BARCLAYS

Barclays Africa Group Limited

Integrated Report 2013

A landmark deal

Absa Group's purchase of the majority of the Barclays Africa operations was the largest acquisition ever by an African bank on the continent. The deal was concluded ahead of time with all eight targeted countries in first closing. Through this transaction, we created one of the biggest banks in Africa with operations in 12 countries, more than 42 000 permanent employees, over 1 300 branches and more than 10 700 ATMs.

The new entity, renamed Barclays Africa Group Limited, is in the unique position of being regionally and locally relevant, while being able to leverage the strength of its global parent company to achieve its growth ambitions in its chosen markets.

The first share trade on the JSE of the enlarged new listed entity was on 2 August 2013. Symbolic of our new Pan-African business, our headquarters – Absa Towers West – was transformed overnight to Barclays Towers West.

Scope, boundaries and reporting standards

This report covers the period 1 January to 31 December 2013 and where material, includes information up to 20 March 2014, as well as certain forward-looking statements and targets. This is our first report including our new African operations. While we have management responsibility for Barclays Bank PLC operations in Egypt and Zimbabwe, unless specified, these are not part of our disclosures. While we endeavour to include all African countries in all our disclosures, where data is not available, disclosures focus on the South African operations which generate the majority of the Group's earnings. Any restatements are noted.

As a company incorporated in South Africa and listed on the JSE, our primary focus is on South African regulatory reporting requirements, including the South African Companies Act, No 71 of 2008, the Banks Act, No 94 of 1990, the JSE Limited Listings Requirements and the King Code of Governance for South Africa 2009 (King III). There are a number of additional international reporting frameworks such as the Global Reporting Initiative's G4 guidelines and the AccountAbility AA1000 sustainability principles of inclusivity, materiality and responsiveness and select international regulations, which influence our disclosures. We also consider selected evolving integrated reporting guidelines, such as the International Integrated Reporting Framework.

- Further reading
- Audited
- Online information
- Assured indicator

Introducing our 2013 integrated report

We present here our third integrated report for the Group and our first since concluding the transaction to purchase the Barclays operations in Botswana, Ghana, Kenya, Mauritius, Seychelles, Tanzania, Uganda and Zambia. To reflect our Pan-African footprint, the Group was renamed Barclays Africa Group Limited.

This report communicates how we aim to become the 'Go-To' bank in Africa and realise our Purpose – to help people achieve their ambitions – in the right way. Our Values are what we believe in. If we live by them we will deliver solid results for our shareholders and sustainable value for all our stakeholders.

Traditionally, annual reports presented a retrospective view of financial performance. While retaining this important aspect, we continue on our journey to describe and quantify how we achieve the creation of non-financial value, sometimes referred to as intrinsic value, intangible value, or sustainability. Such value provides a longer-term view of the health of the business. It flows from the strength of our relationships and the quality of our resources, in particular our people, and it hinges on how we leverage these, through our business model and strategies, to enable all our stakeholders to prosper.

The integration of financial and non-financial aspects comes together in our balanced scorecard: Customer & Client, Colleagues, Citizenship, Conduct and Company. These describe and define our material issues and the indicators that measure our performance. Our executive team is tasked with and remunerated for reaching the targets we have set across each scorecard element.

The material issues reviewed in this report take into account our operating environment, current performance and stakeholder feedback gathered throughout the year. Our executive management and Board deem these issues to be those that most influence our ability to successfully execute our One Africa strategy and manage the risks we face.

We believe this report shows that we are building the 'Go-To' bank in Africa and a business that is creating sustainable value and prosperity for all its stakeholders.

Signed by

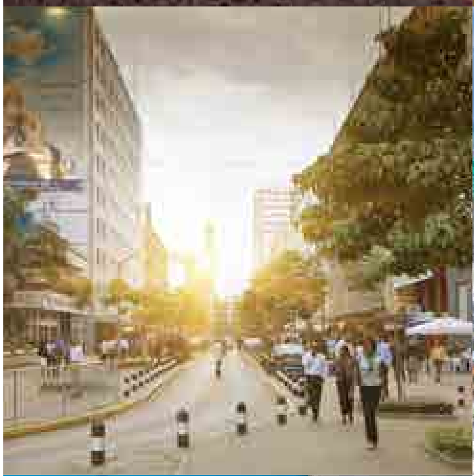
Wendy Lucas-Bull
Group Chairman

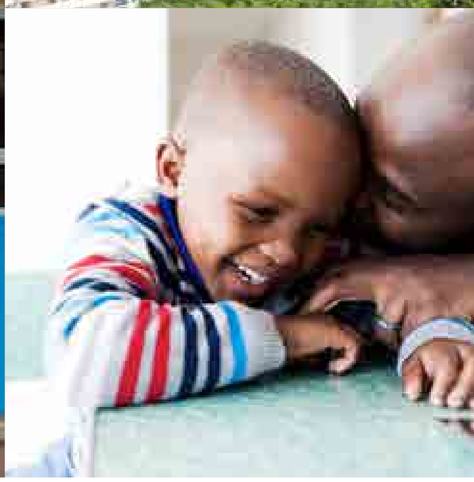
Maria Ramos
Chief Executive Officer

This report focuses on the issues we deem most material to our ability to create value. Additional disclosures relevant to special interest groups, including our full financial and risk disclosures, as well as our environmental and citizenship reviews, can be found online at:

www.reports.barclaysafrica.com




Contents

Report overview

Barclays Africa Group Limited is one of Africa's major financial services providers offering personal and business banking, credit cards, corporate and investment banking, wealth and investment management as well as bancassurance. With our longstanding presence in 12 African markets we have an unparalleled platform to capture the growth opportunity in Africa.

Our Purpose
Helping people achieve their ambitions – in the right way

Our Goal
To be the 'Go-To' bank in Africa

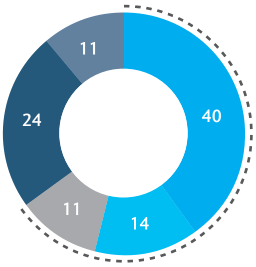
Our Values
Respect, Integrity, Service, Excellence, Stewardship

Group profile, page 4
Business model, page 5

We are uniquely positioned as a fully global, fully regional and fully local bank and aspire to build the leading universal 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 presence countries.

Chief Executive Officer's Review, page 12

Headline earnings by business[1]



Retail and Business banking
- Retail Banking South Africa
- Business Banking South Africa
- Retail and Business Rest of Africa

Corporate, Investment Bank and Wealth
Financial Services

11,96 million customers supported by our **42 thousand** colleagues and reached through over **1 300** branches and more than **10 700** ATMs

Note
[1] Excludes head office, inter-segment eliminations and other.

Our material issues

We assess various issues and influences within the context of our operating environment, strategic ambitions and business model, as well as through the lens of good corporate citizenship. From 2013, we have contextualised the issues we believe materially influence our sustainability within our Group balanced scorecard.

Our material issues, page 7

Customers and Clients
Our value proposition which includes our products and services, accessibility, quality of our IT infrastructure, service excellence and trust and safety (of money, information and personal safety)

Customer and Client scorecard review, page 20

Colleagues
Attracting and retaining talent, increasing our succession coverage, employee engagement, diversity and inclusion, skills development, performance and reward and health and wellness (including financial health).

Colleague scorecard review, page 23

Citizenship
Employee conduct, effective stakeholder management, managing environmental and social impacts, access to financial services, helping businesses start up and grow, youth employability and community upliftment.

Citizenship scorecard review, page 25
Full Citizenship report

Conduct
Maintaining high ethical standards, responsible lending, treating customers fairly and regulatory change.

Conduct scorecard review, page 28
Governance review, page 73

Company
Management of risk, capital, liquidity as well as revenue and cost growth

Financial Director's review, page 31
Risk review, page 41
Condensed financial statements, page 112
Full financial statements
Full risk report

Executing our One Africa Strategy

Our strategy informs and is tested against our material issues and is implemented through five strategic themes

Customers and clients at the core
Deliver superior customer and client service and make their lives much easier through innovation and value-for-money products.

Build out the platform
Enable growth, scale and efficiency, while supporting our focus on customer and client demands and risk management.

Control and compliance
Embed a culture of transparency and proactive support for risk, governance and control.

People centricity
Engage, empower and create a diverse and inclusive environment where our people can develop further and fulfil their potential.

Deliver sustainable growth
Expand our presence in our priority markets by developing our tailored value propositions.

Measuring our performance through our balanced scorecard

Helping people to achieve their ambitions – in the right way

Customer and Client

RBB: ranking of Relationship Net Promoter Score® versus peer set
5th in 2013 **1st** Target 2018

CIB: Compound annual growth rate in client franchise contribution (%)
10[1] in 2013 **11** Target 2018

Company

Return on equity (%)
15,5 in 2013 **18 to 20** Target 2015

Core Tier 1 equity ratio (%)
11,9 in 2013 **9,5 to 11** Target 2016

Cost-to-income ratio (%)
56,3 in 2013 **Low 50s** Target 2016

Revenue share from outside of South Africa (%)
19 in 2013 **20 to 25** Target 2016

Colleagues

Sustained engagement of colleagues score (%)
74 in 2013 **≥84** Target 2018

Women in senior leadership (%)
26 in 2013 **35** Target 2018

Senior black management (EE)%[2]
32,2 in 2013 **60** Target 2017

Conduct

Conduct reputation (YouGov survey)
6,3/10[3] in 2013 Target to be published in our 1H14 results

Citizenship

Citizenship plan – number of initiatives on track or ahead
6/8 in 2013 **100%** Target 2018

Notes

[1] 2012/2013 growth rate.
[2] South Africa.
[3] 2013 conduct reputation survey only included South Africa, Kenya and Botswana. Survey data is subject to the standard, statistical errors associated with market research of this kind.
® Net Promoter, Net Promoter Score and NPS are trademarks of Satmetrixs Systems Inc., Bain and Co Inc. and Fred Reichheld.

For further information on the balanced scorecard methodology and data sources.

Good corporate governance

This is the foundation on which we build shareholder value and our remuneration approach supports our One Africa strategy and effective remuneration governance.

Chairman's statement, page 71
Governance review, page 73
Remuneration review, page 88

Group profile

Barclays Africa Group Limited (Barclays Africa or the Group) is a diversified, full-service financial services provider offering an integrated set of products and services across personal and business banking, credit cards, corporate and investment banking, wealth and investment management and insurance.

The Group was formed by combining Absa Group Limited with the majority of the Barclays' African operations on 31 July 2013. Reflecting our Pan-African focus, we changed our name to Barclays Africa Group Limited from Absa Group Limited on 2 August 2013.

With our longstanding presence in 12 African markets we have a strong platform to capture the growth opportunity in Africa.

Our purpose

We exist for the purpose of helping people achieve their ambitions – in the right way.

We exist for our clients and customers, our shareholders, our colleagues and other stakeholders.

Helping them in the right way means what we do becomes as important as how we do it.

Our goal

To be the 'Go-To' bank in Africa.

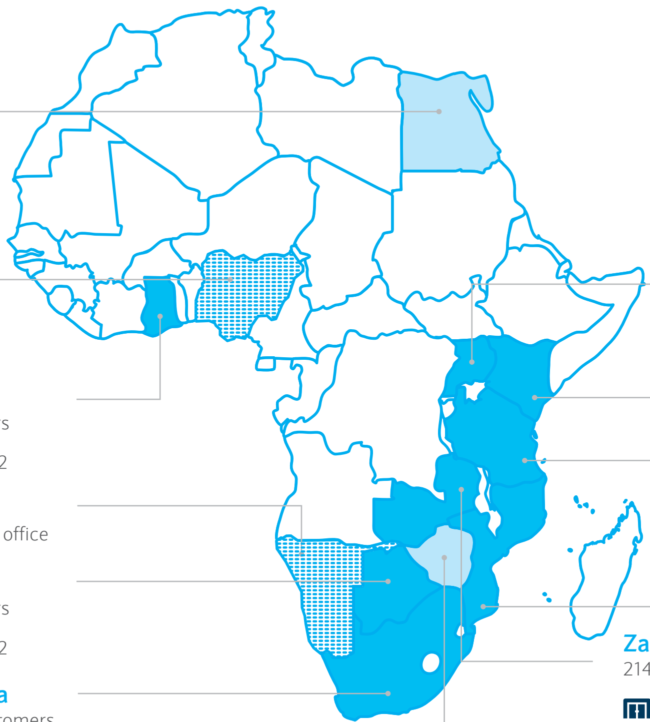
We are uniquely positioned as a fully global, fully regional and fully local bank. We combine our global product knowledge with regional expertise and our extensive and well-established local presence in Africa to serve our customers and clients. We will differentiate ourselves through relentless focus on customer and client service and targeted innovation to grow sustainably.

