016[1]	Change %	2016[1]
Headline earnings (Rm)	**66**	132	(50)	229
Net premium income (Rm)	**1 549**	1 709	(9)	3 332
Underwriting surplus (Rm)[2]	**253**	220	15	454
Underwriting margin (%)[3]	**(1,4)**	1,4		0,3
Loss ratio (%)	**70,5**	73,4		72,2
Solvency margin (%)	**46,7**	47,5		46,8
NAV (Rm)	**1 448**	1 625	(11)	1 560

Fiduciary Services

Headline earnings increased by 19% to **R75m** (30 June 2016: R63m).

Absa Trust continued to be a significant cash-generating business and reported a 21% increase in headline earnings to **R52m** (30 June 2016: R43m). Absa Trust is the biggest standalone Trust company in the market. A return on equity of 119% was achieved and the business delivered attractive returns in line with our target range. Revenue from the Trust division increased by 9% and Estate revenue increased by 13% compared to the prior year as a result of new business inflows and additional estate distributions. Expenditure had a growth rate of only 3% against the previous reporting period.

Employee Benefits' headline earnings increased by 15% to **R23m** (30 June 2016: R20m). The business received the Golden Arrow award for Business Excellence in the category, Consulting and Actuarial Firms in South Africa. The business continued to deliver strong returns achieving a return on average equity of 34%.

The focus of Fiduciary Services is 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 R200m and R4bn respectively. The total assets under management book contribution to the Group amounts to R29bn.

We are in the process of concluding changes to the future operating model of our employee benefits business. These changes will allow us to focus on our core drivers of growth being gathering assets under management and growing premium income.

Notes
1 Results and ratios have been restated to exclude "Commercial lines Intermediated lines of business" now reported with "Agricultural crop" business reported under "Terminating lines of business".
2 Underwriting surplus has been reported pre-expenses.
3 Underwriting margins are reported before adjusting for the once-off system impairments.

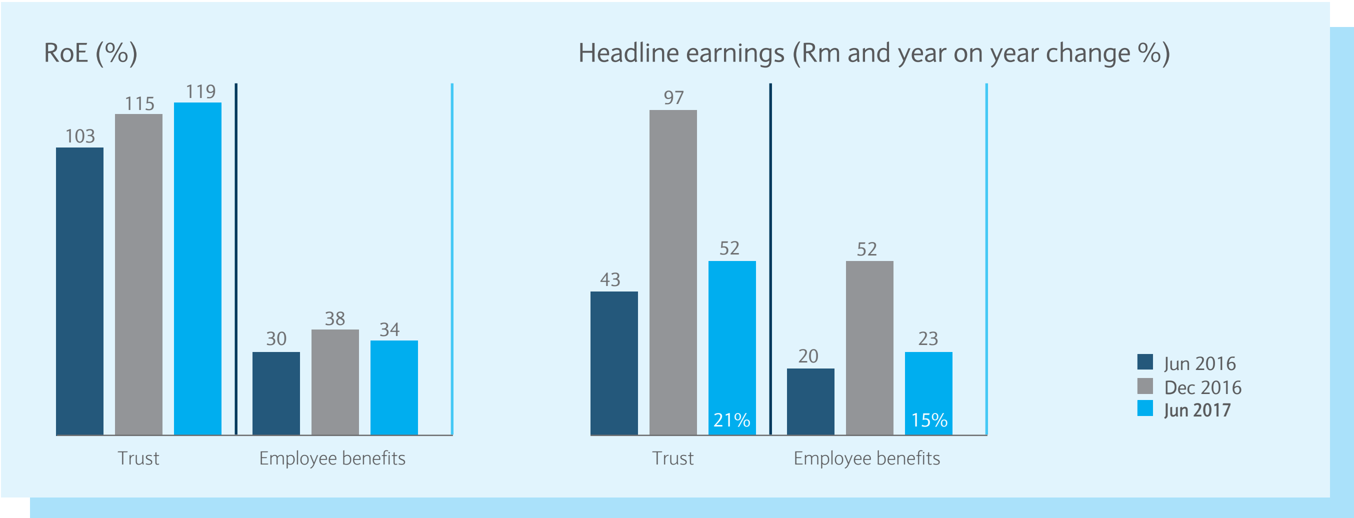
WIMI

for the reporting period

Financial performance *(continued)*

Fiduciary Services (continued)

Salient features	30 June 2017	30 June 2016	Change %	31 December 2016
Headline earnings (Rm)	**75**	63	19	149
Average value of estates distributed (R'000)	**1 521**	1 353	12	1 483
Net assets under management (Rbn)	**12,5**	14,2	(12)	12,1
Third party	**3,8**	5,9	(36)	3,7
Investments	**8,7**	8,3	5	8,4



WIMI

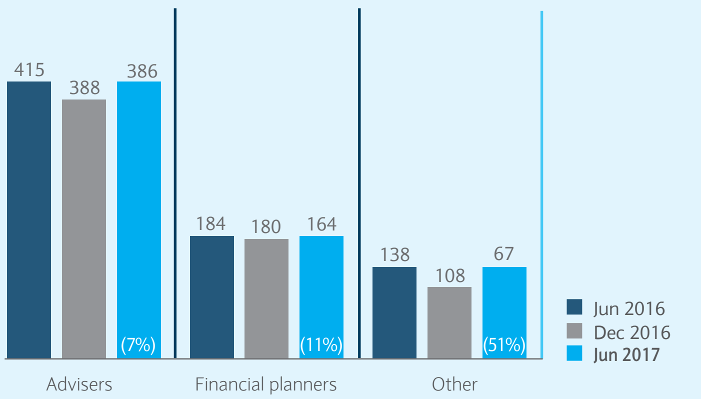
for the reporting period ended

Distribution

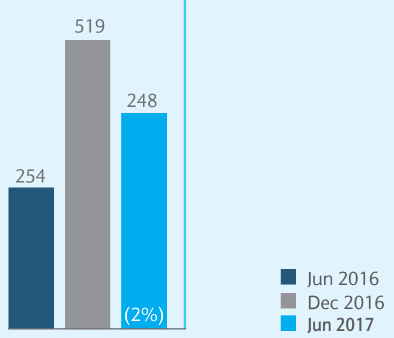
Despite of challenging economic conditions and further adviser attrition, Distribution generated value to our product houses in the form of R3,9bn gross asset inflows into Wealth and Investment Management funds, R124m of embedded value to Life Insurance from new policies and R1,05bn premium income from Short-term Insurance business placed by advisers. Distribution's **net income declined by 2%** mainly due to a declining advisor footprint. Advisors remaining in the business achieved year on year growth of 4% showing strong productivity. Total net revenue was however supported by continuing growth delivered in our direct distribution business.

Operating expenses declined by 8% to R219m (30 June 2016: R237m) due to a continued focus to rationalise costs post implementation of the revised operating model. The net impact of savings made in operating expenses and commission expenses, combined with sustained sales volumes, **resulted in headline earnings of R23m** (30 June 2016: R12m) for the current reporting period.

Distribution force (number and year on year change %)



Net income[1] (Rm and year on year change %)



Other

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

Headlines earnings improved by 2% to a **loss of R209m** (30 June 2016: R213m loss). Increased returns from our shareholder investment portfolio, specifically on the Africa Equity investment were offset by an increase in shareholder expenses allocated from Group. As mentioned earlier in the report a restatement of the Group Segmental report was concluded that impacted Other in the WIMI segmental report. WIMI was impacted by a restatement relating to changes in the method whereby the Group allocates Head Office costs (Shareholder expenses) to segments in the segmental reporting. The restatement resulted in a R200m (annualised) increase in allocation of overhead costs to WIMI Other.

	30 June			31 December
Salient features	**2017**	2016	Change %	2016
Headline earnings (Rm)	**(209)**	(213)	(2)	(435)
Consolidation entries	**(1)**	(7)	(86)	(87)
Shareholder expenses	**(174)**	(165)	5	(341)
Shareholder investment returns	**(107)**	(107)	–	(135)
Taxation	**73**	66	11	128

Note

[1] Net income includes investment income from shareholder funds.

WIMI
for the reporting period ended

Terminating lines of business

Terminating lines of business includes intermediated Commercial lines business and the agricultural crop business. The sale of the Commercial intermediated book was concluded and given effect on 1 November 2016. In line with our stated strategy of reducing income statement volatility and returning to a core bancassurance competence. The exit of the Agricultural crop business during 2015 was successfully implemented assisting with the reduction in the claims volatility. For the 2015/2016 crop season, all policies were underwritten by the acquirer.

Looking ahead

In driving our main effort of gathering assets under management and growing premium income through the protection of client assets we will continue to focus on the following strategic priorities:

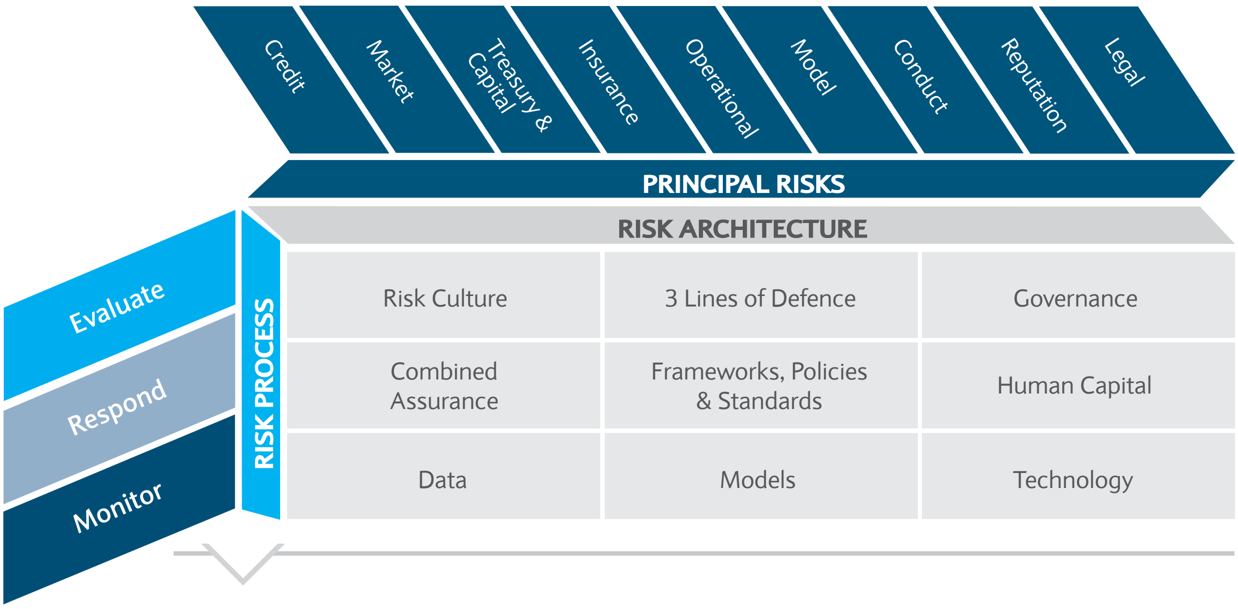
- Continue delivery of identified plans to return **rest of Africa** to profitability through re-pricing actions, improved claims cost control and refocusing on profitable and scalable lines of business;
- Leverage successes from **integration with Retail and Business Bank** to accelerate benefit extraction through a continued focus on generating leads for switching and retention campaigns targeted at the RBB customer base;
- Continue on our journey to provide solutions that are integrated into Bank value propositions and customer journeys underpinned by a culture that puts the customer at the heart of all we do;
- Conclude the re-focus of our Distribution business to improve productivity and profitability, ensure RDR readiness and accelerate developments in **digital presence and data analytics** enabled alternative channels;
- Continue to refine **operating model structures** to ensure optimal enablement of performance in line with our core strengths e.g. operations optimisation to deliver cost efficiencies, refocus our Fiduciary Services business through a partnership and implementation of our revised international model in Wealth;
- Continue to embed a robust risk **management and control environment**; and
- Enable a winning team, deepen **embedment of the transformation of WIMI's Culture** anchored on our mantra of owning it, doing it and taking account.

Risk management

Risk management overview

for the reporting period ended

The Enterprise Risk Management Framework (ERMF)



The Group has maintained its active approach towards managing both current and emerging risks through continued operating effectiveness of its ERMF. This approach is underpinned by:

- a robust and aligned governance structure at a Group, country and business level;
- well defined material risk categories known as principal risks;
- three lines of defence model, with clear accountability for managing, overseeing and independently assuring risks;
- comprehensive processes to evaluate, respond and monitor risks; and
- a sound architecture that sets out the appropriate risk practices, tools, techniques and organisational arrangements.

In its latest design review, the ERMF was amended to define Treasury and Capital, Insurance, Model, Reputational and Legal Risks as principal risks in recognition of their significance to the Group's strategic ambitions.

Risk strategy

The risk strategy is developed alongside the Group's business strategy and forms an integral part of the integrated planning process. Within the risk strategy, risk appetite defines the nature and amount of risk that the Group seeks. This is set at the start of the strategic planning process to ensure that the business strategy is achievable within risk appetite, and that risk information is considered in the organisation's decision-making and planning process.