Our values

- **Respect:** We respect and value those we work with and the contribution that 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.

Our footprint

12	11,96	1 314	10 780	42 356
countries	million customers	branches	ATMs	permanent employees



Legend

Branches | ATMs

Barclays Africa
Barclays Africa representative offices
Barclays PLC operations managed by Barclays Africa

Egypt
Managed

Nigeria
Representative office

Ghana
453k customers
Branches 67 ATMs 142

Namibia
Representative office

Botswana
253k customers
Branches 49 ATMs 102

South Africa
9,4 million customers
Branches 829 ATMs 9 618

Uganda
140k customers
Branches 41 ATMs 65

Kenya
718k customers
Branches 122 ATMs 225

Seychelles
17k customers
Branches 7 ATMs 16

Tanzania BBT
87k customers
Branches 24 ATMs 42

Tanzania NBC
463k customers
Branches 52 ATMs 272

Zambia
214k customers
Branches 55 ATMs 151

Zimbabwe
Managed

Mozambique
119k customers
Branches 43 ATMs 105

Mauritius
96k customers
Branches 25 ATMs 42

Business model

Our customers and clients are at the centre of our goal and purpose.

Delivering value

We are uniquely positioned as a fully global, fully regional and fully local bank and aspire to build the leading universal 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 presence countries.

We help create, grow and protect wealth so that individuals, companies, countries and wider society can achieve their ambitions in the right way.

Our customers are

- Individual customers that want a safe place to store their savings and grow their wealth, need loans and credit cards to finance their purchases, secure their valuables and current accounts to make and receive payments.
- Companies that want to make and receive payments, seek funds for business growth, secure against risk and require advice on starting, buying and selling businesses.
- Leading international companies, sovereigns and institutions that want to raise or deploy capital, move money in and across jurisdictions and get advice on mergers and acquisitions.

We do this by providing essential banking services and insurance across sectors, regions and the continent.

We provide them

- A full suite of savings and investments, insurance, credit and loan facilities and payment services to meet their day-to-day banking and insurance needs.
- Small and big businesses need a trusted partner to help them pay staff, process payments, insure against risks and source working capital.
- We provide everything from advice on corporate finance to macro-economic research and capital markets execution
to risk management.

We differentiate ourselves from competitors in our credentials and our approach.

- Strong brands and a long, proud history over 100 years of serving customers and clients across Africa.
- A strong, well-funded, diversified balance sheet.
- Pan-African reach, representation and access to global expertise.
- World-class products and services and a track record of innovating for customers and clients.
- High-calibre employees committed to helping their customers and clients achieve their ambitions in the right way.

We generate income from supplying these services in various ways

- Our net interest margin – the difference between the interest we pay on deposits and the risk-adjusted returns we receive on loans and advances to our customers and clients.
- Fees charged for the delivery of transaction services, advice and financial solutions.
- Commission and spreads on transactions in our investment bank.

Our approach delivers broader value in the unique way we do business

- High-quality service for customers and clients globally.
- Challenging, meaningful and fulfilling careers for our people in a values driven organisation.
- Long-term sustainable returns for our investors, based on diversified income streams and risk.
- Employment and economic growth in the countries in which we operate.
- Engagement with governments and civil society to address social issues and needs.

Together, our activities generate sustainable returns over the long term for our shareholders and help our wider stakeholders realise their ambitions.

Our business model

We seek to satisfy the needs of our customers and clients by offering a comprehensive value proposition – a full range of products and services – and through this, we aim to achieve sustainable returns.

Our competitive advantage is the scale and diversity of our business and our ability to combine our global product knowledge with our regional expertise and our extensive and well established local presence in Africa to serve our customers and clients. We are fully global, fully regional and fully local.

- Retail and Business Banking (RBB) delivers targeted solutions to individuals and small businesses.
- Corporate, Investment Bank and Wealth (CIBW) operates a global model, leveraging their offerings, tapping into global expertise to provide comprehensive solutions across borders. From 2014 this cluster will be reported as Corporate and Investment Bank (CIB).
- Financial Services cluster enhances the RBB customer and client value proposition with financial solutions. Following the integration of the wealth business, from 2014 this cluster will be reported as Wealth, Investment Management and Insurance (WIMI).

We are increasingly operating a shared service model for group support functions. Improved functionalisation has allowed us to take advantage of synergies through the sharing of ideas and collaboration.

The sum of the parts

Our business model enables us to remain relevant to our customers and clients, whatever stage of life they are in. For example, this means being ready to help business owners launch a business, fund its growth, expand internationally and protect it against currency risk. For individuals, we provide day-to-day transactional banking across multiple channels, a safe place to save, help a first-time buyer take their step onto the property ladder, create an investment portfolio as wealth grows and insure them against risk, or provide cross-border advice for the affluent.

We seek to add value for our customers and clients through our end-to-end network. For example, retail customers in South Africa are able to access current and savings account balances and insurance, all on the same online platform.

We have a responsibility to work with regulators to provide a more sustainable banking landscape over the long term. We actively engage with our banking supervisors to ensure our business is sustainable and flexible – ready for the future.

Meeting customer and client needs

Our value proposition

Our customers and clients are at the centre of our goal and purpose and we seek to become their ‘Go-To’ bank through the excellence of our products and services and the way in which we do business. We believe we can become the bank of choice for all of our stakeholders.

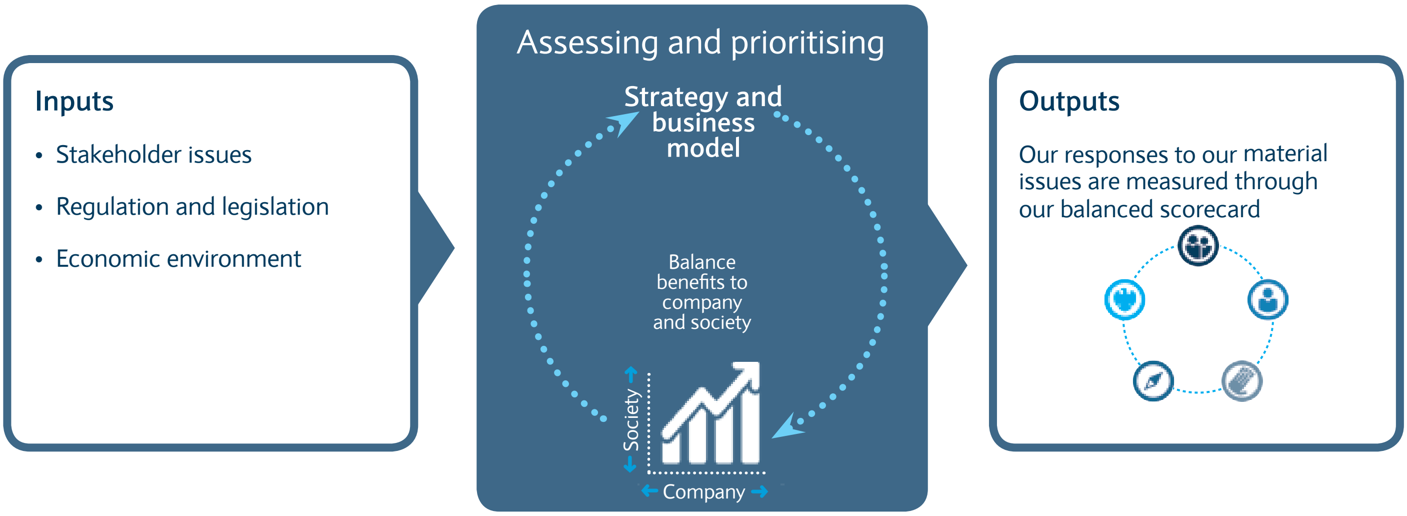
<table>
<tr><th></th><th>Individuals</th><th>Small- and medium-size businesses</th><th>Corporates</th><th>Financial institutions and banks</th><th>Sovereigns and institutions</th></tr>
<tr><td rowspan="5">A safe place to save, invest and manage cash</td><td colspan="5">Current accounts and overdrafts</td></tr>
<tr><td colspan="5">Savings, deposits and investment products</td></tr>
<tr><td colspan="4">Mobile and digital payments</td><td></td></tr>
<tr><td colspan="2">Stock broking and trading services</td><td colspan="3">Access to global financial markets</td></tr>
<tr><td></td><td colspan="4">Cash management, payment systems and international trade services</td></tr>
<tr><td rowspan="4">Funds for purchases and growth</td><td rowspan="2">Residential home loans, personal loans and credit cards</td><td colspan="3">Commercial property finance and business loans</td><td></td></tr>
<tr><td colspan="4">Asset and lease finance, trade and supplier finance and working capital solutions</td></tr>
<tr><td colspan="2"></td><td colspan="3">Global capital markets</td></tr>
<tr><td colspan="2"></td><td colspan="3">Large corporate and inter-bank lending</td></tr>
<tr><td rowspan="3">Management of business and financial risks</td><td colspan="5">Foreign exchange rate hedging</td></tr>
<tr><td colspan="4">Fixed-rate loans</td><td></td></tr>
<tr><td colspan="2"></td><td colspan="3">Inflation and interest rate hedging</td></tr>
<tr><td rowspan="2">Financial and business support</td><td rowspan="2">Personal and private banking advice</td><td colspan="4">Relationship managers and support</td></tr>
<tr><td>Business seminars and start-up support</td><td colspan="3">Global investment research and advice on mergers and acquisitions</td></tr>
<tr><td>Protect against risks</td><td colspan="4">Insurance (life, credit and short-term)</td><td></td></tr>
</table>

Our material issues

Introduction

While our strategy is focused on the opportunity for growth, we are cognisant of the risks that require management and oversight. In identifying the issues we believe are material to our long-term sustainability, we first discover and raise issues, then assess and prioritise these issues and finally, we define our responses and measure our performance.

This section describes how we derive our material issues and ensure an effective response through the balanced scorecard.



Step one: Discover and raise issues and impacts

What we do, the operating environment and our stakeholder issues all influence our business. They provide the backdrop against which we make decisions and assess risk.

Three profound industry challenges will impact our business going forward:

- A protracted period of subdued economic growth.
- A regulatory environment that is rapidly evolving and where there are still unknowns.
- Rising customer and client expectations.

Global growth continued to recover steadily in 2013, with growth in emerging markets slowing. Overall, central banks maintained their stance regarding monetary policy, some cutting interest rates, others continuing to inject liquidity in the financial system. Economic growth in South Africa was muted by the ongoing deterioration in household balance sheets and a lacklustre job market. Consumer appetite for credit continued to wane and investment in infrastructure has yet to catch up with expectation. We expect a modest recovery in South Africa's GDP growth to 2,7% in 2014 (1,8% last year). In an environment where inflation breaches the upper end of the inflation target range and risks are tilted to the upside, the South African Reserve Bank is likely to hike interest rates further. The African continent, the second fastest growing region in the world after Asia, continues to deliver opportunities for the business investor. Trends driving growth in Africa include strong growth in mobile and digital connectivity, providing access to a large, unbanked population; investments in infrastructure that have the advantage of leapfrogging legacy technologies; an emerging middle class; and increased demand in the corporate sector for finance to fund growth activities. We see growth picking up slightly in the markets where we have presence.

The issues raised by our stakeholders guide our strategy and our responses as we seek to become the 'Go-To' bank in Africa. Our engagement and the issues raised are summarised in the table below. The icons indicate where in the balanced scorecard we are responding to these issues.

Stakeholder group	Key issues raised
Customer and client **Why they matter:** Our customers and clients are at the core of everything we do and our strategy is based on their needs and expectations. Our goal is to help them to achieve their ambitions in the right way. **How we engage:** Customer experience programme, including surveys and focus groups – Corporate websites and social media – Complaints management process – Face-to-face interaction – Customer forums – Relationship managers – Marketing, sponsorship and advertising	• Improving the ease and convenience of banking. • Raising our level of service. • Efficient and timely complaints resolution. • Increasing access to credit. • Reducing the cost of banking services. • Increasing financial inclusion. • Preventing digital fraud.
Colleagues **Why they matter:** Our colleagues are the primary interface between us and our key stakeholders and are critical to meeting our goals and fulfilling our purpose. **How we engage:** Human resource business partners – Employee opinion surveys – Intranet (My HR Portal) and leadership blogs – Diversity forums – Employee contact centre – Television broadcasts, email communiqués, newsletters and magazine – Line manager performance discussion – Corporate-specific and other training interventions	• Recognising and rewarding performance excellence. • Embedding transformation throughout the organisation. • Improving employee engagement. • Putting our Values and Behaviours into practice. • Communicating consistently across the most resonant platforms.
Shareholders **Why they matter:** As providers of capital our shareholders have invested in the Group. We require a strong relationship to ensure a shared expectation around our vision, strategy and future performance. **How we engage:** JSE SENS announcements – Financial results – Roadshows and conferences – Management meetings and query resolution – Investor days – Annual general meeting – Integrated report	• Planning for an uncertain economic recovery. • Accelerating revenue growth. • Maintaining adequate credit provisions in a climate of rising interest rates. • Managing the Africa portfolio while turning around RBB in South Africa. • Returning surplus capital. • Ensuring a stable management team.
Suppliers **Why they matter:** We partner with a number of key suppliers to serve our customers and clients, underlining the importance of reliable, quality and cost-effective suppliers. **How we engage:** Specialised publications – Supplier internet site – Periodic supplier management meetings – Requests for proposal – Procurement conferences	• Gaining and maintaining access to procurement opportunities. • Clarifying how we manage and support smaller/local suppliers.

Stakeholder group	Key issues raised
Government and regulators **Why they matter:** Governments and regulators provide the legal and regulatory frameworks that guide the way we do business. These enable a fair, ethical and competitive environment. **How we engage:** Management meetings – Written responses in consultation processes – Presentations and feedback sessions – Conferences – Participation in working groups and forums – Regulator surveillance and interaction – Tenders	• Maintaining financial system stability. • Developing the regulatory oversight structures for the 'Twin Peaks' framework. • Responding to labour focused legislative changes. • Supporting affordable housing initiatives. • Providing access to affordable financial services.
Industry associations **Why they matter:** Industry associations are an excellent forum for debating industry issues providing a stronger platform to engage and give voice to our business concerns. These bodies can serve as an important link between individual companies, regulators and governments. **How we engage:** Round table discussions – Participation in association boards – Council attendance – Working groups	• Personal lending environment, including the credit amnesty. • Adapting to and influencing changes to legislation/regulations that have a disproportionate impact on business. • Meeting new operational standards that impact the Group (such as smart ID cards, CIPC change of Company codes, South African Reserve Bank cross-border reporting).
Charities and non-governmental organisations **Why they matter:** The success of our business depends on the wellbeing of the societies in which we operate. Charities and non-governmental organisations enable the Group to amplify our impact in addressing a number of socio-economic challenges. **How we engage:** Community investments – Financial literacy programmes – Employee participation – Community investment stakeholder and sector forums and events, including sponsorship – Community investment research – Electronic channels such as the internet	• Bridging the gap between training/education and job creation and between enterprise development, SME funding and business opportunities. • Ensuring a consistent community investment strategy and funding commitment. • Collaborating with the community investment sector to build knowledge and best practice.

Step two: Assess and prioritise for risk and opportunity

The various issues raised through stakeholder engagement and arising from our operating environment are weighed up against our strategic ambitions and business model. These are prioritised using a variety of lenses appropriate to our business, including our corporate citizenship framework, long-term sustainability, reputation management and risk factors, taking into account the likelihood and size of any potential loss. Overall governance of this process is provided by the Board and the independence of our risk and compliance frameworks provided the balance.

The prioritised issues are encapsulated into material issues which are then reported within the balanced scorecard.

Step three: We respond and measure our progress

Specific actions are identified to ensure an appropriate response to the material issues and measures are put into place to ensure progress can be tracked to pre-determined targets in our balanced scorecard. The scorecard is regularly reported at management and Board level and will be integral to our external reporting as shown in this report. This scorecard, alongside our Purpose and Values is embedded in how we measure and reward individual and business performance. This creates a clear and direct alignment between our remuneration policy, Group strategy, Values and key business objectives.

Scorecard elements	Material issues
Customer and Client We are becoming the 'Go-To' bank for our customers and clients.	Our value proposition: • Products and services. • Accessibility. • Quality of our IT infrastructure. • Service excellence. • Trust and safety (of their money, information and person when in our branches).
Colleague We create a diverse and inclusive environment where colleagues can fulfil their potential.	• Attracting and retaining talent. • Increasing our succession coverage. • Employee engagement. • Diversity and inclusion. • Skills development. • Performance and reward. • Health and wellness (including financial health).
Citizenship We ensure our decisions take account of stakeholder needs in the short and long term. We positively impact the communities in which we operate.	• Employee conduct. • Effective stakeholder management. • Managing environmental and social impacts. • Access to financial services. • Helping businesses start up and grow. • Youth employability and community upliftment.
Conduct Our products and services are designed and distributed to meet our clients' needs and are consistent with our mutual risk appetite and prices appropriately.	• Maintaining high ethical standards. • Responsible lending. • Treating customers fairly. • Regulatory change.
Company We create sustainable returns above the cost of equity. We understand and effectively manage our risks and continuously improve control.	• Managing risk, capital and liquidity. • Revenue and cost growth.

How we are responding	Performance measures
• We are using technology to improve our customers' and clients' experience such as mobile banking, our online insurance platform, BARX and Barclays.Net. • We continue to simplify our most important customer and client interactions (such as customer on-boarding and loan applications). • We are simplifying our products and services to match our customers' and clients' needs with the right service model. • We reviewed our complaints management processes, reducing complaints. Absa was ranked as the best bank in the industry Ombudsman's complaints report.	**RBB: ranking of Relationship Net Promoter Score® versus peer sets** **5th** in 2013 Target in 2018 **1st** **CIB: Compound annual growth rate in client franchise contribution (%)** **10**[1] in 2013 Target in 2018 **11** Further metrics are reported in our Customer and Client scorecard review, page 20.
• We are embedding our Purpose and Values and integrating them into recruitment, promotion and performance management. • We have strengthened our leadership team and continue to develop and train our leaders and talent through the Barclays Leadership Academy, the Pan-Africa Graduate Programme and other initiatives. • We are driving a comprehensive diversity and inclusion plan.	**Sustained engagement of colleagues score (%)** **74** in 2013 Target in 2018 **≥84%** **Women in senior leadership (%)** **26** in 2013 Target in 2018 **35** **Senior black management (EE)**[2] **32,2** in 2013 Target in 2017 **60** Further metrics are reported in our Colleague scorecard review, page 23.
• We ensure the way we do business reflects broader societal and environmental considerations. • We are contributing to growth through financing and supporting businesses and ensuring our products and services support sustainable progress. • We are helping young people develop their employability and financial skills, as well as starting their own enterprises.	**Citizenship plan – number of initiatives on track or ahead** **6/8** in 2013 Target in 2018 **100%** Further metrics are reported in our Citizenship scorecard review, page 25.
• We will implement a formal, rigorous and transparent framework to effectively identify, assess, manage and report conduct risk. • We are building our capacity to reduce or avoid the impacts of poor conduct on all our stakeholders, including customers and clients, counterparties and markets in general.	**Conduct reputation (YouGov survey)** **6,3**[3]**/10** in 2013 Target to be published in our 1H14 results Further metrics are reported in our Conduct scorecard review, page 28.
• We have committed to clear financial targets. • We are investing over R3 billion into growth initiatives. • We are creating an efficient and highly competitive business by investing in smarter systems and better ways of doing business. • We continue to improve our controls, including the implementation of an updated enterprise risk management framework.	**Return on equity (%)** **15,5** in 2013 Target in 2015 **18 to 20** **Core Tier 1 equity ratio (%)** **11,9** in 2013 Target in 2016 **9,5 to 11** **Cost-to-income ratio (%)** **56,3** in 2013 Target in 2016 **Low 50s** **Revenue share from outside of South Africa (%)** **19** in 2013 Target in 2016 **20 to 25** Further metrics are reported in our Financial Director's review, page 31 and risk summary, page 41.

Notes

[1] 2012/2013 growth rate.
[2] South Africa.
[3] 2013 conduct reputation survey only included South Africa, Kenya and Botswana. Survey data is subject to the standard, statistical errors associated with market research of this kind.
® Net Promoter, Net Promoter Score and NPS are trademarks of Satmetrixs Systems Inc., Bain and Co Inc. and Fred Reichheld.

Strategy and balanced scorecard

Executing our One Africa Strategy through 5 strategic themes...

Customers and clients at the core
Deliver superior customer and client service and make their lives much easier through innovation and value-for-money products.

Build out the platform
Enable growth, scale and efficiency, while supporting our focus on customer and client demands and risk management.

Control and compliance
Embed a culture of transparency and proactive support for risk, governance and control.

People centricity
Engage, empower and create a diverse and inclusive environment where our people can develop further and fulfil their potential.

Deliver sustainable growth
Expand our presence in our priority markets by developing our tailored value propositions.

And we measure our performance through our balanced scorecard

We balance our stakeholders' needs across the short and long term.

Our activities drive mutually re-inforcing outcomes across our stakeholders.

Customer and Client

RBB: ranking of Relationship Net Promoter Score® versus peer set
5th in 2013 **1st** Target 2018

CIB: Compound annual growth rate in client franchise contribution (%)
10[1] in 2013 **11** Target 2018

Company

Return on equity (%)
15,5 in 2013 **18 to 20** Target 2015

Core Tier 1 equity ratio (%)
11,9 in 2013 **9,5 to 11** Target 2016

Cost-to-income ratio (%)
56,3 in 2013 **Low 50s** Target 2016

Revenue share from outside of South Africa (%)
19 in 2013 **20 to 25** Target 2016

Colleague

Sustained engagement of colleagues score (%)
74 in 2013 **≥84** Target 2018

Women in senior leadership (%)
26 in 2013 **35** Target 2018

Senior black management (EE)%[2]
32,2 in 2013 **60** Target 2017

Conduct

Conduct reputation (YouGov survey)
6,3/10[3] in 2013 Target to be published in our 1H14 results

Citizenship

Citizenship plan – number of initiatives on track or ahead
6/8 in 2013 **100%** Target 2018

Notes
[1] 2012/2013 growth rate.
[2] South Africa.
[3] 2013 conduct reputation survey only included South Africa, Kenya and Botswana. Survey data is subject to the standard, statistical errors associated with market research of this kind.
® Net Promoter, Net Promoter Score and NPS are trademarks of Satmetrix Systems Inc., Bain and Co Inc. and Fred Reichheld.

For further information on the balanced scorecard methodology and data sources.

Executive Committee

Anil Hinduja (50)
Chief Risk Officer
MBA
Undergraduate Degree in Business
Joined the Group and Exco in 2013
1.

Charles Wheeler (49)
General Counsel
BA, LLB, HDip (Tax)
Joined the Group and Exco in 2013
3.

Bobby Malabie (53)
Group Executive: Marketing, Communications, Citizenship and Public Affairs
BCom (Accounting), MBA, MDP
Joined the Group and Exco in 2010
2.

Craig Bond (52)
Chief Executive: Retail and Business Banking (RBB)
BCom; LLB, HDip Tax, SEP
Joined the Group and Exco in 2013
4.

1. **Anil Hinduja** is the Chief Risk Officer. He joined Barclays PLC in March 2009 after having spent 19 years in Citigroup in diverse roles with increasing responsibility across finance, operations, sales and distribution, business and risk management in India and North America. In risk, he was global director for consumer credit risk and then chief risk officer for US consumer lending prior to being appointed as president and CEO of home equity in the US.