The Group's risk appetite:

- Specifies the level of risk the Group is willing to take and why;
- Considers all principal risks individually and, where appropriate, in aggregate;
- Consistently measures, monitors and communicates the level of risk for different risk types, expressed in financial and non-financial terms;
- Describe agreed parameters for the Group's performance under varying levels of financial stress with respect to profitability, loss and return metrics, capital adequacy and liquidity ratios; and
- Be considered in key decision-making processes, including business planning, mergers and acquisitions, new product approvals and business change initiatives.

The Group's risk appetite is defined using qualitative statements and quantitative measures which are cascaded to the level of principal risk, legal entity and business unit. The Group's risk appetite is stated qualitatively in terms of risk principles and risk preferences with reference given to those types of risks the Group actively seeks as well as those it accepts and avoids. In addition, the maximum amount of risk that the Group is prepared to accept in pursuit of its business objectives is defined using a range of quantitative metrics relating to liquidity, earnings volatility, capital adequacy and leverage.

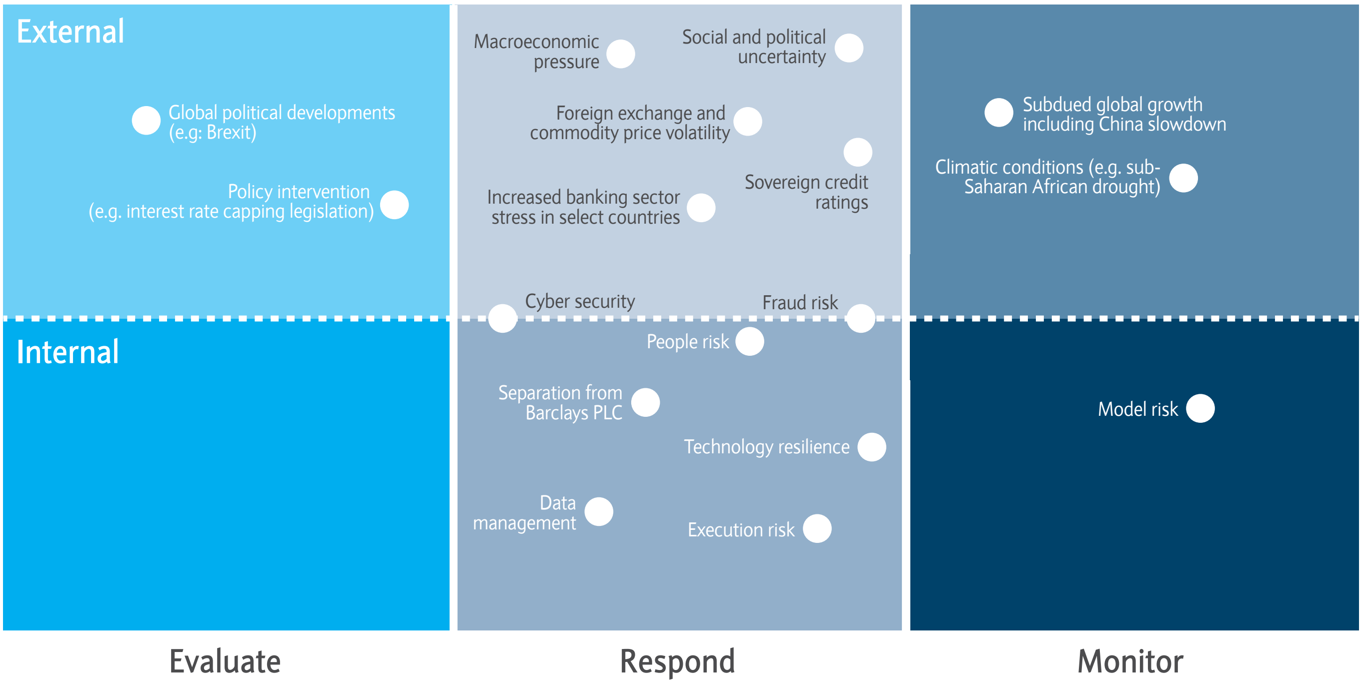
Stress testing and scenario analysis are used in the process of setting risk appetite. This allows the Group to assess the performance of its business in the expected economic environment and evaluate the potential impact of adverse conditions.

Risk management overview

for the reporting period ended

Current and emerging risks

The Group constantly monitors the external and internal environments in order to identify potential emerging risks and to assess management of identified risks. The following graphic outlines material risks impacting the Group's strategic ambitions.



Theme	Key risks	Potential impacts	Mitigating actions
Macro-environmental factors can impact our ability to sustain business and achieve market commitments	› Foreign exchange and commodity price volatility › Increased banking sector stress in select countries › Macroeconomic pressure › Social and political uncertainty › Sovereign credit ratings › Subdued global growth, including the China slowdown › Climatic conditions, e.g. sub-Saharan Africa drought	› Reduced revenue › Increased impairments	› Continue to respond to changes in leading indicators with definitive steps to mitigate risks and unlock opportunities
Strategic changes can impact our ability to execute our plans that support market commitments	› Separation from Barclays PLC › Execution risk › People risk	› Delayed completion of projects › Increased expenditure › Lack focus	› Established a dedicated and integrated capability to address business-as-usual, transition and transformation change requirements
Technology which can impact competitiveness and operational risk	› Cyber security › Fraud risk › Technology resilience › Data management › Model risk	› Security breaches › Operational disruptions › Operational losses › Reputational damage › Incorrect model informed decisions	› Continue to invest in technology platforms, processes and controls
New and emerging regulations	› Policy intervention (e.g. interest rate capping legislation). › Impacts of significant global developments (e.g. Brexit)	› Reduced revenue and/or increased expenses › Non-compliance with regulations, resulting in penalties	› Maintain the coordinated, comprehensive and timely approach to identify, assess and respond to regulatory changes

Risk management overview

for the reporting period ended

Risk performance

- The Group's capital positions remained above the minimum regulatory requirements and Board-approved capital target ranges, with capital buffers sufficient to withstand stressed conditions.
- The liquidity position remained healthy, within risk appetite and above the minimum regulatory requirements, maintaining buffers approved by the Board.
- The payment by Barclays PLC will be invested primarily in rebranding, technology and separation-related projects and it is expected that it will neutralise the capital and cash flow impact of separation investments on the Group over time.
- Operational resilience continues to improve due to investments in process engineering, people and technology.
- The credit loss ratio improved to **96bps** (June 2016: 129bps) as a result of a lower default experience across the wholesale portfolios in South Africa and the Rest of Africa, and an improved retail collections performance.

Key risk measure	YoY trend	30 June 2017	30 June 2016	31 December 2016
Common Equity Tier 1 capital adequacy ratio (%)	▲	**13,7**	12,1	12,1
Liquidity coverage ratio (LCR) (%)[1]	▲	**118,9**	83,5	95,8[2]
Growth in gross loans and advances to customers (%)	▼	**1,8**	9,0	2,7
Credit loss ratio (%)	▼	**0,96**	1,29	1,08
Non-performing loans (NPL) as a percentage of gross loans and advances (%)	▼	**3,7**	3,8	3,9
Performing loans coverage ratio (%)	▲	**0,76**	0,72	0,79
Non-performing loans coverage ratio (%)	▼	**43,5**	43,8	44,2
Operational risk losses (Rm)	▼	**121**	380	582

Looking ahead

The Group's operating environment is expected to remain strained and risk management will remain a priority, including:

- Close monitoring of developments in the macroeconomic and socio-political environments in which the Group operates;
- Tight control and management of separation and execution risks by delivering a structured programme of work via an integrated governance structure supported by ongoing monitoring of idiosyncratic risks and independent quality assurance;
- Management of the funding and liquidity position in line with risk appetite and regulatory requirements, by maintaining appropriate buffers, while optimising the associated cost;
- Continued monitoring of the credit, treasury and market risk infrastructure's resilience to market volatility;
- Continuing to improve the operational resilience across critical processes including collections, cyber security and fraud, data centres, disaster recovery, unsupported infrastructure and financial crime;
- Strengthening the employee value proposition to ensure the continued availability of the right talent pool to address business risks and opportunities;
- Continuous monitoring of regulatory compliance readiness relating to reporting (RDARR), impairments (IFRS 9), insurance (SAM) and market risk (FRTB); and
- Further embedment of increased conduct regulatory requirements across the continent.

Notes

[1] The Group LCR represents the simple average of the relevant three month-end data points. Surplus high-quality liquid asset holdings in excess of the minimum requirement of 70% have been excluded from the aggregated high-quality liquid asset number in the case of all Rest of Africa banking entities.

[2] December 2016 LCR reported post audit.

Risk management overview

for the reporting period ended

Credit risk

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

		30 June 2017				
	YoY trend	**Group**		**Wholesale**[1]		**Retail**
Growth in gross loans and advances to customers (%)	▼	**1,8**	▼	**4,9**	▼	**(0,5)**
Credit loss ratio (%)	▼	**0,96**	▼	**0,36**	▼	**1,44**
NPL as a percentage of gross loans and advance (%)	▼	**3,7**	▼	**2,0**	▲	**5,3**
NPL coverage ratio (%)	▼	**43,5**	▼	**37,2**	▼	**45,7**
Performing loans coverage ratio (%)	▲	**0,76**	▼	**0,51**	▲	**1,00**
Growth in exposure at default (EAD)[1,2] (%)	▼	**2,73**	▼	**4,73**	▼	**0,43**
Weighted average probability of default (PD) (%)[2]	▲	**2,27**	▲	**0,94**	▲	**3,96**
Weighted average loss-given-default (LGD) (%)[2]	▼	**30,48**	▼	**33,80**	▼	**26,23**
Risk-weighted assets (RWA) as a percentage of EAD (%)	▲	**43,54**	▼	**46,30**	▲	**40,23**

	30 June 2016		
	Group	Wholesale	Retail
Growth in gross loans and advances to customers (%)	9,0	19,6	1,9
Credit loss ratio (%)	1,29	0,94	1,60
NPL as a percentage of gross loans and advances (%)	3,8	2,5	5,1
NPL coverage ratio (%)	43,8	40,0	46,0
Performing loans coverage ratio (%)	0,72	0,61	0,84
Growth in EAD[1,2] (%)	10,79	16,37	5,01
Weighted average PD (%)[2]	2,13	0,74	3,68
Weighted average LGD (%)[2]	31,19	47,26	29,35
RWA as a percentage of EAD (%)[2]	42,60	46,91	38,14

	31 December 2016		
	Group	**Wholesale**	**Retail**
Growth in gross loans and advances to customers (%)	2,7	7,8	(0,8)
Credit loss ratio (%)	1,08	0,63	1,54
NPL as a percentage of gross loans and advances (%)	3,9	2,8	5,2
NPL coverage ratio (%)	44,2	29,0	31,3
Performing loans coverage ratio (%)	0,79	0,61	1,01
Growth in EAD[1,2] (%)	6,19	7,03	5,26
Weighted average PD (%)[2]	2,36	1,00	3,98
Weighted average LGD (%)[2]	28,57	30,58	26,18
RWA as a percentage of EAD (%)[2]	43,53	46,12	40,63

- Loans and advances: The **1,8%** (3,1% exclusive of currency movements) growth in loans and advances is largely a function of a general decline in economic conditions, political and policy uncertainty and subdued confidence levels. Market conditions impacted risk appetite and muted growth in retail advances was exacerbated by the impact of NCA amendments at the end of 2015. Solid growth recorded in wholesale loans and advances was largely off the back of a strategic focus on large names in the real estate sector and investment grade mid-tier corporates, as well as corporate action funding opportunities.
- NPLs: The improvement in NPLs as a percentage of gross loans and advances to **3,7%** (June 2016: 3,8%) is due to the recovery of a large single name exposure following a capital injection, partially offset by an increase in NPLs in the SA retail portfolio given the strained macroeconomic environment.
- Impairments: Overall impairments have improved to **R3 773m** (June 2016: R5 197m) and the credit loss ratio to **96 bps** (June 2016: 129 bps) as a result of a lower default experience across the wholesale portfolios in South Africa and the Rest of Africa, and an improved retail collections performance. Macroeconomic provisions were moreover lower at R90m (June 2016: R226m) with only the wholesale Rest of Africa presenting notable downside risk at half year.
- Performing coverage: The increase in coverage to **76 bps** (June 2016: 72 bps) relates to the emergence of increased pressure on consumers in a deteriorating macroeconomic environment and additional macroeconomic provisions raised in H2 2016. The coverage extent was offset somewhat by lower coverage in the wholesale portfolio predicated upon an improved portfolio risk profile off the back of a recovery in commodity prices, lower facility utilisation and a large single name restructure.
- RWA intensity: RWA consumption calculated as a percentage of the exposure at default has improved during the reporting period and is attributable to a focus on data accuracy, an improved Wholesale credit risk profile and a lower Retail LGD.
- Future priorities:
  - Continue to identify and actively manage credit risk trends and opportunities addressing additional changes in the macroeconomic climate and further optimising capital consumption via the development of or recalibration of models using current data;
  - Localise technology and policy drafting services previously received from Barclays PLC; and
  - Continuously refine the credit risk appetite methodology, models and stress testing scenarios.

Notes

[1] Includes trading book and banking book credit exposure.

[2] The percentages include only portfolios subject to the IRB approaches,

Risk management overview

for the reporting period ended

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.
- **Non-traded market risk:** The risk of the Group's earnings or capital being reduced due to market risk exposure from banking book positions which may arise net of hedging activities.
- **Pension risk:** The risk that an adverse movement between pension assets and liabilities results in a pension deficit.

	YoY trend	30 June 2017	30 June 2016	31 December 2016
Average traded market risk – 95% DVaR (Rm)	▲	**28**	25	26,8
Traded market risk RC (Rm)	▲	**3 228**	2 516	2 889
Banking book annual earnings at risk (AEaR) for a 2% interest rate shock (% of Group net interest income (NII))	▲	**<7%**	<6%	<6%

- **Traded market risk:** Trading exposures were managed within overall risk appetite. 95% VaR increased marginally over the period, with RWA growth as a result of increased Standardised Specific Risk exposure across the African and South African businesses, as well as increased market volatility at a 99% confidence level.
- **Non-traded market risk:** Banking book earnings at risk increased slightly, within risk appetite. The Group remained positively exposed to increases in interest rates after the impact of hedging.
- **Pension risk:** Pension plans and benefits are provided in all countries where the Group has a footprint. The Absa Pension Fund remains the largest fund. The overall funding level of the schemes improved in the current year.
- **Future priorities:**
  - Continue to ensure market risk is managed within appetite in potentially volatile conditions;
  - Respond to regulatory and capital change, specifically preparing for the adoption of the Fundamental Review of the Trading Book (FRTB) and the Standard on Interest Rate Risk in the Banking Book (IRRBB);
  - Continue to manage margin volatility through the structural hedge programme in South Africa;
  - Continue to enhance the implementation and standardisation of the pension risk control framework across the Group; and
  - Implement the pension risk setting appetite framework across the Group.

Treasury and capital risk

The risk that the Group is unable to achieve its business plans as a result of capital or liquidity shortfalls:

- **Liquidity risk:** The risk that the Group is unable to meet its contractual or contingent obligations or that it does not have the appropriate amount, tenor and composition of funding and liquidity to support its assets.
- **Capital risk:** The risk that the Group has an insufficient level or inappropriate composition of capital to support its normal business activities and to meet its regulatory capital requirements under normal operating environments or stressed conditions (both actual and as defined for internal planning or regulatory testing purposes).

Liquidity risk

	YoY trend	30 June 2017	30 June 2016	31 December 2016
Sources of liquidity (Rbn)	▲	**230,5**	216,1[1]	222,6[1]
Long-term funding ratio (%)	▼	**21,8**	22,1	21,4
Loan-to-deposit ratio (%)	=	**87,1**	87,1	88,4
Liquidity coverage ratio (LCR) (%)[2]	▲	**118,9**	83,5	95,8[3]

- **Liquidity risk position:** Remained healthy, within risk appetite and key metrics, and above the minimum regulatory requirements. As at 30 June 2017, the Group's sources of liquidity increased to **R230,5bn** (June 2016: R216,1bn), amounting to 33,1% of deposits due to customers.
- **Structure:**
  - The Net Stable Funding Ratio (NSFR) will become effective on 1 January 2018, and the Group is expected to meet the minimum requirement of 100%.
  - The Long-term funding ratio decreased marginally to **21,8%** (June 2016: 22,1%) to optimise funding costs while continuing 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.
  - The Loan-to-deposit ratio of **87,1%** remains healthy and in line with internal targets.
- **Diversification:** The Group has a well-diversified deposit base and concentration risk is managed within appropriate guidelines. Sources of funding, both Rand and foreign currency, are managed in order to maintain a wide diversity of depositor, product and tenor.
- **Short-term liquidity stress:**
  - The Group targets an LCR above the minimum regulatory requirement, and consistently maintained a buffer in excess of the regulatory minimum requirement of 80% during 2017. Absa Bank successfully applied for a committed liquidity facility (CLF) from the South African Reserve Bank (SARB), which was included in High Quality Liquid Assets (HQLA) for LCR purposes from January 2016.
  - The Group has an internal Liquidity Risk Appetite (LRA) framework, which is used to determine the amount of HQLA the Bank is required to hold in order to survive internally defined stress scenarios.
- **Future priorities:**
  - Manage the funding and high-quality liquid asset position in line with the Board-approved LRA framework and regulatory requirements;
  - Build and maintain adequate liquidity buffers to ensure the Group continues to remain compliant with the LCR and NSFR;
  - Continue to grow and diversify the funding base to support asset growth and other strategic initiatives, while optimising the funding cost; and
  - Continue to work with regulatory authorities and other stakeholders on resolution planning, and deposit insurance scheme.

Notes

1 June 2016 and December 2016 restated to incorporate a revised assumption relating to available interbank funding.

2 The Group LCR represents the simple average of the relevant three month-end data points. Surplus high-quality liquid asset holdings in excess of the minimum requirement of 80% have been excluded from the aggregated high-quality liquid asset number in the case of all Rest of Africa banking entities.

3 December 2016 LCR reported post audit.

Risk management overview

for the reporting period ended

Capital risk

	YoY trend	30 June 2017	30 June 2016	31 December 2016
Total RWA (Rbn)	▲	**724,8**	698,7	703,8
CET1 capital adequacy ratio (%)[1]	▲	**13,7**	12,1	12,1
Return on average risk-weighted assets (RoRWA) (%)	▲	**2,18**	2,08	2,14
Return on average EC (%)	▲	**16,5**	16,4	16,9
Return on average equity (RoE) (%)	=	**16,1**	16,1	16,6

› RWA: Increased by (3,7%) to **R724,8bn** (30 June 2016: R698,7bn). The increase in RWAs was mainly due to exposure growth in wholesale markets in line with asset growth.

› Capital: Remained above the minimum regulatory requirements and above the Board-approved capital target ranges, with capital buffers sufficient to withstand stressed conditions.

› Future priorities:

- Maintain an optimal mix of high-quality capital, while continuing to generate sufficient capital to support profitable growth and a sustainable dividend;
- Continue to focus on RWA precision and strong internal generation of equity;
- Manage the capital position of the Group to remain at adequate levels throughout the period of separation from Barclays PLC, and ensuring that the Group is well positioned and well capitalised upon completion of the separation; and
- Continue to focus on developing appropriate responses to regulatory and accounting headwinds (such as FRTB and IFRS 9).

Note

[1] Board target range 10,0 to 11,5%.

Risk management overview

for the reporting period ended

Insurance risk

The risk that future claims, expenses, policyholder behaviour and investment returns may be adversely different to the allowances made in measuring policyholder liabilities and in product pricing

- **Underwriting risk:** The risk that the Group's aggregate insurance premiums received from policyholders under a portfolio of insurance contracts are inadequate to cover the claims arising from those policies and the expenses associated with the management of the portfolio.
- **Reserving risk:** The risk that the Group's insurance reserves are insufficient to cover current and future claims and the expenses associated with the management of those claims.

	YoY trend	30 June 2017	30 June 2016	31 December 2016
South African life insurance				
Present value of in-force book (PVIF) (Rm)	▲	**3 932**	3 551	3 763
New business margin (%)	▲	**8,8**	5,9	7,5
Annualised return on shareholder fund (%)	▲	**9,2**	7,6	6,4
South African short-term insurance				
Net premium income (Rm)	▼	**1 338**	1 504	2 924
Net underwriting margin (%)	▼	**2,2**	4,0	3,5
Annualised return on shareholder fund (%)	▼	**8,4**	8,8	8,7
WIMI insurance				
Profit before tax (Rm)	▼	**555**	718	1 189

- **PVIF:** The PVIF represents the discounted value of the expected future after tax profits in respect of business in force. The PVIF is sensitive to lapse rates and mortality rates. The increased PVIF in 2017H1 is largely attributed to a change in lapse assumptions driven by an overall decrease in both credit life and funeral product lapse rates.
- **Life insurance new business margin:** The new business margin is the present value of new business profits less initial capital strain expressed as a percentage of the present value of projected premium income. The increase in margin is due to the low advice direct life insurance offering increase in the new business margin to **17,9%** (June 2016: 14,7%) and business mix changes.
- **Annualised return on shareholder fund:** The fund return is expressed as investment income on shareholder funds. Performance differences for both life and short-term insurance are attributed to changes in financial market conditions as investment mandates have remained largely unchanged.
- **Short-term insurance premium income:** The decrease in premium income is largely attributed to the sale of the unprofitable commercial intermediated business book. This is expected to result in positive financial performance over the longer term.
- **Short-term insurance net underwriting margin:** The underwriting surplus is expressed as a percentage of net premiums. The lower margin is attributed to catastrophe claims as a result of the Knysna fire and Cape storms in H1 2017.
- **WIMI insurance profit before tax:** The lower profit before tax figure in 2017H1 is mainly due to lower profits in Rest of Africa insurance entities and South African short-term insurance entities being impacted by difficult economic conditions and catastrophe events.
- **Key achievements:**
  - Update to the Insurance Risk Principal Risk Framework and Polices to reflect the change from a key risk to a principal risk under the ERMF and full alignment to Board Notice 158 requirements;
  - Actuarial Centres of Excellence established for Pan Africa Life Insurance and Pan Africa Short-term Insurance in order to support Rest of Africa entities to embed consistent standards, procedures and controls;
  - Life insurance and short-term insurance Chief Risk Officers put in place to provide more effective second line of defence for insurance entities; and
  - Submission of the third annual Own Risk and Solvency Assessment (ORSA) report to the South African regulator.
- **Future priorities:**
  - Ensure consistent risk and control standards across all Pan African insurance entities;
  - Develop Solvency Assessment Management (SAM) insurance group reporting to the end state requirements, including developing an appropriate insurance group internal view for economic capital;
  - Delivery of insurance risk appetites as part of the planning process with improvements in embedding and use to drive better decisions;
  - Meeting the end state SAM requirements for the Head of Actuarial Control and the actuarial control function for South African short-term insurance entities;
  - Life insurance entities will continue to focus on sales and underwriting initiatives to increase revenues and attract high quality risks; and
  - Short-term insurance entities will continue to embed analytics, pricing and retention solutions to maintain claims ratios within targeted ranges.

Risk management overview

for the reporting period ended

Operational risk

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

	YoY trend	30 June 2017	30 June 2016	31 December 2016
Total losses as a percentage of gross income (%)	▽	**0,3**	1,0	0,8
Total operational risk losses (Rm)	▽	**121**	380	582
Operational RWA (Rm)	△	**103 487**	100 310	100 433

› **Total operational risk losses:** The reduction in losses is driven by a decrease in both the volume and average value of incidents, as well as better response times that minimised losses. In line with the nature of the business, the main contributors to operational losses remain fraud (46%), transaction processing (24%) and payment-related issues (17%).

› **Operational risk RWA:** Higher operating income in advanced measurement approach (AMA) entities drove an increase in the Regulatory Floor (SARB minimum capital holdings, which are influenced by gross income levels). This contributed to an overall increase in RWA of 3% compared to 2016 year-end.

› **Key achievements:**

- Improved technology stability and migration to a new 'best-in-class' data centre;
- Enhanced analytics to detect fraud and money-laundering and activities; and
- Strengthened payment processing capability.

› **Future priorities:**

- Maintain the safe and controlled execution of the structured programme directed at delivering the separation from Barclays PLC;
- Continue to invest in technology to improve and maintain technology resilience and control;
- Continue to invest in data infrastructure and controls to support the increasing utilisation of data towards delivery of the Group's strategic objectives;
- Continue to remediate records of customers to meet financial crime control requirements; and
- Develop an information security transformation plan to localise and improve the Group's cyber risk posture.

Risk management overview
for the reporting period ended

Conduct risk

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

	YoY trend	30 June 2017	30 June 2016	31 December 2016
Overall conduct index[1]	▲	**64**	62	64

- The improvement in the Overall Conduct Index, the measure that includes customer feedback on the Group's efforts towards Treating Customers Fairly, is recognisant of the Group's continued investment in optimising processes and practices and its cultural transformation programme directed towards addressing:
  - sales practices and customer treatment;
  - market conduct;
  - use of customer and company information;
  - technology stability and functionality; and
  - cybercrime.

The key conduct-related matters addressed by the Group over the past six months were:

- The investigation by the South African Competition Commission;
- Sim-swap fraud experienced by customers using our digital channels;
- Continued remediation programmes related to financial crime and National Credit Act requirements; and
- Increased regulatory requirements across the continent.

Future priorities:

- Continued focus on cultural change across the Group to enhance integrated decision-making in the management of the conduct risk outcomes;
- Assess and incorporate the G30 recommendations on conduct and culture into the Group's risk management approach;
- Increase the use of data analytics and digital platforms to improve customer service; and
- Implementation and embedment of new regulatory requirements across the continent.