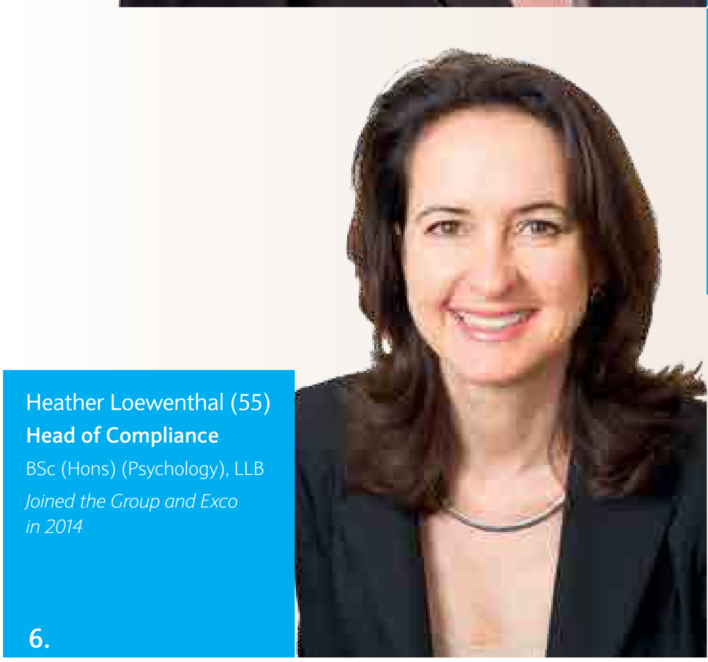
2. **Bobby Malabie** is the Group Executive: Marketing, Group Communications, Citizenship and Public Affairs. He has held senior roles within Charter Life, Nedbank Group and South African Breweries. He then joined Liberty Group, where he held the position of chief executive officer: marketing and distribution.

3. **Charles Wheeler** is the General Counsel. Previously he worked as director: legal services at Standard Bank until 2003; as group executive: commercial legal at MTN Group Limited until 2010 and most recently as a legal consultant for Webber Wentzel.

4. **Craig Bond** is the Chief Executive: Retail and Business Banking. Previously, he was the managing director of Tourvest Investment Corporation Limited and head of personal, private and branch banking at Nedbank and Peoples Bank. He spent 12 years at Standard Bank including as chief executive of Standard Bank Asia and Industrial and Commercial Bank of China strategic partnership.

David Hodnett (44)
Deputy Chief Executive Officer and Financial Director
BCom, CA(SA), MBA
Joined the Group and Exco in 2008
5.

Kennedy Bungane (39)
Chief Executive: Regional Management and Strategy
BCom, MBA and AMP
Joined the Group and Exco in 2012
7.



Heather Loewenthal (55)
Head of Compliance
BSc (Hons) (Psychology), LLB
Joined the Group and Exco in 2014
6.

Maria Ramos (54)
Chief Executive Officer
Institute of Bankers' Diploma (CAIB), BCom (Hons), MSc (Economics)
Joined the Group and Exco in 2009
8.

5. **David Hodnett** is the Deputy Chief Executive Officer and Financial Director. He completed his articles with KPMG and became a partner in the financial services team. He then joined Standard Bank group, where he was involved in group risk and retail credit functions. David joined the Group in 2008 as the Chief Risk Officer and became the Group's Financial Director on 1 March 2010. In December 2013, David was appointed as Deputy Chief Executive Officer. He has oversight of the Chief Operating Officer's portfolio and responsibility for significant Group-wide change initiatives.

6. **Heather Loewenthal** is the Head of Compliance. She was previously chief risk officer and general counsel for ING Australia and global chief compliance officer for the ING Group. She has also held national and regional executive positions with various other national and international financial institutions, including Westpac and St George.

7. **Kennedy Bungane** is the Chief Executive: Regional Management and Strategy. He started his career in retail at Standard Bank in 1991 and held a variety of senior positions. Kennedy has extensive experience in financial services, having served in the position of chief executive of corporate and investment banking at Standard Bank of South Africa since 2009. He is responsible for all operational and business activities of BAGL outside South Africa and leads business strategy across Africa.

8. **Maria Ramos** is the Chief Executive Officer. She was previously the director-general of the National Treasury and in January 2004, she was appointed as the group chief executive of Transnet Limited. Maria joined Absa as Group Chief Executive Officer in March 2009 and is a member of the Barclays PLC Executive Committee.

Nomkhita Nqweni (39)

Chief Executive: Wealth and Investment Management

BSc, Post Graduate Diploma (Investment Management)

Joined the Group in 2010 and appointed to Exco in 2011

9.

Stephen van Coller (47)

Chief Executive: Corporate and Investment Banking

BCom (Hons), HDip Acc, CA(SA), CMA(UK)

Joined the Group in 2006 and appointed to Exco in 2009

11.

Sarah Louw (48)

Chief Executive: Human Resources

HDip (Labour Relations), Dip (Personnel Management) (IPM)

Joined the Group and Exco in 2013

10.

Willie Lategan (45)

Chief Executive: Wealth, Investment Management and Insurance

BCom (Hons), FASSA; AMP

Joined the Group in 1995 and appointed to Exco in 2007

12.

9. **Nomkhita Nqweni** is the Chief Executive: Wealth and Investment Management. She spent the majority of her career at Alexander Forbes performing a variety of functions. Prior to her joining Barclays Africa Group, she was the managing director of Alexander Forbes Financial Services Holdings Limited.

10. **Sarah Louw** is the Chief Executive: Human Resources. She was previously employed by Anglo American PLC for 24 years and most recently held the position of head of human resources: other mining and industrial businesses.

11. **Stephen van Coller** is the Chief Executive: Corporate and Investment Banking (CIB). He initially worked at Ernst & Young Inc. In 1991 he moved to the United Kingdom, where he held a number of positions. Returning to South Africa, Stephen worked at Deutsche Bank where his last role was head: coverage and corporate advisory. After joining the Group in 2006, Stephen held the positions of Deputy Chief Executive and Head: Investment Banking at Absa Capital. He became Chief Executive of CIB in 2009.

12. **Willie Lategan** is the Chief Executive: Wealth, Investment Management and Insurance. He joined Absa Consultants and Actuaries as an actuary in 1995. He subsequently served as General Manager: Operations; as Managing Director: Absa Life; and Managing Executive: Absa Financial Services Corporate division. Willie participates in the Association for Savings and Investments SA and the Actuarial Society of South Africa.

Management performance review

Section contents

Chief Executive Officer's review

We met our key commitments to the market with improved credit quality and robust cost containment although revenue growth remained challenging. The Barclays Africa deal gives us access to markets with good growth prospects and I am confident that we have the right strategy in place to capture this opportunity.

Introduction

2013 was a landmark year. We entered it with our focus firmly fixed on concluding the Barclays Africa deal and by August, we had successfully executed the transaction ahead of schedule. Creating Barclays Africa Group was the critical step in building the foundation for a Pan-African financial institution that will deliver sustainable results. The combination of a powerful local bank, a powerful regional bank and a powerful global player creates a formidable competitive advantage for us, the benefits of which we will pass on to all our stakeholders.

Economic context

The broad macro-economic context across Africa was mixed in 2013. Subdued global demand and slower household consumption growth contributed to measured expansion in South Africa. Protracted industrial action in key sectors, the depreciation of the rand and interest rate hikes will remain risks for future economic growth, while at the same time continuing to put pressure on consumers and businesses alike.

By contrast, economic growth in countries in the Rest of Africa where Barclays is present remained resilient in 2013 at an estimated growth rate of over 6%. We expect growth in these countries to remain substantially higher than in South Africa.

These mixed economic fortunes across our continent only serve to underline the importance of our One Africa strategy. I view diversifying into Africa as the central strategic initiative of last year, allowing us to benefit from these growth opportunities. The fact that our 2013 revenue growth in the Rest of Africa was three times higher than that for the old Absa Group is a testament to the strategic necessity and opportunity that lies in diversification.

Business review

In the face of a constrained economic environment in South Africa, we took prudent steps to manage our risk profile. We reduced our exposure to personal loans and these now make up only 4% of our total retail loan book. In addition, we further increased our balance sheet portfolio provisions on our performing loans by 35% (up R1 billion to R3,8 billion), reflecting the challenging economic climate.

It was not just the prevailing economic conditions we had to navigate. The regulatory environment has been evolving and changing in response to the issues that surfaced during the financial crisis, both globally and in Africa, and this has continued to have an impact on our business in 2013. Importantly, after successfully implementing Basel III, our balance sheet remains well capitalised and can support our growth strategy. Furthermore, we reduced our private equity portfolio by a further 42% to R3,3 billion in response to Dodd Frank. Our focus in CIB has for years shifted to our client and corporate franchise – resulting in solid net revenue growth of 10%.

We have, of course, also faced increasingly strong competition and lagged some of our peers, particularly in RBB in South Africa. We have put the right plan in place to remedy this and, as a consequence, have stabilised customer attrition in important segments. The fact that we moved from worst to best bank in the Ombudsman's complaints league table is further evidence that the transition is under way. Momentum is equally apparent in CIB, where we saw an 8% increase in transactional volumes last year, strong growth in term debt (up 25%) and documentary trade products (up 32%) in South Africa and an increase of revenue outside of South Africa by 21%.

Appropriate conduct remains a focus for all financial institutions following the financial crisis and we have concentrated a large part of our attention in 2013 on embedding our Values through rolling out training to ensure that we all consistently live the right behaviours. From 2014, we will not only measure and compensate our employees on what they have achieved but also on how they have achieved it.

In summary, we have built a better base for more sustainable earnings in 2013 as we continued to de-risk our business and deal with significant internal and external change. We have done this while delivering solid headline earnings growth and building forward momentum with the completion of the Barclays Africa transaction. Being a part of Barclays PLC Group creates important benefits for our business – it offers new growth opportunities, helps us to reduce costs for our business and is the basis of our competitive advantage that we can pass on to our customers and clients.

Forward momentum

With the Barclays Africa Group, we bring together the best of our African businesses and the best of our global franchise so that we can become the first choice when clients and customers think about their banking needs. In other words, we are building the fully local, fully regional and fully global 'Go-To' bank.

As a result, we have set ourselves ambitious goals and clear targets. We will achieve these by focusing our efforts on four areas:

RBB turnaround

Contributing 65% to our headline earnings, excluding Group Centre, RBB remains our largest business and South Africa our largest market. Regaining our leading market position must, therefore, be a priority for us and we have put a programme in place that will turnaround the business and drive the build-out across the continent. This programme focuses on improved service offerings to existing and new customers, providing a better customer experience, appropriate levels of credit extension, innovative products and improved access. We are focusing intently on operational excellence, delivering shortened processing times for our customers at a reduced cost for us.

Investing in Corporate Banking

Our strategic positioning resonates particularly well with corporate clients and we see a significant opportunity to expand our footprint in Corporate Banking across Africa. We have invested in our people and systems which will allow us to develop our expertise and product portfolio in South Africa and across the continent, in particular: foreign exchange, corporate debt, trade finance and cash management services. Having built a solid platform and a stable franchise in South Africa, we will continue to invest in our business model across the continent and intensify the roll-out in 2014.

Grow Wealth, Investment Management and Insurance (WIMI)

We combined our Wealth, Investment Management and Insurance businesses in 2013. Our focus will be to realise the synergies from this combination and to build on this platform to expand into new African markets. For example, in our insurance business, we can benefit from combining the broad and deep Barclays network that we acquired and our established insurance expertise in South Africa to push our business into East Africa.

Develop and invest in talent

The ability to achieve our goals and to transform our business is ultimately driven by our people. We will only be successful if we are recognised for the strength of our leadership and become a destination for the best talent in Africa. We continue to make good progress in developing and investing in talent, not just at the level of our executive leadership team, but also in quality talent at middle and senior management levels. Challenges still remain, particularly when it comes to achieving our employment equity targets in South Africa and delivering on our diversity agenda across the Group. We have launched a comprehensive people strategy aiming to make Barclays Africa a Pan-African employer of choice and to enhance the leadership skills across the bank.

Headline performance

- Headline earnings growth of 13,7% for Barclays Africa Group and 13,5% for the old Absa Group.
- RoE improved to 15,5%.
- Impairments reduced by 21%. Non-performing loans reduced significantly, while we increased our general provisions.
- Revenue growth improved to 8%, although growing our retail transactional business remains a challenge.

Our targets

- Top three by revenue in our five largest markets (South Africa, Kenya, Ghana, Botswana and Zambia).
- RoE 18% to 20%.
- Cost-to-income ratio in the low 50s.
- Revenue share of 20% to 25% from outside of South Africa.

We are making the necessary investments to support these focus areas, totalling over R3 billion in 2014. More than a third of this investment programme will be focused on major change projects: transforming our branches; integrating and standardising IT; creating efficient processing hubs in the right locations; and investing in our digital capabilities. We will also spend R360 million on regulatory changes in our organisation, such as the continued enhancement of our control environment.

In South Africa, changing the positioning and perception of Absa based on a refreshed value proposition and service offering will also provide support to this transformation. We will intensify the 'Prosper' campaign we launched last year and also roll it out across the rest of Africa in the next 12 months.

Conclusion

The progress we have made in 2013 clearly shows that we are on track to deliver the commitments we have made to our shareholders. We measure our progress against our balanced scorecard and our commitments across: Customer and Client, Colleague, Citizenship, Conduct and Company. I am confident that we have the right strategy in place to build the 'Go-To' bank in Africa, delivering on our goal of helping people achieve their ambitions in the right way – whether they are our customers and clients, shareholders, regulators, employees or the communities in which we operate.

We rely on the support and commitment of all our stakeholders to implement our strategy and play a key role in empowering the continent. I am deeply thankful to our customers and clients for entrusting us with their financial prosperity. The executive team and I would also like to extend our gratitude to our Chairman and the Board, as well as our over 42 thousand permanent employees across the continent. Finally, concluding the Barclays Africa transaction ahead of schedule required the support of regulators and governments in many countries across Africa. I would like to take the opportunity to thank them for their understanding and responsiveness in this regard and for their efforts in ensuring that we have a well regulated banking sector across Africa.

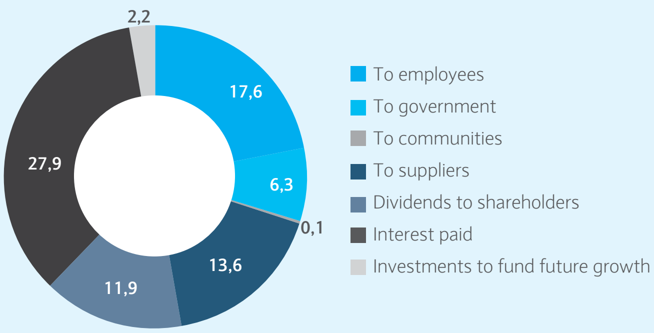
Maria Ramos
Chief Executive Officer

20 March 2014

Value added statement

Our contribution to stakeholders and the broader economy remained substantial in 2013. Of our R79,5 billion gross revenues generated before the impact of funding cost is considered we spent R17,6 billion on our colleagues. Non-staff-related costs totalled R13,6 billion and we invested a further R2,2 billion to fund future growth. We paid R11,9 billion to our preference and ordinary shareholders, including a R6 billion special dividend. Nonetheless we maintained a strong capital position for our planned growth initiatives. Our credit impairments declined to R7 billion as our credit loss ratio normalised. We also paid R27,9 billion in interest to our depositors and R2,8 billion in insurance claims to our policyholders last year.

2013 revenue allocated (Rbn)



Balanced scorecard review

Customer and Client

Our customers and clients are at the centre of our purpose. We seek to become their 'Go-To' bank through the excellence of our products and services and the way in which we do business.

Introduction

For us to deliver on our 'Go-To' ambition in a highly competitive environment, we invest time understanding our customers' and clients' immediate needs, as well as their longer-term ambitions and developing a clear strategy to meet them. This is a wide ranging plan including driving innovation, improving processes and reinvigorating our customer channels. It means that our colleagues must have the skills to provide better service. Our unique position as a fully local, fully regional and fully global bank positions us well to achieve these aims.

Value proposition

It is essential that we deliver innovative products that meet customer needs at the right cost. These must be consistently available through the channels preferred by each customer and delivered in a secure and safe physical and virtual environment.

Products and services

In 2013 we significantly increased our efforts to understand and respond to our customers and clients and introduced a number of new and enhanced offerings as a result.

In RBB, we simplified our product offerings and launched our banking app for mobile devices. We enhanced Absa Rewards – a transparent and simple way for customers to earn cash rewards – and brought on new partners. Our Value Bundles (introduced in 2012 in response to customer concerns regarding pricing and transparency) continue to be recognised as affordable and offering value for money.

In our Rest of Africa Retail markets, customers are benefiting from a revised Prestige banking proposition, Barclays Direct, Worldmiles Platinum credit/debit card, as well as CashSend money transfer in Kenya and Zambia. We rolled out our new Ping-It offering, which offers the security of regulated mobile-to-mobile payments between users.

We continue to integrate our Financial Services offering with RBB. A notable success was launching our online insurance platform, which is integrated with Absa Online in South Africa. We also introduced a family office proposition in Wealth.

For our CIB clients, we continue to take African clients to the global financial markets and give our global clients access to Africa. We are leveraging our leading foreign exchange platform, BARX Africa, trading 54 currencies across our key African markets. We have completed a pilot for Barclays.Net – a streamlined and full-featured cash management platform for our corporate and commercial clients with the full roll-out in South Africa during 2014.

Technology and digitisation are key for excellent customer and client services. Digitisation brings the benefits of speed and convenience. It provides straight-through processing, thus reducing human error and turnaround times. We significantly reduced turnaround times across a number of key processes, including Home Loans, Vehicle and Asset Finance and account opening. Increased uptake in online and mobile banking has also helped to improve processing efficiency, accuracy and convenience.

Key indicators

	2013	2012
Total number of banking customers (million)		
South Africa[1]	**9,4**[LA]	10,2[LA]
Rest of Africa	**3,1**	3,5
Number of branches	**1 314**	1 357
Number of ATMs	**10 780**	10 728
Blended IT uptime score[2] (%)	**99,16**[LA]	n/a
Net Promoter Score® (%)		
South Africa[3]	**12**[LA]	12
Rest of Africa	**20**	35
Complaints per 1 000 accounts		
South Africa[4]	**0,61**[LA]	0,78
Rest of Africa	**1,42**	1,51
Number of banking ombudsman complaints Opened and closed[5]	**981/897**[LA]	1 378/1 220

Notes

[1] Total number of South African customers with active Absa core banking products such as cheque accounts, savings accounts, secured and unsecured loans. Excludes wills, life policies, Edcon, Woolworths Financial Services and Virgin Money South Africa.

[2] Overall blended customer impacting service availability score for infrastructure and applications defined as retail branches, ATMs, point-of-sale system, internet banking, mobile banking application and cellphone banking.

[3] The Net Promoter Score is defined as the percentage difference between the promoters and the detractors, as an average for the 12-month period ended 31 December 2013, based on the question of the likelihood to recommend Absa to friends and family.

[4] Number of complaints (any expression of dissatisfaction) logged by the customer care department divided by the number of banking accounts per 1 000.

[5] The number of complaints opened and closed with the South Africa Banking Ombudsman for the period 1 January to 31 December 2013.

[LA] Limited assurance.

® Net Promoter, Net Promoter Score and NPS are trademarks of Satmetrix Systems, Inc., Bain & Company Inc. and Fred Reichheld.

Accessibility

Our ability to support customers and clients hinges on our ability to reach them through the channels most convenient and useful to them. This includes our approach to sales and the way our customers access and transact with us. As outlined above, strengthening and extending our online capabilities has been an important area of focus during the year. Significant strides were made: by the end of the year, over 5 million customers were using our cellphone banking and over 1,41 million were registered as internet banking customers (up from 4,3 million and 1,25 million respectively in 2012). We expect this momentum to continue.

Over and above access through our online and mobile platforms, our network of 1 314 branches (829 in South Africa) provides a critical interface with our customers and clients. During the year, we began our three-year investment of R1,2 billion to reshape our network to more closely reflect market opportunities and our customer base. For example, our paperless Hyde Park branch in Johannesburg, which makes extensive use of mobile, web and ATM technology, increased sales significantly during the year, despite being half its previous size and manned by 40% less staff. We also have a number of other branches that serve as testing grounds for new ideas and practices.

Since not everyone has access to the internet, we aim to equip our ATMs to provide the same functionality as our online platform. In 2013, our network of 10 780 ATMs (9 618 in South Africa) helped our customers and clients to bank more easily. Our ATMs executed 38 million transactions per month in South Africa.

Quality of our IT infrastructure

Improving the banking experience for our customers and clients through technology requires that we continue innovating while maintaining our existing infrastructure. By leveraging the benefits of platforms afforded to us through Barclays PLC, we are able to tailor new products to our market needs and implement them at a lower cost than on standalone basis. In 2013, we spent R2 078 million maintaining and strengthening our IT systems. Through this investment, we made good progress in addressing the stability of our systems and introduced new solutions to ensure a stronger foundation to serve our customers and clients. The overall blended service availability for our infrastructure and application components is 99,16%[LA], exceeding our target of 98,50%. We recognise that availability is key for customers and clients when they want it. We will enhance our performance metrics to be focused on how our customer and client are impacted.

Trust and safety

Financial services is a natural target for crimes such as fraud and robbery. We recognise our obligation to preserve our customers' safety, as well as their money and personal information. With virtual transactions becoming the norm, maintaining the trust of our customers and clients means that we must be continually vigilant on many fronts.

Our fraud risk management team manages the risk of fraud across the Group. By working closely with key partners such as the South African Bank Risk Intelligence Centre, the South African Fraud Prevention Services and the commercial branch of the South African Police Services, the team is reducing fraud risk within the Group and the sector as a whole. We made progress in combating crime in 2013. Arising from a research partnership, we introduced exploding ink cartridges in ATMs, reducing ATM bombings significantly. Furthermore, we trained employees to recognise potential fraud or crime before it occurs and increased the presence of cameras in our branches. These improvements have made it safer to do business with us.

During the year, we also piloted a system that identifies customers through their thumbprints, linking to Home Affairs systems. This process gives peace of mind that no one can open accounts in the name of another person. We are working with cellphone network service providers to ensure the system works 100% of the time.

Customer satisfaction

Customer service is central to our strategy of becoming the 'Go-To' bank and is critical in our drive not only to acquire new customers, but also to retain existing customers.

We measure our progress at Group and segment level through various research indicators that represent the voice of the customer. By reviewing our customers' feedback regularly, we will identify where and how we need to invest to make our customer and client journeys simpler, more intuitive and personalised. Our investment in customer and client experience is for the long term and we recognise that a great deal of work remains to be done to establish ourselves among the best in the world. In 2013, our Net Promoter Score in South Africa remained at 12%[LA] and the Barclays Africa countries achieved an average Net Promoter Score of 20% at the end of 2013.

As we focus on being the best in service delivery, we have set an ambitious target requiring that we improve to an Net Promoter Score score of 44% overall by 2018.

To respond more effectively to shortcomings in our service, we re-evaluated and streamlined our internal processes, empowering our people to take more direct action when required. As a result, we saw an improvement in complaints resolution. In 2013, we received 0,61[LA] complaints per 1 000 accounts down from 0,78. Of these, we resolved on average 49,7% at first point of contact and 64,3% of escalated complaints were resolved within 48 hours.

In South Africa, we maintain close engagement with various regulators and ombuds offices, including the Ombudsman for Banking Services of South Africa, the Office of the Credit Ombud, the National Credit Regulator and the National Consumer Commission. We have a dedicated ombuds adjudicator team that is responsible for managing customer complaints referred to us by these bodies. During 2013, we implemented a number of measures to reduce customer complaints, such as addressing security loopholes and strengthening our internal resolution processes. As a result, we reduced the number of outstanding complaints with the Ombudsman for Banking Services of South Africa from 340 in January to 134 at the end of December and won the Banking Ombudsman Award for the Best Bank in complaints resolution among the banks in the Big Banks category.