Capital management and RWA

for the reporting period ended

Review of the current reporting period

- The Group maintained a strong capital adequacy position above the Board-approved capital target ranges;
- Further strengthening of the Board-approved capital target ranges in light of increased regulatory requirements, economic uncertainties and pending regulatory and accounting headwinds;
- Continued strong internal capital generation, leading to an interim dividend of 475 cents per share, representing a 3,3% increase on the 2016 interim dividend of 460 cents per share;
- Further embedment of the enhancements made to the Economic Capital (EC) framework towards the end of 2016;
- Issuance of R1,1bn bonds qualifying as Tier 2 capital at holding company and Absa Bank level, used to replace R1bn of bonds qualifying as Tier 2 capital at holding company and Absa Bank level which was called on 3 May 2017; and
- Strengthening of the capital position of the Group as a result of contribution amounts received from Barclays PLC as part of the separation. This resulted in an uplift in the CET1 ratio of c.160 bps for BAGL and c.220 bps for Absa Bank Limited.

Key performance indicators (KPIs)

Group	YoY trend	30 June 2017 %	30 June 2016 %	31 December 2016 %
CET1 capital adequacy ratio[1]	▲	**13,7**	12,1	12,1
Return on average RWA	▲	**2,18**	2,08	2,14
Return on average economic capital	▲	**16,5**	16,4	16,9
Cost of equity[2]	=	**13,75**	13,75	14,75

Absa Bank Limited[3]	YoY trend	30 June 2017 %	30 June 2016 %	31 December 2016 %
CET1 capital adequacy ratio[1]	▲	**14,1**	10,8	11,6
Return on average RWA	▲	**1,96**	1,87	1,96

Future priorities

- Ensure all entities remain adequately capitalised relative to minimum regulatory requirements and Board-approved capital target ranges;
- Continue to manage the capital position of the Group allowing for uncertainties caused by the recent ratings downgrades of the South African sovereign and major South African banks;
- Manage the capital position of the Group to remain at adequate levels throughout the period of separation from Barclays PLC, and ensuring that the Group is well positioned and well capitalised upon completion of the separation;
- Ensuring optimal deployment of the contributions received from Barclays PLC as part of the separation process to ensure maximum benefit is achieved for the Group and its subsidiaries;
- Continue to focus on the management of capital supply, raising Additional Tier 1 and Tier 2 capital in local and overseas markets as appropriate;
- Further embed the EC framework across the Group;
- Maintain an optimal capital supply mix at holding company level and also in respect of the subsidiaries of the Group;
- Continue engagement with the SARB to finalise the Resolution Framework for South Africa which includes the Total Loss-Absorbing Capacity (TLAC) requirements and the introduction of a Deposit Insurance Scheme; and
- Continuously monitor regulatory developments and changes that may affect the capital position. Some of these changes include the proposals published by the Basel Committee relating to the final rules arising from the FRTB and revisions to the standardised approach for operational risk as well as regulatory treatment of accounting provisions (IFRS 9).

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.

The Group's capital management objectives are to:

- Optimise the level and mix of capital resources and the utilisation of those resources;
- Meet RC requirements and the Board-approved capital target ranges;
- Maintain an adequate level of capital resources in excess of both RC and EC requirements;
- Increase business and legal entity accountability for the use of capital and, where relevant, the use of capital per client or portfolio;
- Assess, manage and efficiently implement regulatory changes to optimise capital usage; and
- Maintain a strong credit rating.

Notes

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

Capital management and RWA

for the reporting period ended

Internal capital adequacy assessment process (ICAAP)

The ICAAP document is produced in accordance with the South African Reserve Bank's (SARB) Guidance Note 4 of 2015.

The ICAAP forms an integral part of the management and decision-making of the Group. The ICAAP framework is a tool that requires 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 of the Group on an ongoing basis.

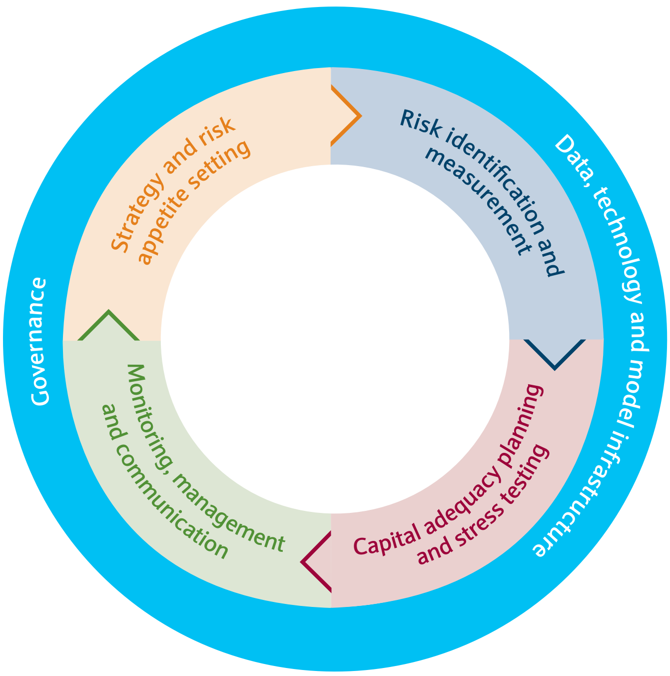
The Group uses the internal capital adequacy assessment process (ICAAP) in support of meeting its capital management objectives across the Group. The ICAAP is a documented risk-based assessment of the capital adequacy position of the Group and its subsidiaries on a Regulatory Capital (RC) and EC basis, not only reflecting the point-in-time position but also the forward-looking and stressed position over the medium-term plan (MTP) period. Capital adequacy is not considered in isolation, but in the context of the broader set of financial plans of the Group. This is made possible by the integrated planning process. The ICAAP includes entities within the Group that are subject to consolidated supervision by the SARB. Insurance entities are excluded from SARB consolidated supervision, as these are regulated by the Financial Services Board (FSB).

The ICAAP reflects the expected level of capital required to be held against identified risks the Group may become exposed to as a result of executing its strategy. Board and senior management track changes in the economic environment, which may result in an adjustment to the business strategy.

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

- Establish overall strategic direction for the Group acting on recommendation from management. Formulate a risk appetite consistent with Group-wide strategy, incorporating requirements of all stakeholders such as regulators, debt holders and shareholders.
- Translate risk appetite framework into limits and guidelines for clusters and strategic business units (SBUs).
- Financial planning and forecasting.
- Review of RoE and other performance metrics.

- Identification of key capital risks, including current and emerging risks.
- Quantification risks: All key risks quantified appropriately.
- Level of sophistication tailored to size and complexity of risk.
- Understanding of differences between internal EC and RC.
- Management of non-quantified capital risks.



- Monitor and report: Appropriate information presented to the right people at the right time.
- Monitoring of capital plan levers.
- Regularly updated capital plans.
- Communication: Proactive communication of capital plan and rationale for management actions.
- Monitoring of EWIs.

- Forecasting, projection and stress testing of capital and key metrics.
- Development of capital plans. Comprehensive suite of stress scenarios, appropriately parameterised and all forms of capital requirements availability reflected.
- Management of capital based on appropriate target ranges: Tracking and analysis of capital adequacy level.
- Identification and development of management actions.

Strategy and risk appetite setting

The Group's ICAAP approach considers the strategy and risk appetite of the Group in order to determine the capital required to be held against identified risks and risks the Group may become exposed to as a result of its strategy. The efficient use of capital is fundamental to prudent financial management and for ensuring that capital resources are deployed optimally throughout the organisation. Consequently, the financial and capital plans are prepared based on the strategy and within the risk appetite approved by the Board.

Capital management and RWA

for the reporting period ended

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

Risk identification and measurement

The Capital Risk Management Framework defines the risk management process which is a structured, practical set of three steps – evaluate, respond and monitor (the E-R-M process). The Capital Risk Policy 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. The respective risk committee recommends the appropriate risk appetite for each risk type to the Board for approval on an annual basis.

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 stress tested with the output used to affirm the risk appetite. Management actions are identified to proactively mitigate risks on a timely basis.

Stress testing is fundamental in assessing appropriate levels of capital to ensure the Group protects its depositors and other stakeholders during severe stress events in line with 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 to the capital plan on a timely basis through the monitoring of early warning indicators (EWIs). Corrective action is taken when EWIs flag potential future challenges. These actions include:

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

The capital target ranges, which are derived through the stress testing process, are used in capital allocation, hurdle setting, performance measurement, risk adjusted remuneration, limit monitoring, RWA management and pricing. The results from the most recently conducted stress and scenario testing and budgeting process confirm that the Group's capital levels and capital buffers, both current and forecast (both RC and the Group's internal capital assessment, EC), remain appropriate, and that the Group is appropriately capitalised relative to strategy, risk appetite, risk profile, business activities, operational challenges, and the macroeconomic environment in which it operates.

Monitoring, management and communication

The capital management function within Treasury manages, monitors and reports on the capital adequacy of all regulated Group 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 ERMF. The Treasury and Capital Key Risk Officer provide independent oversight and challenge to the capital management function.

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

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

Recovery and resolution planning

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

The key objectives of the Recovery Plan are to:

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

Capital management and RWA

for the reporting period ended

Recovery and resolution planning *(continued)*

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

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

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

Future regulatory developments in terms of the Resolution Framework are gaining increasing significance in South Africa. In August 2015, the SARB released for comment its white paper entitled 'Strengthening South Africa's Resolution Framework for Financial Institutions'. A further consultation paper regarding deposit insurance was published in May 2017, entitled 'Designing a deposit insurance scheme for South Africa – a discussion paper'.

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

Management of excess capital

The Group's capital policy stipulates that capital held in the Group's entities in excess of Board-approved capital 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.

Capital is not transferred to other subsidiaries unless there is a robust business, regulatory or tax reason to support it.

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

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

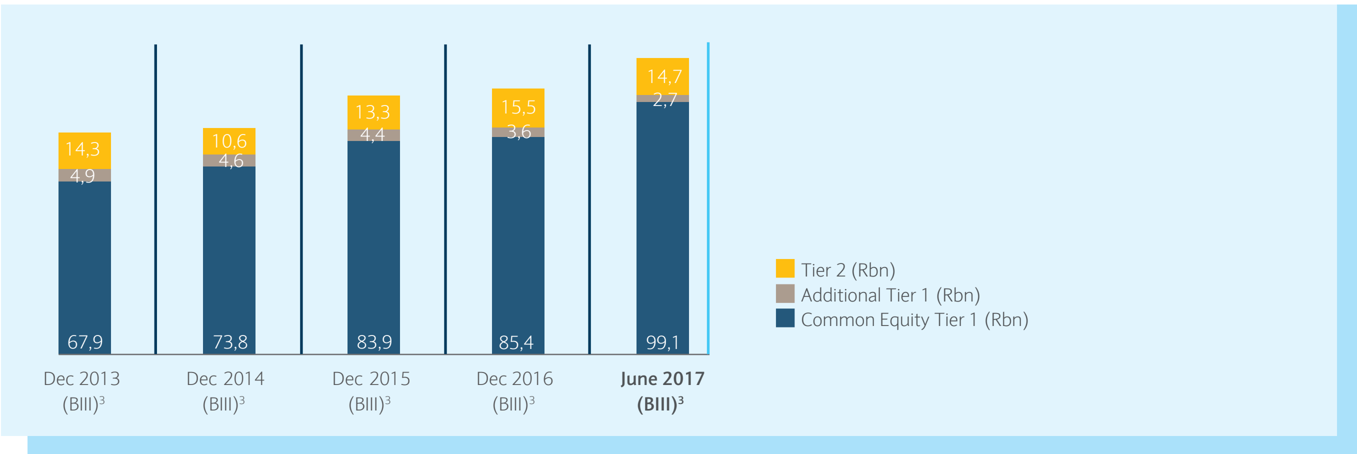
Capital management and RWA

for the reporting period ended

Statutory capital adequacy *(continued)*

Group capital adequacy

Group	2017 Board target ranges %	2017 Minimum regulatory capital requirements[1] %	Trend	30 June 2017	30 June 2016	31 December 2016
Capital adequacy ratios (%)[2]						
CET1	**10,0 – 11,5**	**7,3**		**13,7**	12,1	12,1
Tier 1	**11,5 – 13,0**	**8,5**		**14,0**	12,6	12,6
Total	**14,0 – 15,5**	**10,8**		**16,1**	14,6	14,8
Capital supply and demand for the reporting period (Rm)						
Qualifying capital				**116 461**	101 735	104 486
Total RWA				**724 780**	698 685	703 785



2013	2014	2015	2016	June 2017	
12,1	11,9	11,9	12,1	**13,7**	CET1 ratio (%)
15,5	14,4	14,5	14,8	**16,1**	Total capital adequacy ratio (%)

Notes

[1] The 2017 minimum regulatory capital requirements of 10,75% include the capital conservation buffer which is phased in between 1 January 2016 and 1 January 2019 but excludes the bank-specific individual capital requirement (Pillar 2b add-on) and the D-SIB add-on.

[2] Reported ratios include unappropriated profits.

[3] BIII: Basel III.

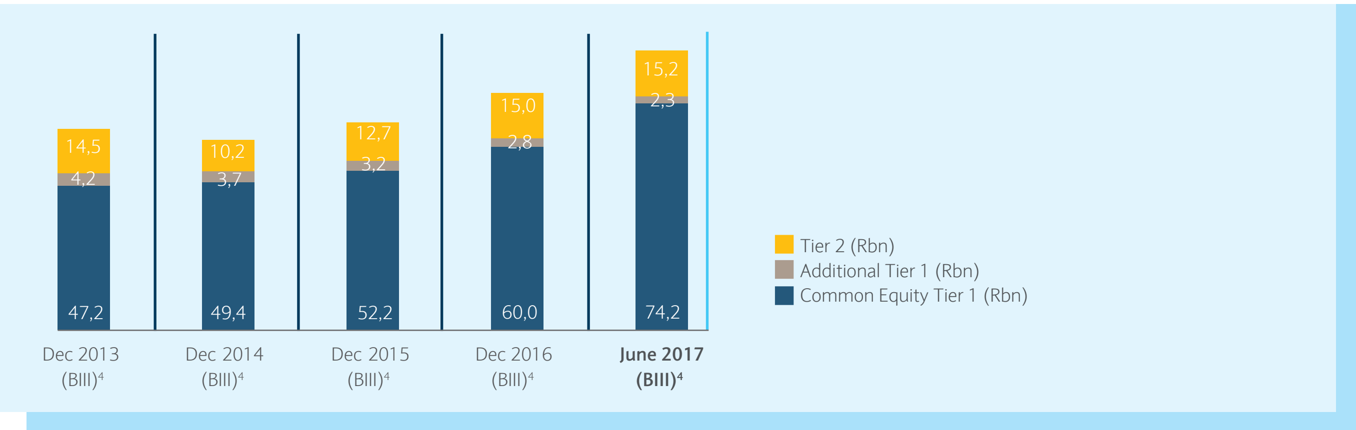
Capital management and RWA

for the reporting period ended

Statutory capital adequacy *(continued)*

Absa Bank Limited capital adequacy

Absa Bank Limited[2]	2017 Board target ranges %	2017 Minimum regulatory capital requirements[1] %	Trend	30 June 2017	30 June 2016	31 December 2016
Capital adequacy ratios (%)[3]						
Common Equity Tier 1	**10,0 – 11,5**	**7,3**		**14,1**	10,8	11,6
Tier 1	**11,0 – 12,5**	**8,5**		**14,5**	11,4	12,2
Total	**13,5 – 15,0**	**10,8**		**17,4**	14,0	15,1
Capital supply and demand for the reporting period (Rm)						
Qualifying capital				**91 695**	70 091	77 769
Total RWA				**526 145**	501 840	515 467



2013	2014	2015	2016	June 2017	
11,3	10,8	10,5	11,6	**14,1**	CET1 ratio (%)
15,8	13,9	13,8	15,1	**17,4**	Total capital adequacy ratio (%)

Notes

[1] The 2017 minimum regulatory capital requirements of 10,75% include the capital conservation buffer which is phased in between 1 January 2016 and 1 January 2019 but excludes the bank-specific individual capital requirement (Pillar 2b add-on) and the D-SIB add-on.

[2] Absa Bank Limited includes subsidiary undertakings, special-purpose entities, joint ventures, associates and offshore holdings.

[3] Reported ratios include unappropriated profits.

[4] BIII:Basel III.

Capital management and RWA

for the reporting period ended

Capital demand

The following table provides the risk-weighted assets (RWA) per risk type and associated minimum capital requirements.

	Group	30 June 2017 RWA Rm	2016 RWA Rm	31 December 2016 RWA Rm	2017 Minimum capital requirements[1] Rm
1	Credit risk excluding counterparty credit risk (CCR)	**515 946**	506 122	498 826	**41 276**
2	Of which standardised approach (SA)	**146 408**	150 375	140 001	**11 713**
3	Of which internal rating-based (IRB) approach	**369 538**	355 747	358 825	**29 563**
4	CCR[2]	**32 156**	26 773	33 337	**2 572**
5	Of which standardised approach for CCR (SA-CCR)	**32 156**	26 773	33 337	**2 572**
6	Of which internal model method (IMM)	**—**	-	—	**—**
7	Equity positions in banking book under market-based approach	**9 223**	10 611	9 658	**738**
8	Equity investments in funds – look-through approach	**—**	—	—	**—**
9	Equity investments in funds – mandate-based approach	**—**	—	—	**—**
10	Equity investments in funds – fall-back approach	**—**	—	—	**—**
11	Settlement risk	**583**	2 150	1 842	**47**
12	Securitisation exposures in banking book	**564**	454	576	**45**
13	Of which IRB ratings-based approach (RBA)	**564**	454	576	**45**
14	Of which IRB Supervisory Formula Approach (SFA)	**—**	—	—	**—**
15	Of which SA/simplified supervisory formula approach (SSFA)	**—**	—	—	**—**
16	Market risk	**32 284**	25 160	28 890	**2 583**
17	Of which standardised approach (SA)	**10 645**	8 124	8 447	**852**
18	Of which internal model approaches (IMA)	**21 639**	17 036	20 443	**1 731**
19	Operational risk	**103 487**	100 310	100 433	**8 279**
20	Of which BIA	**3 528**	4 252	3 849	**282**
21	Of which standardised approach	**25 533**	25 864	25 156	**2 043**
22	Of which advanced measurement approach	**74 426**	70 194	71 428	**5 954**
	Non-customer assets	**24 904**	20 958	23 524	**1 992**
23	Amounts below the thresholds for deduction (subject to 250% risk weight)	**5 633**	6 147	6 699	**450**
24	Floor adjustment	**—**	—	—	**—**
25	Total (1+4+7+8+9+10+11+12+16+19+23+24+non-customer assets)	**724 780**	698 685	703 785	**57 982**
	Pillar 2a requirement (1,5%)				**10 872**
	Capital conservation buffer (1,25%)[3]				**9 060**
	SA minimum capital requirements including buffers[4]				**77 914**

Drivers of changes in RWA consumption are summarised as follows:

- Credit risk: Portfolios subject to the AIRB approach have increased as a result of exposure growth in wholesale markets. The decrease in the SA from June 2016 to June 2017 is mainly due to exchange rate fluctuations.
- CCR: The movements in CCR are in line with market volatility, specifically exchange rate fluctuations.
- Market risk: The increase was driven by an increase in Daily Value at Risk (DVaR) and Stressed Value at Risk (sVaR) due to the increased positional and market volatility in the internal models DVaR and sVaR measure for the South African business.
- Operational risk: Higher operating income attributable by AMA entities drove an increase in the Regulatory Floor (TSA Floor on AMA entities).

Notes

[1] The 2017 minimum regulatory capital requirements are calculated at the BIS minimum regulatory capital requirement of 8%.

[2] SA-CCR amount is calculated using CEM.

[3] The capital conservation buffer is phased in between 1 January 2016 and 1 January 2019 reaching 2,5% by 1 January 2019.

[4] The 2017 SA minimum regulatory capital requirements of 10,75% include the capital conservation buffer but excludes the bank-specific individual capital requirement (Pillar 2b add-on) and the D-SIB add-on.

Capital management and RWA

for the reporting period ended

Capital demand *(continued)*

	Absa Bank Limited[1]	30 June 2017 RWA Rm	2016 RWA Rm	31 December 2016 RWA Rm	Minimum capital requirements[2] Rm
1	Credit risk (excluding CCR)	**373 604**	363 667	366 099	**29 889**
2	Of which standardised approach (SA)	**13 545**	15 146	15 018	**1 084**
3	Of which IRB approach	**360 059**	348 521	351 081	**28 805**
4	CCR[3]	**31 815**	26 600	32 814	**2 545**
5	Of which standardised approach for CCR (SA-CCR)	**31 815**	26 600	32 814	**2 545**
6	Of which IMM	**—**	—	—	**—**
7	Equity positions in banking book under market-based approach	**2 493**	3 146	2 775	**199**
8	Equity investments in funds – look-through approach	**—**	—	—	**—**
9	Equity investments in funds – mandate-based approach	**—**	—	—	**—**
10	Equity investments in funds – fall-back approach	**—**	—	—	**—**
11	Settlement risk	**583**	2 075	1 773	**47**
12	Securitisation exposures in banking book	**564**	454	576	**45**
13	Of which IRB RBA	**564**	454	576	**45**
14	Of which IRB SFA	**—**	—	—	**—**
15	Of which SA/SSFA	**—**	—	—	**—**
16	Market risk	**24 741**	20 950	22 935	**1 979**
17	Of which standardised approach (SA)	**3 102**	3 914	2 492	**248**
18	Of which internal model approaches (IMM)	**21 639**	17 036	20 443	**1 731**
19	Operational risk	**73 612**	69 859	70 895	**5 889**
20	Of which BIA	**3 439**	4 190	3 772	**275**
21	Of which standardised approach	**—**	—	—	**—**
22	Of which advanced measurement approach	**70 173**	65 669	67 123	**5 614**
	Non-customer assets	**17 971**	14 397	16 943	**1 438**
23	Amounts below the thresholds for deduction (subject to 250% risk weight)	**762**	692	657	**61**
24	Floor adjustment	**—**	—	—	**—**
25	Total (1+4+7+8+9+10+11+12+16+19+23+24+non-customer assets)	**526 145**	501 840	515 467	**42 092**
	Pillar 2a requirement (1,5%)				**7 892**
	Capital conservation buffer (1,25%)[4]				**6 577**
	SA minimum capital requirements including buffers[5]				**56 561**

Drivers of changes in RWA consumption are summarised as follows:

- Credit risk: Portfolios subject to the AIRB approach have increased as a result of loan growth in Corporate and Investment Banking.
- CCR: The movements in CCR are in line with market volatility, specifically exchange rate fluctuations.
- Equity positions in the banking book: Reduced in line with the strategic intent to run the portfolio down.
- Market risk: The increase was driven by an increase in DVaR and sVaR due to the increased positional and market volatility in the internal models DVaR and sVaR measure for the South African business.
- Operational risk: Higher operating income attributable by AMA entities drove an increase in the Regulatory Floor (TSA Floor on AMA entities).

Notes

1 Absa Bank Limited includes subsidiary undertakings, special-purpose entities, joint ventures, associates and offshore holdings.
2 The 2017 minimum regulatory capital requirements are calculated at the BIS minimum regulatory capital requirement of 8%.
3 SA-CCR amount is calculated using CEM.
4 The capital conservation buffer is phased in between 1 January 2016 and 1 January 2019 reaching 2,5% by 1 January 2019.
5 The 2017 SA minimum regulatory capital requirements of 10,75% include the capital conservation buffer but excludes the bank-specific individual capital requirement (Pillar 2b add-on) and the D-SIB add-on.

Capital management and RWA

for the reporting period ended

Capital supply

Breakdown of qualifying capital

Group	30 June 2017 Rm	30 June 2017 %[1]	30 June 2016 Rm	30 June 2016 %[1]	31 December 2016 Rm	31 December 2016 %[1]
Common Equity Tier 1	**93 560**	**12,9**	79 249	11,3	80 451	11,4
Ordinary share capital	**1 694**	**0,2**	1 694	0,2	1 693	0,2
Ordinary share premium	**12 868**	**1,8**	4 412	0,6	4 468	0,6
Reserves[2]	**83 681**	**11,5**	75 621	10,8	78 546	11,2
Non-controlling interest	**1 831**	**0,3**	2 219	0,3	2 084	0,3
Deductions	**(6 514)**	**(0,9)**	(4 697)	(0,6)	(6 340)	(0,9)
Goodwill	**(690)**	**(0,1)**	(771)	(0,1)	(715)	(0,1)
Amount by which expected loss exceeds eligible provisions	**(2 073)**	**(0,3)**	(1 082)	(0,1)	(2 128)	(0,3)
Other deductions	**(3 751)**	**(0,5)**	(2 844)	(0,4)	(3 497)	(0,5)
Additional Tier 1 capital	**2 665**	**0,4**	3 713	0,6	3 557	0,5
Tier 1 capital	**96 225**	**13,3**	82 962	11,9	84 008	11,9
Tier 2 capital	**14 659**	**2,0**	13 645	1,9	15 495	2,2
Instruments recognised as Tier 2 capital	**14 163**	**2,0**	13 039	1,9	14 911	2,1
General allowance for impairment losses on loans and advances – standardised approach	**496**	**0,0**	606	0,0	584	0,1
Total qualifying capital (excluding unappropriated profits)	**110 884**	**15,3**	96 607	13,8	99 503	14,1
Qualifying capital (including unappropriated profits)						
Tier 1 capital	**101 802**	**14,0**	88 090	12,6	88 991	12,6
CET 1 (excluding unappropriated profits)	**93 560**	**12,9**	79 249	11,3	80 451	11,4
Unappropriated profits	**5 577**	**0,8**	5 128	0,8	4 983	0,7
Additional Tier 1	**2 665**	**0,3**	3 713	0,5	3 557	0,5
Tier 2 capital	**14 659**	**2,1**	13 645	2,0	15 495	2,2
Total qualifying capital (including unappropriated profits)	**116 461**	**16,1**	101 735	14,6	104 486	14,8

Leverage

Group	**2017 30 June**	2016 31 March	2016 31 December	2016 30 September
Leverage ratio exposure (Rm)	**1 259 572**	1 254 437	1 251 249	1 255 335
Tier 1 capital (excluding unappropriated profits) (Rm)	**96 225**	82 249	84 008	82 210
Tier 1 capital (including unappropriated profits) (Rm)	**101 802**	86 348	88 991	86 529
Leverage ratio (excluding unappropriated profits) (%)	**7,6**	6,6	6,7	6,5
Leverage ratio (including unappropriated profits) (%)	**8,1**	6,9	7,1	6,9
Board target leverage ratio (%)	**≥4,5**	≥4,5	≥4,5	≥4,5
Minimum required leverage ratio (%)	**4,0**	4,0	4,0	4,0

Notes

[1] Percentage of capital to RWAs.