Our investment in customer service has also reduced the number of complaints made directly to us. In South Africa, we received 141 321 total complaints – 18% fewer than 2012 and below our target of 172 093. Outside of South Africa, customers submitted 65 719 complaints, down 14% from 2012 and ahead of our target of 76 015. In addition, our South African business logged 37% more compliments, over 57 000 during the year.

For information on responsible lending, Treating Customers Fairly and regulations aimed at consumer protection, see our Conduct scorecard review on page 28.

Future priorities

- Continue to transform our branches, including introducing paperless processes.
- Invest further in our digital capabilities, shifting sales and servicing to more efficient and convenient virtual channels.
- Roll out solutions such as the Barclays.Net and BARX.
- Implement and expand our 'voice-of-customer' research strategy with more dedicated customer insights investigation to gain deeper understanding of our customers' and clients' needs and experiences.

Colleague

Building the business capability and organisational solutions to execute the strategy.

Introduction

The quality of our people is a key source of advantage and we have made solid progress in building and retaining a talent pipeline that will support our success in Africa.

We offer a distinctive employment proposition for top candidates and our expanded African footprint provides a dynamic environment where quality people can accelerate their growth and career development.

Further, we have established the Barclays Leadership Academy to enhance our leadership engagement and accountability and to build an African-wide leadership community.

Attracting and retaining talent

Ensuring we have the right people with the right skills in the right jobs is vital if we are to generate attractive shareholder returns and execute our strategy within a competitive financial services talent market.

With the creation of the Barclays Africa Group, it is important that we continue to expand and enrich our talent pool to ensure that our Bank is effectively staffed and that top talent can be deployed where needed. A large number of strategic hires have been attracted to our Group over the past 12 months, while 42% of our senior opportunities have been filled through internal talent progression. Talent attraction, retention and building succession remain top priorities. We are determined to optimise the mobility and development opportunities that our new structure offers.

Equally importantly, we need to improve our employment equity representation in South Africa, particularly at the senior levels where black representation stands at 32% (up from 27% in 2012).

One of our ambitions is to sustain a market-leading ratio of female leaders in senior leadership positions. Women leaders make up 27,8%[LA] of our South African leadership population. Nomkhita Nqweni has been appointed as the executive sponsor for women and she represents the Group on the global Barclays gender oversight board. In addition, we are in the process of implementing an executive-led mentoring programme for high potential women across the continent.

Encouragingly, good progress has been made on talent retention – overall labour turnover across Africa reduced from 14,6% in 2012 to 11,7%[LA] in 2013.

Key indicators

	2013	2012
Total permanent employees	**42 356**[1]	42 175[1]
– South Africa	**31 049**[LA]	31 444
– Rest of Africa	**10 384**	10 731
Total permanent and non-permanent employees	**46 320**	46 161
– South Africa[2]	**35 025**[LA]	34 725
– Rest of Africa	**11 295**	11 436
Permanent employee turnover rate (South Africa) (%)[3]	**11,7**[LA]	14,6[LA]
Retention of high-performing staff (%)	**93,6**	89,1
% women in senior management roles[4]	**26,2**	24,9
– South Africa	**27,8**[LA]	26,7
– Rest of Africa	**16,7**	17,4
% black employees in middle management[5]	**49,5**	48,5
Training spend (South Africa)[6] (Rm)	**932**[LA]	606[LA]
Absenteeism rate (SA) (%)	**1,7**	1,8

Notes

[1] Numbers include Woolworths Financial Services and has been restated to exclude Barclays Bank Mozambique and NBC (Tanzania).
[2] Number of employees includes permanent and temporary employees legally employed and paid by Barclays Africa payroll including regular contracts, interns, graduates, specialists and brokers (excluding pension brokers). It covers operational and non-operational full-time, part-time, two-thirds and commission paid employees. It also includes the contingency workforce, which is all agency, contractors and self-employed employees paid via a third party for services rendered. The number excludes Woolworths Financial Services.
[3] Number of terminations as a percent of average headcount in South Africa (excluding Woolworths Financial Services).
[4] Percentage of senior female executives (inclusive of managing director/director) of the total number in that group. This metric includes hiring, attrition, promotion and management of pipeline resignations.
[5] This statistic relates to our South African workforce.
[6] Training spend is all verifiable and reportable spend on learning and skills programmes including accredited and non-accredited training, bursaries, learnership allowance, related travel and Learning@Absa. In 2013, we included training operational costs, bringing the comparative spend to R790 million.
[LA] Limited assurance

Investing in our people

Supporting our people to optimise their productivity, performance and potential is fundamental to developing our internal labour supply, strengthening our succession coverage, as well as offering compelling career propositions.

Our investment in people development in South Africa totalled R932[LA] million or 8,9% of the annual wage bill. This investment was allocated in accordance with our business priorities, which include leadership development, technical development, youth employability and staff development support.

We are in the process of implementing a new talent management approach, which focuses on succession where we still have work to do particularly at the lower levels.

Our graduate programme, which was first launched in 2008, has been a source of young talent for us with more than 94% of total programme participants taking up employment with us. 2013 marked the launch of the Pan-African Graduate Programme with some 180 participants from across the continent.

We have participated in Banking Sector Education and Training Authority learnership programmes since their inception in 2004, when we first welcomed 425 previously unemployed young people into our programme. This number has grown to 720 in 2013 and includes graduates and matriculants. During their year-long learnership, participants receive invaluable work experience as well as a formal qualification though the Milpark Business School.

Our investment spend in South Africa, where 6,2% is allocated to the development of black talent, reflects our commitment to building a diverse and inclusive workforce. We have also established an Africa-wide diversity council, which is charged with delivering our diversity ambitions. In support hereof, all senior leaders attended an 'Unconscious Bias' programme during 2013.

Performance and reward

We are committed to assisting our colleagues and managers in raising the performance bar by driving the right performance and the right behaviours. This is reflected in our new performance management approach, which places equal emphasis on objectives (the 'what') and on behaviours (the 'how'). This approach, which was successfully piloted with senior leaders in 2013, together with our recently launched balanced scorecard, will be embedded across the organisation in 2014.

We continue to strengthen the relationship between performance and reward through formal biannual performance reviews, supplemented by ongoing informal conversations.

Our approach to remuneration considers a variety of internal and external factors, including underlying risk-adjusted business performance, current and future affordability, global remuneration trends and regulatory developments impacting remuneration. In 2014 we will amend elements of our remuneration structure in response to the remuneration regulations outlined under the Capital Requirements Directive IV. Total staff costs in 2013 amounted to R17,6 billion, up from R15,8 billion in 2012. The average wage in South Africa for a permanent full-time employee was R312 071 per annum.

Employee engagement

Leadership drives culture, which in turn drives performance and employee engagement, a key measure of organisational health. In the past year, we have conducted an independent transforming Barclays survey as well as a colleague pulse survey to better understand what we need to prioritise on our journey to become the 'Go-To' bank in Africa. We have also sought employee input and feedback through interactive surveys and discussion forums where senior leader support and service excellence were key areas of discussion.

We recognise our colleagues' right to freedom of association and we have constructive and positive relationships with multiple trade unions across the continent. Negotiation and consultation forums are coordinated at a country level. Overall 47% of permanent employees are represented by trade unions.

Health and wellness

Our employees have access to a wide range of benefits and services aimed at supporting their overall wellbeing. In addition to medical schemes, which are subsidised by the Group, we offer a range of wellness centres that provide, among others, vaccination services, family planning, HIV counselling and testing facilities, disease management as well as physiotherapy and optometry. With the creation of the Barclays Africa Group, we are rolling out HIV counselling and testing across the continent. To date, 8% of Kenyan employees and 36% of Zambian employees have participated in voluntary testing.

Through our employee assistance programme, employees have access to counselling services as well as support with substance abuse and stress management.

Future priorities

- Provide a seamless and efficient HR service with our customers at the heart of what we do.
- Deliver a fit-for-purpose Barclays Africa structure and operating model where key resources and leadership teams are deployed to strategic priorities.
- Enhance our succession coverage and support leadership development by identifying and developing a pipeline of successors for critical leadership and business roles and fast track their development.
- Implement our revised performance and reward approach that supports and incentivises performance and behaviours in the long-term interests of the Group.
- Shape our culture by embedding our Purpose, Values and Code of Conduct across the employee lifecycle.

Citizenship

> For us citizenship means taking into account all of our stakeholders' needs and making decisions which, in the long term, are positive for our customers and clients, shareholders, colleagues and communities in which we operate.

Introduction

Our approach is built around the three areas where we believe we can have the most impact:

- The way we do business – ensuring our decisions take account of stakeholder needs in the short and long term.
- Contributing to growth – delivering products and services to help more people and society progress in a sustainable way.
- Supporting our communities – helping disadvantaged young people develop the skills they need to fulfil their potential.

The way we do business

Ethical conduct

Our Values guide our code of conduct and form the backbone of our reputation as a trusted financial services provider. Our code of conduct provides employees with guidance in easy-to-understand language on a range of topics including confidentiality, conflicts of interest, gifts and courtesies, the use of company resources and combating dishonesty and financial crime.

The code is embodied in the Barclays Way, a document which builds on our new Purpose and Values, explaining their meaning in terms of desired work behaviours and their link to other policies and practices. Launched at the end of 2013, it replaces our previous Absa Group code of ethics, establishing a consistent standard of behaviour across Barclays Africa. At the year end, over 65% of our employees attested to the Barclays Way and by the end of January, that figure had reached nearly 80%, behind our target of 100%. We monitor the conduct of our employees through external surveys and by the number of disciplinary cases, grievances and ethical breaches recorded.

See more on our Conduct scorecard review, page 28.

Key indicators

	2013	2012
Citizenship plan (number of initiatives on track or ahead)	**6/8**	N/A
% employees attesting to code of conduct (Barclays Way)	**65,4**[1]	N/A
Transactions reviewed in accordance with Equator Principles[2]	**18**[LA]	16[LA]
Total carbon footprint (tonnes CO_2)[3]	**366 815**	405 164
South Africa carbon footprint (tonnes CO_2)[3]	**335 442**[LA]	367 897[LA]
Learnerships	**720**	600
Total community investment spend (Rm)	**126,1**	104,7
Financial literacy – number of consumers reached ('000)	**116**	124
Number of small and medium enterprises supported	**35 576**	N/A

Notes

1 Revised code launched in Q4 2013.

2 Total number of project finance transactions that have been reviewed for environmental and social risks as per the Equator Principles.

3 To align with Barclays global requirements, 2013 reporting period was changed to Q4 2012 – Q3 2013. The 2012 figure aligns with financial year and has been restated for South Africa to align with Barclays' global methodology. Total of Scope 1, 2 and 3 carbon dioxide emissions (GHG Protocol: operational control boundary). Further detail is available in our environmental review.

LA Limited assurance

Taking account of stakeholder considerations

Stakeholder relationships help us to develop our citizenship strategy and to make business decisions in a manner that takes our stakeholders' needs and expectations into account. In doing so, we ensure that our focus remains on pursuing sustainable business practices rather than short-term gains.

We actively engage with local, regional and global stakeholders on our strategic priorities and key deliverables. Their input and challenge are important to validating our approach to conducting business and through our ongoing engagement we hope to demonstrate the delivery on our citizenship strategy over time.

We hosted our first Africa stakeholder engagement day, a dialogue with our stakeholders to discuss issues and opportunities in the societies in which we operate. This collaboration provided valuable feedback which informed our refined citizenship strategy and focus.

See our stakeholder engagement table, page 8.

Proactively managing environmental, social and governance impacts

Our most significant impact on the environment is indirectly via our lending, investing and procurement practices. As an Equator Principles Financial Institution, we provide project financing only to project sponsors undertaking environmentally and socially responsible developments. In 2013, we screened 18[LA] Equator Principles transactions across various sectors and provided further guidance on 62 general transactions.

We are committed to ongoing education and awareness. In partnership with Banking Association of South Africa affiliates and the Banking Sector Education and Training Authority, we have developed an introductory environmental risk awareness course and are developing an interactive online training course for employees to further improve our environmental credit risk management.