[2] Reserves exclude unappropriated profits.

Capital management and RWA

for the reporting period ended

Capital supply *(continued)*

Absa Bank Limited[1]	30 June 2017 Rm	30 June 2017 %[2]	30 June 2016 Rm	30 June 2016 %[2]	31 December 2016 Rm	31 December 2016 %[2]
Common Equity Tier 1	**69 320**	**13,2**	50 908	10,1	54 185	10,5
Ordinary share capital	**304**	**0,1**	304	0,1	304	0,1
Ordinary share premium	**36 880**	**7,0**	22 964	4,6	24 964	4,8
Reserves[3]	**37 068**	**7,0**	31 791	6,2	33 560	6,5
Deductions	**(4 932)**	**(0,9)**	(4 151)	(0,8)	(4 643)	(0,9)
Amount by which expected loss exceeds eligible provisions	**(1 924)**	**(0,4)**	(2 162)	(0,4)	(1 983)	(0,4)
Other deductions	**(3 008)**	**(0,5)**	(1 989)	(0,4)	(2 660)	(0,5)
Additional Tier 1 capital	**2 293**	**0,4**	2 768	0,6	2 758	0,5
Tier 1 capital	**71 613**	**13,6**	53 676	10,7	56 943	11,0
Tier 2 capital	**15 154**	**2,9**	12 913	2,6	15 025	3,0
Instruments recognised as Tier 2 capital	**15 023**	**2,9**	12 731	2,5	14 881	2,9
General allowance for impairment losses on loans and advances – standardised approach	**131**	**0,0**	182	0,1	144	0,1
Total qualifying capital (excluding unappropriated profits)	**86 767**	**16,5**	66 589	13,3	71 968	14,0
Qualifying capital (including unappropriated profits)						
Tier 1 capital	**76 541**	**14,5**	57 178	11,4	62 744	12,2
CET 1 (excluding unappropriated profits)	**69 320**	**13,2**	50 908	10,1	54 185	10,5
Unappropriated profits	**4 928**	**0,9**	3 502	0,7	5 801	1,1
Additional Tier 1	**2 293**	**0,4**	2 768	0,6	2 758	0,6
Tier 2 capital	**15 154**	**2,9**	12 913	2,6	15 025	2,9
Total qualifying capital (including unappropriated profits)	**91 695**	**17,4**	70 091	14,0	77 769	15,1

Leverage

Absa Bank Limited[1]	2017 30 June	2017 31 March	2016 31 December	2016 30 September
Leverage ratio exposure (Rm)	**1 095 984**	1 092 562	1 088 789	1 083 526
Tier 1 capital (excluding unappropriated profits) (Rm)	**71 613**	55 656	56 943	54 197
Tier 1 capital (including unappropriated profits) (Rm)	**76 541**	62 228	62 744	59 274
Leverage ratio (excluding unappropriated profits) (%)	**6,5**	5,1	5,2	5,0
Leverage ratio (including unappropriated profits) (%)	**7,0**	5,7	5,8	5,5
Board target leverage ratio (%)	**≥4,5**	≥4,5	≥4,5	≥4,5
Minimum required leverage ratio (%)	**4,0**	4,0	4,0	4,0

Notes

[1] Absa Bank Limited includes subsidiary undertakings, special-purpose entities, joint ventures, associates and offshore holdings.

[2] Percentage of capital to RWAs.

[3] Reserves exclude unappropriated profits.

Capital management and RWA

for the reporting period ended

Economic capital adequacy (ECA)

EC is an estimate of the maximum downward deviation from expectation in shareholder value, measured on an economic basis over a one-year time horizon and at a 99,95% confidence level. In practice, EC provides a common basis on which to aggregate and compare different risk types using a single measure. EC measures all Basel III Pillar 1 risks as well as additional risks such as IRRBB and business risk.

The EC demand is compared to the Available Financial Resources (AFR), which is also referred to as EC supply, to evaluate the total EC excess. The Group ensures that there is sufficient capital in order to meet this demand as a minimum.

Group EC demand	30 June **2017[1]** **Rm**	30 June 2016[2] Rm	31 December 2016[2] Rm
Retail credit risk	**15 884**	21 553	20 370
Securitisation	**38**	58	10
Wholesale credit risk	**40 098**	40 098	39 463
Residual value risk	**388**	396	395
Operational risk	**7 018**	6 200	6 189
Traded market risk	**2 050**	1 896	2 076
Non-traded market risk	**7 077**	7 351	8 886
Equity investment risk	**1 902**	1 729	1 765
Property and equipment risk	**7 966**	6 500	6 628
Insurance risk	**2 890**	2 681	2 787
Business risk[3]	**6 804**	—	5 198
Total EC requirement	**92 115**	88 462	93 767
Total EC AFR[4]	**121 627**	97 343	115 571
Total EC excess	**29 512**	8 881	21 804

Notes

1 EC demand and AFR reflect a May 2017 spot value.

2 Reflects average EC demand.

3 Business risk is now included in risk appetite monitoring and in EC demand measurement.

4 A revised methodology has been used for calculating AFR, due to a revision in the EC framework, which was implemented in December 2016. The June 2016 EC excess has been calculated on the old methodology.

Credit ratings

	June 2017		
	Standard & Poor's[1]		Moody's
Credit ratings	Barclays Africa Group	Absa Bank Limited	Absa Bank Limited
National			
Short-term	zaB	zaA-1	Prime-1.za
Long-term	zaBB+	zaA	Aa1.za
Local currency			
Short-term	—	—	Prime-3
Long-term	—	—	Baa3
Outlook	—	—	Negative
Foreign currency			
Short-term	—	—	Prime-3
Long-term	—	—	Baa3
Outlook	—	—	Negative
Baseline credit assessment	—	—	Baa3
Group credit profile	bbb-	bbb-	—
Counterparty risk	—	—	Baa2 (cr)/P-2 (cr)

Note

[1] On 9 June 2017, Standard & Poor's issued a consultative document providing guidance on the recalibration of the South African National Scale Mapping Table which shows proposed changes to the relationship between global and national scale credit rating. Following the recent lowering of the sovereign ratings on the Republic of South Africa, it is expected that this recalibration will improve BAGL and Absa Bank's current national scale ratings.

This page has been left blank intentionally

Appendices

Segment report per market segment

for the reporting period ended

	RBB			
	30 June			31 December
	2017	2016[1]	Change %	2016[1]
Statement of comprehensive income (Rm)				
Net interest income	**15 780**	16 650	(5)	32 937
Non-interest income	**9 601**	9 483	1	19 127
Total income	**25 381**	26 133	(3)	52 064
Impairment losses on loans and advances	**(3 433)**	(3 855)	(11)	(7 371)
Operating expenses	**(14 836)**	(14 517)	2	(29 847)
Other operating expenses	**(146)**	(400)	(64)	(563)
Operating profit before income tax	**6 966**	7 361	(5)	14 283
Tax expense	**(2 071)**	(2 166)	(4)	(4 228)
Profit for the reporting period	**4 895**	5 195	(6)	10 055
Profit attributable to:				
Ordinary equity holders	**4 586**	4 795	(4)	9 324
Non-controlling interest – ordinary shares	**194**	288	(33)	501
Non-controlling interest – preference shares	**115**	112	3	230
	4 895	5 195	(6)	10 055
Headline earnings	**4 541**	5 021	(10)	9 531
Statement of financial position (Rm)				
Loans and advances to customers	**478 400**	477 671	0	474 340
Loans and advances to banks	**6 208**	6 482	(4)	6 348
Investment securities	**43 490**	41 579	5	42 138
Other assets	**288 093**	276 321	4	287 998
Total assets	**816 191**	802 053	2	810 824
Deposits due to customers	**350 234**	343 049	2	348 012
Debt securities in issue	**670**	1 161	(42)	871
Other liabilities	**458 280**	450 329	2	451 161
Total liabilities	**809 184**	794 539	2	800 044

Note

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

CIB				WIMI				Head Office, Treasury and other operations			
30 June			31 December	30 June			31 December	30 June			31 December
		Change				Change				Change	
2017	2016[1]	%	2016[1]	**2017**	2016[1]	%	2016[1]	**2017**	2016	%	2016[1]
5 196	4 725	10	9 519	**176**	191	(8)	374	**(361)**	(473)	(24)	(827)
3 322	3 284	1	6 685	**2 509**	2 502	0	4 847	**(183)**	146	<(100)	(268)
8 518	8 009	6	16 204	**2 685**	2 693	(0)	5 221	**(544)**	(327)	66	(1 095)
(329)	(1 382)	(76)	(1 403)	**(3)**	2	<(100)	(10)	**(8)**	38	<(100)	33
(3 901)	(3 865)	1	(7 786)	**(1 842)**	(1 778)	4	(3 540)	**541**	673	(20)	1 217
(131)	(121)	8	(191)	**(107)**	(52)	>100	(171)	**(332)**	(644)	(48)	(1 080)
4 157	2 641	57	6 824	**733**	865	(15)	1 500	**(343)**	(260)	32	(925)
(957)	(539)	78	(1 406)	**(180)**	(257)	(30)	(291)	**17**	(35)	<(100)	90
3 200	2 102	52	5 418	**553**	608	(9)	1 209	**(326)**	(295)	11	(835)
2 970	1 898	56	4 996	**551**	621	(11)	1 223	**(326)**	(295)	11	(835)
167	150	11	306	**—**	(15)	(100)	(19)	**—**	—	—	—
63	54	17	116	**2**	2	—	5	**—**	—	—	—
3 200	2 102	52	5 418	**553**	608	(9)	1 209	**(326)**	(295)	11	(835)
2 970	1 932	54	5 030	**574**	621	(8)	1 258	**(315)**	(322)	(2)	(839)
244 387	230 573	6	239 690	**5 485**	5 895	(7)	5 660	**713**	1 070	(33)	619
30 036	39 149	(23)	34 122	**1 709**	2 173	(21)	1 973	**25 498**	35 858	(29)	7 347
28 970	21 247	36	25 431	**4 532**	4 703	(4)	4 687	**38 842**	34 034	14	42 059
216 725	238 998	(9)	201 358	**39 406**	37 322	6	38 687	**(326 437)**	(310 606)	5	(311 434)
520 118	529 967	(2)	500 601	**51 132**	50 093	2	51 007	**(261 384)**	(239 644)	9	(261 409)
241 287	232 652	4	223 817	**4 904**	4 925	(0)	5 144	**99 937**	96 342	4	97 892
12 282	17 411	(29)	14 326	**—**	—	—	—	**127 240**	125 950	1	124 517
261 052	276 044	(5)	255 545	**40 978**	39 784	3	40 548	**(575 423)**	(545 853)	5	(563 090)
514 621	526 107	(2)	493 688	**45 882**	44 709	3	45 692	**(348 246)**	(323 561)	8	(340 681)

Total excluding Group normalised performance				Barclays separation				Group			
30 June			31 December	30 June			31 December	30 June			31 December
2017	2016	Change %	2016 Rm	2017	2016	Change %	2016	2017 Rm	2016	Change %	2016
20 791	21 093	(1)	42 003	46	—	100	—	20 837	21 093	(1)	42 003
15 249	15 415	(1)	30 391	238	—	100	—	15 487	15 415	0	30 391
36 040	36 508	(1)	72 394	284	—	100	—	36 324	36 508	(1)	72 394
(3 773)	(5 197)	(27)	(8 751)	—	—	—	—	(3 773)	(5 197)	(27)	(8 751)
(20 038)	(19 487)	3	(39 956)	(460)	—	100	—	(20 498)	(19 487)	5	(39 956)
(716)	(1 217)	(41)	(2 005)	(325)	—	100	—	(1 041)	(1 217)	(14)	(2 005)
11 513	10 607	9	21 682	(501)	—	100	—	11 012	10 607	4	21 682
(3 191)	(2 997)	6	(5 835)	111	—	100	—	(3 080)	(2 997)	3	(5 835)
8 322	7 610	9	15 847	(390)	—	100	—	7 932	7 610	4	15 847
7 781	7 019	11	14 708	(390)	—	100	—	7 391	7 019	5	14 708
361	423	(15)	788	—	—	—	—	361	423	(15)	788
180	168	7	351	—	—	—	—	180	168	7	351
8 322	7 610	9	15 847	(390)	—	100	—	7 932	7 610	4	15 847
7 770	7 252	7	14 980	(152)	—	100	—	7 618	7 252	5	14 980
728 985	715 209	2	720 309	—	—	—	—	728 985	715 209	2	720 309
63 451	83 662	(24)	49 790	—	—	—	—	63 451	83 662	(24)	49 790
115 834	101 563	14	114 315	—	—	—	—	115 834	101 563	14	114 315
217 787	242 035	(10)	216 609	11 819	—	100	—	229 606	242 035	(5)	216 609
1 126 057	1 142 469	(1)	1 101 023	11 819	—	100	—	1 137 876	1 142 469	(0)	1 101 023
696 362	676 968	3	674 865	—	—	—	—	696 362	676 968	3	674 865
140 192	144 522	(3)	139 714	—	—	—	—	140 192	144 522	(3)	139 714
184 887	220 304	(16)	184 164	104	—	100	—	184 991	220 304	(16)	184 164
1021 441	1 041 794	(2)	998 743	104	—	100	—	1021 545	1 041 794	(2)	998 743

This page has been left blank intentionally

Segment report per geographical segment

for the reporting period ended

	South Africa			
	30 June			31 December
	2017	2016[1]	Change %	2016[1]
Statement of comprehensive income (Rm)				
Net interest income	**15 617**	15 549	0	31 129
Non-interest income	**12 828**	12 621	2	24 969
Total income	**28 445**	28 170	1	56 098
Impairment losses on loans and advances	**(3 135)**	(4 269)	(27)	(7 019)
Operating expenses	**(15 981)**	(14 483)	10	(30 351)
Other operating expenses	**(951)**	(1 132)	(16)	(1 789)
Operating profit before income tax	**8 378**	8 286	1	16 939
Tax expenses	**(2 188)**	(2 205)	(1)	(4 224)
Profit for the reporting period	**6 190**	6 081	2	12 715
Profit attributable to:				
Ordinary equity holders	**5 890**	5 781	2	12 099
Non-controlling interest – ordinary shares	**120**	132	(9)	265
Non-controlling interest – preference shares	**180**	168	7	351
	6 190	6 081	2	12 715
Headline earnings	**6 149**	6 015	2	12 336
Operating performance (%)				
Net interest margin on average interest-bearing assets	**4,47**	4,50		4,46
Credit loss ratio	**0,91**	1,24		1,00
Non-interest income as % of income	**45,1**	44,8		44,5
Income growth	**1**	9		5
Cost growth	**10**	4		4
Cost-to-income ratio	**56,2**	51,4		54,1
Statement of financial position (Rm)				
Loans and advances to customers	**650 047**	633 335	3	642 432
Loans and advances to banks	**49 720**	62 675	(21)	21 702
Investment securities	**87 348**	80 117	9	90 557
Other assets	**177 625**	195 028	(9)	182 220
Total assets	**964 740**	971 155	(1)	936 913
Deposits due to customers	**576 366**	553 806	4	562 872
Debt securities in issue	**139 671**	144 185	(3)	139 383
Other liabilities	**153 727**	194 929	(21)	153 921
Total liabilities	**869 764**	892 920	(3)	856 176
Financial performance (%)				
RoRWA	**2,22**	2,27		2,29
RoA	**1,30**	1,27		1,30

		30 June			31 December
Key rest of Africa closing exchange rates in ZAR terms		**2017**	2016	Change %	2016
Botswana	ZAR/BWP	**1,28**	1,35	(5)	1,28
Ghana	ZAR/GHS	**2,99**	3,71	(20)	3,24
Kenya	ZAR/KES	**0,13**	0,14	(13)	0,13
Mauritius Onshore	ZAR/MUR	**0,38**	0,41	(7)	0,38
Mauritius Offshore	ZAR/USD	**13,10**	14,63	(10)	13,67
Mozambique	ZAR/MZN	**0,22**	0,23	(5)	0,19
Namibia	ZAR/NAD	**1,00**	1,00	(0)	0,98
Seychelles	ZAR/SCR	**0,97**	1,14	(15)	1,01
Tanzania	ZAR/TZS	**0,01**	0,01	(12)	0,01
Uganda	ZAR/UGX	**0,00**	0,00	—	0,00
Zambia	ZAR/ZMW	**1,44**	1,51	(5)	1,38

Note

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

Rest of Africa					Group				
30 June				31 December	30 June				31 December
2017	2016[1]	C%	Change %	2016[1]	**2017**	2016	C%	Change %	2016
5 220	5 544	10	(6)	10 874	**20 837**	21 093	3	(1)	42 003
2 659	2 794	10	(5)	5 422	**15 487**	15 415	3	0	30 391
7 879	8 338	10	(6)	16 296	**36 324**	36 508	3	(1)	72 394
(638)	(928)	(21)	(31)	(1 732)	**(3 773)**	(5 197)	(26)	(27)	(8 751)
(4 517)	(5 004)	4	(10)	(9 605)	**(20 498)**	(19 487)	9	5	(39 956)
(90)	(85)	19	6	(216)	**(1 041)**	(1 217)	(14)	(14)	(2 005)
2 634	2 321	37	13	4 743	**11 012**	10 607	8	4	21 682
(892)	(792)	30	13	(1 611)	**(3 080)**	(2 997)	7	3	(5 835)
1 742	1 529	41	14	3 132	**7 932**	7 610	9	4	15 847
1 501	1 238	53	21	2 609	**7 391**	7 019	10	5	14 708
241	291	(6)	(17)	523	**361**	423	(7)	(15)	788
—	—	—	—	—	**180**	168	7	7	351
1 742	1 529	41	14	3 132	**7 932**	7 610	9	4	15 847
1 469	1 237	50	19	2 644	**7 618**	7 252	9	5	14 980
7,15	7,29			7,29	**4,93**	5,01			4,95
1,37	1,67			1,60	**0,96**	1,29			1,08
33,7	33,5			33,3	**42,6**	42,2			42,0
(5)	27			16	**(1)**	13			8
(10)	18			12	**5**	7			6
57,3	60,0			58,9	**56,4**	53,4			55,2
78 938	81 874	8	(4)	77 877	**728 985**	715 209	3	2	720 309
13 731	20 988	(29)	(35)	28 087	**63 451**	83 663	(23)	(24)	49 789
28 486	21 446	50	33	23 758	**115 834**	101 563	17	14	114 315
51 981	47 005	41	11	34 388	**229 606**	242 034	(1)	(5)	216 610
173 136	171 314	17	1	164 110	**1 137 876**	1 142 469	2	(0)	1 101 023
119 996	123 162	9	(3)	111 993	**696 362**	676 968	5	3	674 865
521	337	68	55	331	**140 192**	144 522	(3)	(3)	139 714
31 264	25 375	73	23	30 243	**184 991**	220 304	(13)	(16)	184 164
151 781	148 874	53	2	142 567	**1 021 545**	1 041 794	1	(2)	998 743
1,84	1,52			1,64	**2,18**	2,08			2,14
1,75	1,41			1,54	**1,37**	1,29			1,34

RBB

for the reporting period ended

	RBB South Africa			
	30 June			31 December
	2017	2016[1]	Change %	2016[1]
Statement of comprehensive income (Rm)				
Net interest income	**12 525**	12 829	(2)	25 587
Non-interest income	**8 344**	8 014	4	16 345
Total income	**20 869**	20 843	0	41 932
Impairment losses on loans and advances	**(2 911)**	(3 208)	(9)	(6 022)
Operating expenses	**(11 639)**	(10 871)	7	(22 843)
Other operating expenses	**(75)**	(339)	(78)	(432)
Operating profit before income tax	**6 244**	6 425	(3)	12 635
Tax expenses	**(1 775)**	(1 797)	(1)	(3 528)
Profit for the reporting period	**4 469**	4 628	(3)	9 107
Profit attributable to:				
Ordinary equity holders	**4 231**	4 383	(3)	8 611
Non-controlling interest – ordinary shares	**123**	133	(8)	266
Non-controlling interest – preference shares	**115**	112	3	230
	4 469	4 628	(3)	9 107
Headline earnings	**4 205**	4 611	(9)	8 822
Statement of financial position (Rm)				
Loans and advances to customers	**439 167**	433 165	1	434 139
Loans and advances to banks	**6 208**	6 482	(4)	6 348
Investment securities	**43 483**	41 575	5	42 132
Other assets	**243 630**	234 933	4	247 914
Total assets	**732 488**	716 155	2	730 533
Deposits due to customers	**289 695**	276 123	5	286 297
Debt securities in issue	**640**	1 161	(45)	871
Other liabilities	**434 321**	431 206	1	431 572
Total liabilities	**724 656**	708 490	2	718 740

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
2017	2016[1]	Change %	2016[1]	**2017**	2016[1]	Change %	2016[1]
3 255	3 821	(15)	7 350	**15 780**	16 650	(5)	32 937
1 257	1 469	(14)	2 782	**9 601**	9 483	1	19 127
4 512	5 290	(15)	10 132	**25 381**	26 133	(3)	52 064
(522)	(647)	(19)	(1 349)	**(3 433)**	(3 855)	(11)	(7 371)
(3 197)	(3 646)	(12)	(7 004)	**(14 836)**	(14 517)	2	(29 847)
(71)	(61)	16	(131)	**(146)**	(400)	(64)	(563)
722	936	(23)	1 648	**6 966**	7 361	(5)	14 283
(296)	(369)	(20)	(700)	**(2 071)**	(2 166)	(4)	(4 228)
426	567	(25)	948	**4 895**	5 195	(6)	10 055
355	412	(14)	713	**4 586**	4 795	(4)	9 324
71	155	(54)	235	**194**	288	(33)	501
—	—	—	—	**115**	112	3	230
426	567	(25)	948	**4 895**	5 195	(6)	10 055
336	410	(18)	709	**4 541**	5 021	(10)	9 531
39 233	44 506	(12)	40 201	**478 400**	477 671	0	474 340
—	—	—	—	**6 208**	6 482	(4)	6 348
7	4	75	6	**43 490**	41 579	5	42 138
44 463	41 388	7	40 084	**287 993**	276 321	4	287 998
83 703	85 898	(3)	80 291	**816 091**	802 053	2	810 824
60 539	66 926	(10)	61 715	**350 234**	343 049	2	348 012
30	—	100	—	**670**	1 161	(42)	871
23 959	19 123	25	19 589	**458 180**	450 329	2	451 161
84 528	86 049	(2)	81 304	**809 084**	794 539	2	800 044

CIB

for the reporting period ended

	Corporate			
	30 June			31 December
	2017	2016[1]	Change %	2016[1]
Statement of comprehensive income (Rm)				
Net interest income	**3 635**	3 277	11	6 784
Non-interest income	**929**	907	2	1 873
Total income	**4 564**	4 184	9	8 657
Impairment losses on loans and advances	**(163)**	(383)	(57)	(468)
Operating expenses	**(2 296)**	(2 279)	1	(4 533)
Other operating expenses	**(19)**	(26)	(27)	(47)
Operating profit before income tax	**2 086**	1 496	39	3 609
Tax expenses	**(582)**	(365)	59	(897)
Profit for the reporting period	**1 504**	1 131	33	2 712
Profit attributable to:				
Ordinary equity holders	**1 356**	1 017	33	2 459
Non-controlling interest – ordinary shares	**125**	95	32	211
Non-controlling interest – preference shares	**23**	19	21	42
	1 504	1 131	33	2 712
Headline earnings	**1 356**	1 016	33	2 460
Statement of financial position (Rm)				
Loans and advances to customers	**118 818**	114 391	4	114 550
Loans and advances to banks	**2 654**	2 007	32	1 110
Investment securities	**6 315**	5 697	11	5 966
Other assets	**97 316**	98 257	(1)	92 324
Total assets	**225 103**	220 352	2	213 950
Deposits due to customers	**208 728**	204 532	2	198 186
Debt securities in issue	**5**	10	(50)	5
Other liabilities	**15 269**	14 678	4	13 221
Total liabilities	**224 002**	219 220	2	211 412