Our suppliers are an extension of our business; they help us achieve our goals and deliver the best products and services to our customers. We strive to limit the impact of the environmental, social and governance actions of our suppliers and communicate our expectations openly with our suppliers. Implementing our supplier code of conduct in 2014, for example, will provide standards of conduct across environmental management, human rights, and diversity and inclusion. As such, we aim to identify and do business with qualified, diverse suppliers.

In South Africa, we seek to increase the proportion of our procurement spend with black-owned suppliers, black women-owned suppliers, qualifying small enterprise suppliers, as well as exempted micro-enterprises in line with the Broad-Based Black Economic Empowerment Act Codes of Good Practice. Our preferential procurement score as per the Financial Sector Codes was 14,92 out of 16 with R14,1 billion weighted spend on products and services from 7 334 accredited suppliers.

Given our large physical footprint, we also actively manage the direct environmental impact of our operations. The greatest opportunity for reducing our impact is in the way we manage our buildings and business travel. Continuing the success of previous years, we reduced our carbon footprint by 9,5% (South Africa 8,8% [LA]) in 2013.

Contributing to growth

Driving sustainable progress

We are committed to providing sustainable and responsible finance solutions for individuals and to contributing to the growth of small and medium-sized business lending.

We continue to support the entry-level market by:

- introducing relevant, cost-effective products and services;
- innovating our delivery channels to make banking easier and to extend the reach of our services;
- providing consumer education to improve financial literacy; and
- empower customers as financial consumers.

In South Africa, our in-store banking at over 1 000 of our retail merchants allows customers to deposit and withdraw money, check balances, obtain mini-statements and buy pre-paid airtime. More than R72 million worth of high-volume, low-value transactions were processed through this channel in 2013.

Our partnership with retailer PEP Stores resulted in more than R34 million worth of money transfers being made from PEP Stores to Absa ATMs countrywide.

Our Shesha Gamification initiative, a cellphone-based game, empowers customers with knowledge to make better banking decisions. Over 70 000 participants joined our first game.

The demand for affordable housing stock continues to outstrip supply and we support government in addressing the housing challenges faced by consumers who earn less than R17 600 per month. In 2013, we provided over R1,6 billion of financing to more than 5 000 individuals, growing our loan book by 11% to R9,4 billion (2012: R8,5 billion). We supported the Klarinet Integrated Housing development in Mpumalanga which transferred 1 527 subsidy units to beneficiaries, with more than 700 due for completion in the first quarter of 2014.

Outside of South Africa, we have accessed the Barclays Social Innovation Facility, which exists to channel £25 million into projects to accelerate the development of commercial solutions that directly address social challenges. In Zambia, we have a partnership with GlaxoSmithkline that aims to remove financial barriers to healthcare access while supporting small business development and job creation. In Uganda, we provide support for a mobile financial services incubator which aims to develop innovative technologies and financial products that are relevant and accessible to disadvantaged communities.

Helping businesses start up and grow

Starting and growing businesses requires more than funding alone and our enterprise development approach is founded on three pillars: providing SMEs with access to finance, access to markets and access to non-financial business support.

In 2013, we provided business advice and support to more than 25 000 individuals through a series of seminars, conferences and workshops across South Africa. In addition, over 9 500 individuals were supported by small business growth tools. These were delivered by strategic partners such as the National Small Business Chamber. 'Think Beyond a Job' is a workshop to motivate existing and aspiring entrepreneurs in their business journeys and we reached 2 273 people of whom 85% were existing SME business owners.

Improving youth employability

As a global employer, we are able to help young people by equipping them for the workplace and giving them the necessary skills for success. Addressing youth unemployment requires systemic intervention and we can achieve this by offering opportunities at Barclays Africa or working with partners to support wider employability initiatives in the communities in which we operate. Our approach includes learnerships (ie apprenticeships), a graduate development programme, as well as providing bursaries and sponsorships. During 2013 we increased our intake of learnerships to 720. Intake across our other programmes has similarly increased.

See more on our Colleague scorecard review, page 23.

Supporting our communities

Through our community investment, we enable disadvantaged youth to develop the skills they need to fulfil their potential. Our interventions focus on building enterprise, employability and financial skills, with a strong preference for programmes that also create jobs. They are often implemented in partnership with public benefit organisations and in 2013 we invested R126,1 million. Our ambition is to positively impact young lives and during the year we reached over 280 000 young people.

Our employees play a key role in our community support and in 2013, over 14 000 colleagues (31% of our workforce) volunteered their time and expertise in support of their communities, giving more than 44 000 work hours and over 52 000 personal hours.

In South Africa, we deliver consumer education to improve financial literacy levels, particularly among previously disadvantaged communities and unbanked individuals. Since 2007, we have reached over 18 million individuals.

In 2013 our face-to-face initiatives reached over 116 000 consumers, including almost 57 000 school children through the 'Teach Children to Save' campaign. We reached 100 000 consumers through educational articles published in the *Consumer Fair* and millions more were reached through information displayed on soccer pitches and live television during Absa Premier Soccer League games and through interaction with our customers via SMS.

Future priorities

- The way we do business – we will ensure our decisions take account of stakeholder needs through:
  - informed decision-making processes which embed our citizenship ethos;
  - specific engagement processes with a wide range of stakeholders to monitor the effectiveness of our strategy; and
  - developing our colleagues as part of values training; focused on the value of stewardship which is closely aligned to the ethos of citizenship.
- Contributing to growth – our product and service solutions will specifically include a focus on:
  - supply chain development;
  - increasing access to financial services;
  - improving youth employability; and
  - supporting small medium enterprises through our enterprise development centres and other channels.
- Supporting our communities – our aim is to continue to help more than 500 000 disadvantaged young people with training programmes on financial, entrepreneurial and employability skills. Our specific priorities include:
  - appropriate partnerships through responsible investments to ensure outcomes which directly contribute to job creation; and
  - initiatives to encourage and enable colleague engagement to increase the number of colleagues who actively participate.

See our Citizenship report, Environmental review and Broad-Based Black Economic Empowerment review.

Conduct

We are a values driven business – the 'Go-To' bank where we aim to act with integrity in everything we do. We will lend responsibly and design products and services that meet our customers' and clients' needs and are cost-effective.

Key indicators

	2013	2012
Treating Customers Fairly (TCF) outcome score		
– South Africa	**58,1**	61,6
– Rest of Africa	**76**	n/a
Disciplinary as a percentage of total employee base (%)	**4,9**	6,6
Grievances as a percentage of total employee base (%)	**1,5**	1,5

Introduction

Our Purpose is very clear: We will help people achieve their ambitions – in the right way. This means that how we behave is as important as what we do. We believe that laws, regulations and codes are enablers to our business – ensuring that we make informed decisions in how we manage our business and sustain ourselves into the future.

Ethics management and values

Our values guide the way we behave and form the backbone of our reputation as a trusted financial services provider. We monitor the conduct of our employees through external surveys as well as by monitoring the number of disciplinary cases, grievances and ethical breaches. Our primary defence against such unethical behaviour is to build the capacity of management to lead the way in driving a high standard of ethics. It is also important to raise awareness and educate all our colleagues on the right behaviours. Supporting this, we need to manage due procedure to ensure consistency and appropriate sanctions following ethical breaches.

In 2013:

- 1 648 employees completed the fundamental management training course and 1 786 line managers started the new online employee relations training programme.
- All employees completed an ethics e-learning course and 65,4% attested to the Barclays Way that was launched in the fourth quarter.
- All employees complete an annual attestation to confirm their understanding of the employee compliance conduct guide that contains summaries of relevant policies and procedures.
- 95% of employees completed our Values workshops.
- Our ongoing 'Think Campaign' raises awareness of the consequences by naming employees and ex-employees found guilty of fraud and other ethical breaches.
- We established an employee relations contact centre for Africa to monitor the consistency of disciplinary outcomes. All disciplinary and grievance policies, procedures and a case management system are being integrated across the continent.

This continued focus is showing ongoing improvement in our indicators of ethics within the organisation. We achieved an overall 22% reduction in the incidence of ethical breaches, of which the negligence cases decreased by 32% and dishonesty cases by 8%.

We participated in the 2013 National Business Ethics Survey conducted on behalf of the Ethics Institute of South Africa. The findings focused on national trends in the business ethics orientation of companies and business persons. We scored above our peers for awareness of the code of ethics and the application of formal grievance procedures. The action points from this process included adopting the global Barclays code of conduct, enhancing the supporting environment and strong and consistent communication. While most of these actions points are now in place, further work is planned for 2014.

Responsible lending in South Africa

Economic recovery remains slow and unemployment and household debt levels remain high in South Africa. Growth in South African household unsecured lending reached a high in late 2012, but had shown a strong downward trend into single digits by the end of 2013. Consumers' credit risk profiles deteriorated further, having an adverse effect on the accessibility of credit. A total of 9,8 million credit-active consumers (48,1% of a total of 20,3 million) had an impaired credit record in the third quarter of 2013 according to the National Credit Regulator. We expect continued relatively low growth in consumption expenditure, savings and credit extension.

While there are currently no systemic risks related to unsecured (or secured) lending, we acknowledge that the risk to society at large cannot be underestimated. Invariably, the poor are the most vulnerable as the debt burden, when added to an insecure employment environment, only exacerbates the sense of inequitable impoverishment.

We have responded to this constrained economic environment and have reduced our exposure to personal lending early and it now makes up only 4% of our total retail loan book.

In 2012, the major South African retail banks, the Banking Association of South Africa, the National Treasury, the South African Reserve Bank and the Financial Services Board reached an agreement to improve responsible lending and prevent households from being caught in a debt spiral. The accord called for several measures to be taken, including a review of loan affordability assessments, appropriate relief measures for distressed borrowers, reviewing the use of debit orders and limiting the use of garnishee orders.

Further, we continue to develop a better understanding of our customers, to cultivate a closer relationship and we are committed to assist customers through financial hardship as far as possible. Our debt solutions helpline assists customers to examine their financial circumstances and indebtedness across multiple products. Through our debt management solutions, customers benefit from the assessment of income and expenditure, tools and guidelines for budgeting and, where qualifying, extended payment terms on their loan accounts and new manageable payment plans, or payment plans that will reduce monthly instalments. We also support customers in need of help through a debt counselling process.

Our debt counselling portfolio increased as more customers applied for debt relief through debt counselling. After declining during the first part of 2013, the inflow of new accounts into debt counselling rose in the latter half of the year. Another aspect of responsible lending, indeed, of responsible banking itself, is the implementation of Treating Customers Fairly across our operations.

Treating Customers Fairly (TCF)

Often, contradictory views of what is deemed as fair customer treatment exist between the financial service providers and customers, which result in the financial industry being susceptible to perceptions of unfair treatment of customers, mainly driven by:

- inappropriate products being sold to customers;
- underperformance, or even failure, of financial products and services;
- unsuitable financial advice given to customers; and
- ambiguous communication about products.

We delivered on a number of commitments to improve our performance, including:

- standardised reporting, monitoring and tracking across Africa using the TCF toolkit and guidelines;
- business units have access to the Financial Services Board readiness assessment tool which is incorporated into the quarterly TCF reporting; and
- tracking and monitoring of outcome issues that may impact customer experience.

This was measured for the first time during November and December 2013 in our Rest of Africa operations by an independent research agency. The survey included telephonic and face-to-face interviews with 7 655 respondents providing a customer view of our performance.

The scores achieved across Africa ranged from 70 to 82 points out of 100 and will serve as the baseline for comparative analysis in future surveys as we seek to improve the fair treatment of customers in all our operations. The highest scores achieved were for customer respect, transparency of information and the customers' perception of the internal treating customers fairly culture. Identified areas for improvement include making it easier to change or exit products, the provision of suitable advice and the delivery of products and services in accordance with customer expectation.

The survey in the South African market is monitored on a quarterly basis. Six aspects are monitored: corporate culture, product design and marketing, quality of information, quality of advice, services and expectations and, barriers to switching. The results achieved in 2013 fluctuated between a high of over 62 points in the second and third quarters to a low of 58,1 points in the fourth quarter. These scores align to the year-end scores of 60,0 points achieved in 2011 and 61,6 points achieved in 2012.