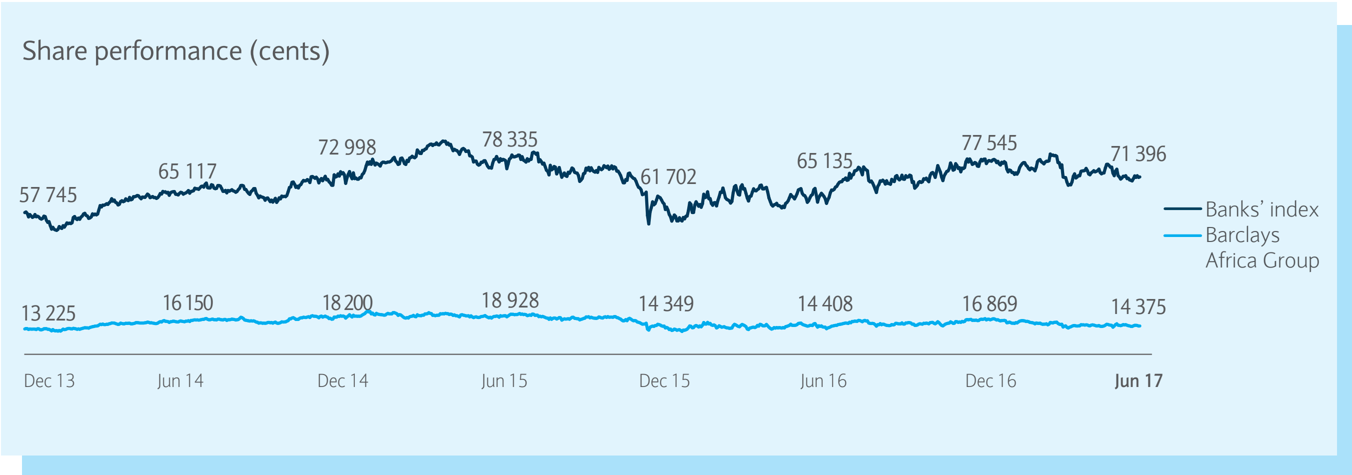
Note

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

Investment Bank				Total CIB			
30 June			31 December	30 June			31 December
2017	2016[1]	Change %	2016[1]	**2017**	2016[1]	Change %	2016[1]
1 561	1 448	8	2 735	**5 196**	4 725	10	9 519
2 393	2 377	1	4 812	**3 322**	3 284	1	6 685
3 954	3 825	3	7 547	**8 518**	8 009	6	16 204
(166)	(999)	(83)	(935)	**(329)**	(1 382)	(76)	(1 403)
(1 605)	(1 586)	1	(3 253)	**(3 901)**	(3 865)	1	(7 786)
(112)	(95)	18	(144)	**(131)**	(121)	8	(191)
2 071	1 145	81	3 215	**4 157**	2 641	57	6 824
(375)	(174)	>100	(509)	**(957)**	(539)	78	(1 406)
1 696	971	75	2 706	**3 200**	2 102	52	5 418
1 614	881	83	2 537	**2 970**	1 898	56	4 996
42	55	(24)	95	**167**	150	11	306
40	35	14	74	**63**	54	17	116
1 696	971	75	2 706	**3 200**	2 102	52	5 418
1 614	916	76	2 570	**2 970**	1 932	54	5 030
125 569	116 182	8	125 140	**244 387**	230 573	6	239 690
27 382	37 142	(26)	33 012	**30 036**	39 149	(23)	34 122
22 655	15 550	46	19 465	**28 970**	21 247	36	25 431
119 409	140 741	(15)	109 034	**216 725**	238 998	(9)	201 358
295 015	309 615	(5)	286 651	**520 118**	529 967	(2)	500 601
32 559	28 120	16	25 631	**241 287**	232 652	4	223 817
12 277	17 401	(29)	14 321	**12 282**	17 411	(29)	14 326
245 783	261 366	(6)	242 324	**261 052**	276 044	(5)	255 545
290 619	306 887	(5)	282 276	**514 621**	526 107	(2)	493 688

Share performance

for the reporting period ended



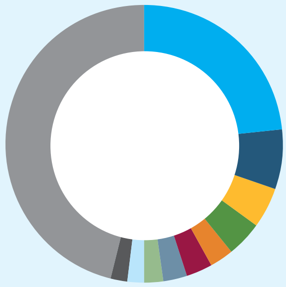
Share performance on the JSE	30 June 2017	30 June 2016	Change %	31 December 2016
Number of shares in issue, which includes **680 929** (2016: 1 075 595) treasury shares	**847 750 679**	847 750 679	—	847 750 679
Market prices (cents per share):				
closing	**14 375**	14 408	(0)	16 869
high	**14 450**	15 744	(8)	17 155
low	**14 149**	12 273	15	11 955
average	**15 215**	14 124	8	14 777
Closing price/NAV per share (excluding preference shares) (%)	**1,14**	1,33	(14)	1,54
Price-to-earnings ratio (closing price/HEPS) (%)	**16,0**	16,8	(5)	9,5
Volume of shares traded (million)	**621,9**	484,8	28	772,8
Value of shares traded (Rm)	**91 785,7**	26 427,0	>100	111 191,8
Market capitalisation (Rm)	**121 864,2**	122 143,9	(0)	143 007,1
Annual total return (%)	**6,9**	(15,8)	<(100)	24,6

Shareholder information and diary

for the reporting period ended

Major ordinary shareholders (%)

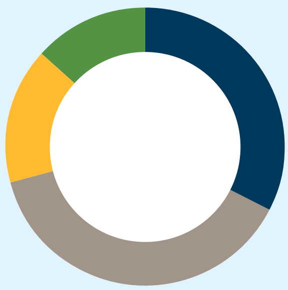
23,38 (50,10) Barclays Bank PLC (UK)[1]
7,12 (6,81) Public Investment Corporation (SA)
4,62 (2,89) Old Mutual Asset Managers (SA)
4,13 (1,48) Allan Gray (SA)
2,95 (1,52) Prudential Investment Managers (SA)
2,95 (1,54) Black Rock Incorporated (US)



2,70 (1,55) The Vanguard Group Incorporated (US, AU)
2,22 (0,00) Mondrian Investment Partners Ltd (UK)
1,96 (0,75) Schroders Plc (US)
1,90 (1,42) Sanlam Investment Management (SA)
46,07 (31,94) Other

Major shareholding split by geography (%)

32,69 (52,97) United Kingdom
38,36 (28,46) South Africa
15,85 (10,49) United States and Canada
13,10 (8,08) Other countries



Shareholder diary

Financial year-end	31 December 2017
Announcement of the 2017 results[2]	22 February 2018
Annual general meeting[2]	15 May 2018

Dividend	Declaration date	Last day to trade	Ex-dividend date	Record date	Payment date
Interim	28 July 2017	5 September 2017	6 September 2017	8 September 2017	11 September 2017
Final[2]	22 February 2018	10 April 2018	11 April 2018	13 April 2018	16 April 2018

Note
[1] Barclays has forward-sold 7,0% to the PIC, with transfer pending receipt by PIC of required regulatory approvals, and 1,5% to a BAGL B-BBEE structure, with transfer pending establishment of a suitable structure by BAGL. Once these forward sales have been settled, Barclays' shareholding will be at 14,9%.
[2] 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.

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

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

Glossary

Borrowed funds

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

Capital adequacy ratio

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

Capital – Common Equity Tier 1

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

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

Capital – Additional Tier 1 capital

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

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

Capital – Common Equity Tier 1 capital adequacy ratio

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

Capital – Tier 2 capital

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

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

Capital – Tier 2 ratio

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

Claims ratio

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

Combined ratio

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

Conduct risk

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

Glossary

Constant currency

The selected line items from the Condensed consolidated statement of comprehensive income and Condensed consolidated statement of financial position for the rest of Africa market segment disclosed on pages 94 and 95, 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.

The percentage change based on constant currency has been presented to provide information on the impact of foreign currency movements on the local currency earnings. This is calculated for the Statement of comprehensive income and Statement of financial position, by translating the previous and current reporting periods' results at the exchange rate as at the current reporting date and comparing the two outcomes.

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.

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

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.

Glossary

Economic capital

Economic capital is an estimate of the maximum downward deviation from expectation in shareholder value, measured on an economic basis over a one-year time horizon and at a 99,95% confidence level. This sets the internal capital requirement deemed necessary by the Group to support the risks to which it is exposed.

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.

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.

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.

Glossary

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.

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.

Glossary

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.

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 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.

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.

Glossary

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

A

AEaR	annual earnings at risk
AFR	available financial resources
AFS	annual financial statements
AIRB	advanced internal ratings-based approach
AMA	advanced measurement approach
ATC	Africa Treasury Committee

B

BAGL	Barclays Africa Group Limited
Basel	Basel Capital Accord
BERC	BAGL Executive Risk Committee
BBBEE	broad-based black economic empowerment
BCBS	Basel Committee on Banking Supervision
BIA	basic indicator approach
bps	basis points
BU	business unit

C

CAR	capital adequacy requirement
CCF	credit conversion factor
CCP	central counterparty
CCR	counterparty credit risk
CEM	current exposure method
CET1	Common Equity Tier 1
CFP	contingency funding plan
CIB	Corporate and Investment Bank
CLF	committed liquidity facility
CLGD	country loss given default
CMRA	conduct material risk assessments
CoRC	Concentration Risk Committee
CPF	Commercial Property Finance
CPRF	Conduct Principal Risk Framework
CR	credit risk
CRC	Control Review Committee
CRCC	Country Risk and Control Review Committee
CRM	credit risk mitigation
CRRC	Conduct and Reputational Risk Committee
CSA(s)	collateral support annexure(s)
CVA	credit valuation adjustment

D

DGS	Deposit Guarantee Scheme
D-SIBs	domestic-systemically important banks
DVaR	daily value at risk

E

EAD	exposure at default
EC	economic capital
ECA	economic capital adequacy
Edcon	Edcon Store Card portfolio
EL	expected loss
ERMF	Enterprise Risk Management Framework
EVE	economic value of equity
EWIs	early warning indicators

F

FRTB	Fundamental Review of the Trading Book
FX	Forex

G

GAC	Group Actuarial Committee
GACC	Group Audit and Compliance Committee
GCC	Group Credit Committee
GCCO	Group Chief Credit Officer
GCE	Group Chief Executive
GCRO	Group Chief Risk Officer
GMRA	Global Master Repurchase Agreement
GMRC	Group Market Risk Committee
GMRP	Group Model Risk Policy
GMSLA	Global Master Securities Lending
GRCMC	Group Risk and Capital Management Committee
Group	Barclays Africa Group Limited
GWWR	general wrong way risk

H

HQLA	high-quality liquid assets
HR	high risk

I

IAA	internal assessment approach
IAS	International Accounting Standard(s)
IAS 28	IAS 28 Investments in Associates
IAS 39	IAS 39 Financial Instruments: Recognition and Measurement
ICAAP	internal capital adequacy assessment process
ICMA	International Capital Market Association
IFRS	International Financial Reporting Standard(s)
IFRS 9	Financial Instruments
IFRS 11	Joint Arrangements
IMA	internal models approach
IMM	internal model method
IRB	internal ratings-based
IRBA	internal ratings-based approach
IRC	incremental risk charge
IRRBB	interest rate risk in the banking book
ISDA	International Swaps and Derivatives Association
ISLA	International Securities Lending Association
IT	information technology
IVC	Independent Valuation Committee

J

JIBAR	Johannesburg Interbank Agreed Rate
JSE	Johannesburg Stock Exchange

K

KCI	key control indicator
KI	key indicator
KPI	key performance indicators
KRI	key risk indicator
KRO	Key Risk Officer
KRS	Key Risk Scenarios

Abbreviations and acronyms

L

LCR	liquidity coverage ratio
LGD	loss-given-default
LRA	liquidity risk appetite
LTV	loan-to-value

M

MC	BAGL Models Committee
MR	market risk

N

NCWO	no-creditor-worse-off
NII	net interest income
NPL(s)	non-performing loan(s)
NSFR	net stable funding ratio

O

OR&CC	Operational Risk and Control Committee
ORMF	Operational Risk Management Framework
ORSA	Own Risk and Solvency Assessment
ORX	operational risk data exchange
OTC	over-the-counter

P

PD	probability of default
PF	project finance
PFE	potential future exposure
PKIs	predictive key indicators
PIT	point-in-time
PRO	Principal Risk Officer
PSE	public sector entity
PVIF	present value of in-force book

Q

QCCP	qualifying central counterparty

R

RBA	ratings-based approach
RBB	Retail and Business Banking
RC	regulatory capital
RDARR	Risk data aggregation and risk reporting
RoE	return on average equity
RoRWA	return on average risk-weighted assets
RRP	recovery and resolution plan
RSU	Risk Sanctioning Unit
RW	risk-weight
RWA	risk-weighted assets
RWR	right way risk

S

SA	standardised approach
SA-CCR	standardised approach for counterparty credit risk
SAM	Solvency Assessment and Management
SARB	South African Reserve Bank
SEC	securitisations
SFA	supervisory formula approach
SL	specialised lending
SME	small and medium-sized enterprises
SSFA	simplified supervisory formula approach
sVaR	stressed value at risk
SWWR	specific wrong way risk

T

TLAC	total loss-absorbing capacity
TRC	Trading Risk Committee
TSA	the standard approach
TTC	through-the-cycle

V

VAF	Vehicle and Asset Finance
VaR	value at risk

W

WIMI	Wealth, Investment Management and Insurance
WL	watch list

Administration and contact details

Barclays Africa Group Limited

Incorporated in the Republic of South Africa

1986/003934/06

Authorised financial services and registered credit provider (NCRCP7)

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 of Investor Relations

Alan Hartdegen

Telephone: +27 11 350 2598

Group Company Secretary

Nadine Drutman

Telephone: +27 11 350 5347

Head of Financial Control

John Annandale

Telephone: 27 11 350 3496

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

KPMG Inc.

Telephone: +27 11 647 7111

kpmg.com/ZA/en/Home

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

Bastion