A number of challenges are being addressed in order to achieve a culture which centres on fair treatment of customers. An Africa TCF Forum established in July 2013 will oversee:

- business unit performance and remedial actions;
- assessment of practice by management assurance;
- tracking of training completed across Africa; and
- quarterly reporting of TCF indicators to Group Exco.

Regulations supporting a culture of good conduct and ethical behaviour

We are committed to operate with integrity, treat our customers fairly and combat crime. In addition to our Values, there are laws, regulations and codes which further define expectations in terms of how we conduct our business.

There are a number of current and forthcoming regulations which continue to drive consumer protection and ethical behaviour in the financial services industry which we believe supports our aim to act with integrity in everything we do. These include the following:

- **Protecting the personal information** of our customers, our employees and our suppliers is important for us and these stakeholders. In various jurisdictions we are governed by laws which control the processing and holding of personal data, as well as its security.
- **Combating tax evasion by non-residents** has resulted in a number of intergovernmental agreements and initiatives to guide the process for sharing information with other jurisdictions, including the Foreign Account Tax Compliance Act, the Organisation for Economic Co-operation and Development Automatic Exchange of Information and TRACE.
- **Responsible lending** – governments in a number of jurisdictions are enacting or considering two branches of legislation to regulate the extension of credit:
  - The first seeks to reduce consumer indebtedness by means of limits, for example the ratio of a loan to the value of the asset being purchased, as well as for banks to provide more information to credit bureaus. South Africa has also proposed affordability guidelines to ensure the proper assessment of consumers' finances and standardised documentation to provide consumers with key information to compare loan products and their costs.
  - The second initiative, proposed by South African regulators, is to discourage banks from withholding credit from those with an adverse credit history. This would entail the once-off removal of all adverse consumer credit history, followed by the automatic removal of legal judgements when these judgement debts are paid up.
- **Financial supervision comprises a number of elements, including:**
  - solvency and liquidity of financial institutions;
  - new and revised guidelines relating to bancassurance, anti-money laundering, outsourcing and governance;
  - dual supervision for consumer protection – a model known as 'Twin Peaks' overseen by the Financial Services Board and the National Credit Regulator; and
  - recovery and resolution planning.
- **Combating money laundering, corruption and terrorist financing** – we have a zero-tolerance approach and constantly enhance our control environment to reduce the risk of our employees engaging in activities that may be in breach of legislation. This is supported by an anonymous reporting process designed to protect whistleblowers who report instances of unlawful or unethical behaviour.

Future priorities

- Roll-out our revised gifts and entertainment policy.
- Integrate conduct risk into our principle risk framework.
- Support the socio-economic agenda relating to consumer protection and responsible market conduct and lending.
- Continue strengthening measures to counter money laundering, terrorist financing, bribery and corruption.

Financial Director's review

After satisfactory 2013 results, our priorities are to improve transactional revenue growth in RBB South Africa and grow earnings in the Rest of Africa by building our corporate, investment banking and bancassurance off a strong retail base.

David Hodnett
Deputy CEO and Financial Director

Overview of 2013

These were the first results for Barclays Africa Group Limited incorporating Barclays Africa Limited and the shares we issued to acquire it. Our 2013 performance was satisfactory, as we met our key commitments for the period. Diluted headline earnings per share grew 14%, slightly above market consensus and our two acquisitions achieved the targets we set for them – Barclays Africa Limited was earnings accretive, while our Edcon portfolio's RoE met our cost of equity. Both acquisitions enhanced our modest organic revenue growth as our RBB transactional franchise in South Africa remains under pressure. We indicated that our growth in operating expenses would increase given substantial investment to grow our top line. Although our cost to income increased to 56,3%, our pre-provision profit grew 5% to R26 billion. Normalising credit impairments were the principal reason for our earnings growth, but we increased our portfolio provisions significantly and continued to improve our NPL cover. Our RoE improved to 15,5%, reflecting a higher RoA of 1,29% and flat leverage. RBB's headline earnings grew 41% due to lower impairments, while Financial Services increased headline earnings 8% and CIBW declined 4%. Strong capital levels enabled us to pay a R6 billion special dividend and declare a 20% higher ordinary dividend per share.

Key features

	FY 2013	FY 2012	Change (%)
Diluted HEPS (cents)	**1 396,6**	1 227,6	13,8
DPS (cents)	**820**	684	19,9
Revenue (Rm)	**59 406**	54 976	8,1
Pre-provision profit (Rm)	**25 986**	24 647	5,4
Net interest margin (%)	**4,48**	4,28	
Non-interest income to total revenue (%)	**45,5**	46,7	
Cost-to-income ratio (%)	**56,3**	55,2	
Credit loss ratio (%)	**1,20**	1,60	
RoE (%)	**15,5**	14,1	
RoRWA (%)	**2,18**	2,09	
RoA (%)	**1,29**	1,17	
Loans and advances to customers (Rm)	**605 337**	566 262	6,9
Deposits due to customers (Rm)	**588 011**	543 101	8,3
Common Equity Tier 1 ratio (%)	**11,9**	13,0[1]	
Pro forma NAV per share (cents)	**9 125**	9 100	0

Note

[1] Absa Group Basel 2.5 ratio.

View our condensed financial statements, page 112.

View our consolidated and separate financial statements online.

Factors impacting our performance

Significantly lower credit impairments

Lower credit impairments were the principal driver of our earnings growth, after 2012's substantial charge. Our credit loss ratio normalised to 1,20% from 1,60%. This ratio was slightly lower than we guided as our mortgage charge was better than expected.

Far lower asset-backed credit impairments …

As expected, the 21% fall in our credit impairments was primarily due to improvements in our asset-backed lending. For example, the credit loss ratio in South African vehicle and asset finance improved to 0,8%, due to reduced commercial asset finance delinquencies and lower repossessed retail stock levels. Importantly, our credit impairments for Home Loans and commercial property finance in South Africa fell 64% to R1 961 million off a very elevated base. This improvement reflects the actions we took in 2012 to manage non-performing accounts, invest in and restructure our collections processes and the high quality of new business originated in recent years.

Our Home Loans credit impairments dropped 65% to R1 552 million, a 0,74% credit loss ratio from 2,09% in 2012. The construct of our mortgage non-performing loans also improved materially, in both our pre-legal and legal books. Our legal book fell by R3,3 billion, including a noticeable decline in our insolvent book, which attracts a high NPL cover. Consequently, our mortgage NPL cover decreased to 27,8% from 28,5%. We also adopted a stricter approach to only cure mortgages after customers make six consecutive contractual payments, which reduced our cures. Moreover, we apply a far higher portfolio provision against these cured accounts for a further two years. At just R86 million, our properties in possession are 89% below 2011's peak and at the lowest level for several years. In addition, our mortgage inflows into NPLs decreased 25% by value and volume and the loan-to-value on these is lower than on NPLs written in the mid-2000s. Both bode well for our future mortgage impairments.

… while strain emerged in parts of unsecured retail

In my last review, I cautioned that we saw early pressure in some of our unsecured retail portfolios. We also noted that our 2012 unsecured credit impairments were well below through-the-cycle levels and consumers remained stretched. The picture of credit quality across our unsecured lending is varied, although largely in line with our expectations.

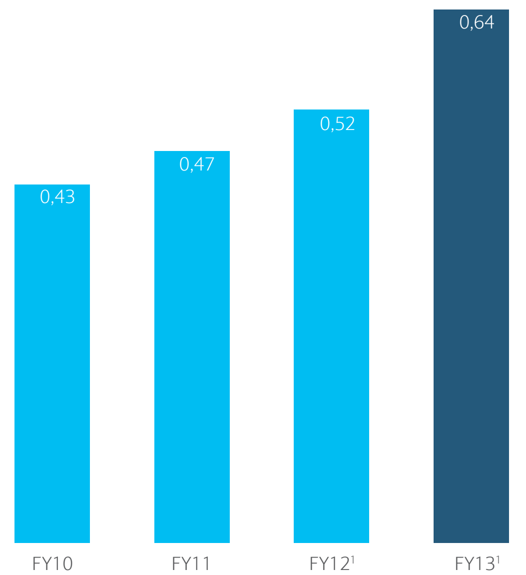
We continue granting personal loans predominantly to existing customers and focusing on lower risk categories. Although doing so cost us further market share, pricing power and related bancassurance revenue, our 6,2% credit loss ratio in personal loans was well within our risk parameters and compares very favourably to industry averages. Industry growth in personal loans declined sharply in the second half, which could put further strain on consumers.

We saw some stress in parts of our Card book, where impairments doubled off a low base. However, its 3,3% credit loss ratio was well within our expectations and partly reflects seasoning from our growth in recent years. Credit impairments in our Edcon portfolio increased materially, as it was included for the full year and its credit loss ratio rose to 11,9%, which is at the top end of the through-the-cycle range we expect for it. We almost trebled our portfolio provisions on this book and our increased NPL cover to 81%. We also implemented credit policy and collection changes to improve credit quality in this portfolio.

Increased portfolio provisions substantially

Importantly, given the subdued macro outlook with rising interest rates, we strengthened our portfolio provisions to increase our provisions against performing loans 35% or by R1 billion to R3,8 billion. This improved our portfolio provisions to 0,64% of performing loans, our highest level for many years.

Portfolio provisions to performing loans (%)



Note

[1] Figures are for Barclays Africa Group.

Subdued underlying revenue growth

While our revenue growth improved to 8%, including 10% higher net interest income, our underlying revenue growth remained modest. Over three quarters of the R4,4 billion increase in our revenue was acquired through Barclays Africa and our Edcon portfolio. Excluding these acquisitions, our net interest income grew 1% and our non-interest revenue 3%.

Improving RBB transactional revenue remains a priority

Our non-interest revenue is slightly larger than our net interest income after credit impairments and RBB accounts for 60% of our total non-interest revenue. In turn, 68% of this comes from Retail Banking in South Africa. Excluding our Edcon portfolio, Retail Banking South Africa's non-interest income decreased 1%, mainly due to lower net fee and commission income. The decline reflects continued customer migration to electronic channels and cheaper value bundles, lower customer numbers (largely due to closing Sekulula social grant-related accounts) and competition. Reviving growth in our retail transactional revenue is a key focus where we are investing substantial resources.

Business Banking South Africa's 14% non-interest income growth was boosted by the non-recurrence of negative fair value adjustments in its equity portfolio. Stripping out these non-core operations, its non-interest revenue increased 2%. This was impacted by lower cheque payment values, in line with industry trends, and cash management volumes. However, we continue to focus on core electronic banking, where fees grew 6%. Rolling out Barclays.Net to our business clients will improve our client proposition meaningfully. RBB Rest of Africa fees declined 2%, despite material rand depreciation, primarily due to removing credit life and early repayment fees in some markets.

Difficult trading environment

While CIBW produced strong growth in Investment Banking and Corporate, our Markets trading revenue increased marginally off a high base. This reflected margin compression in fixed income and foreign exchange and difficult second quarter trading conditions in South Africa. However, Markets' performance demonstrates the benefit of diversifying our trading away from fixed income, with good growth in commodities, equities and prime services. Our Africa desk's net revenue grew 13% and accounts for almost a quarter of our total. We will continue rolling out systems and products into the rest of Africa, having launched bond trading in 2013.

Building momentum in target areas

Although the turnaround in RBB is taking longer than expected, we achieved solid growth in targeted areas. Corporate's underlying net revenue grew 14% reflecting improved client coverage and increased product offerings, with strong growth in term debt, trade finance and Rest of Africa revenue. Investment Banking grew its revenue 37%, given strong loan growth in specific sectors. Its fee income benefited from further integration globally and across Africa to convert a good deal pipeline. Card's merchant income grew 8% to R2,2 billion, as we strengthened our dominant position among retailers.

Financial Services' net operating income increased 21%, excluding short-term insurance that was adversely impacted by severe weather conditions. Its Rest of Africa business continues to gain traction with net insurance premiums increasing 34% to R495 million. Investment's revenue grew 14% to over R1 billion, after strong inflows into retail equity unit trusts and improved margins. Life Insurance's embedded value of new business increased 18%, reflecting improved branch sales and loan growth. Lastly, its new distribution model saw revenue increase 11% and restructuring our employee benefits produced significantly better results.

Continue de-risking our revenues

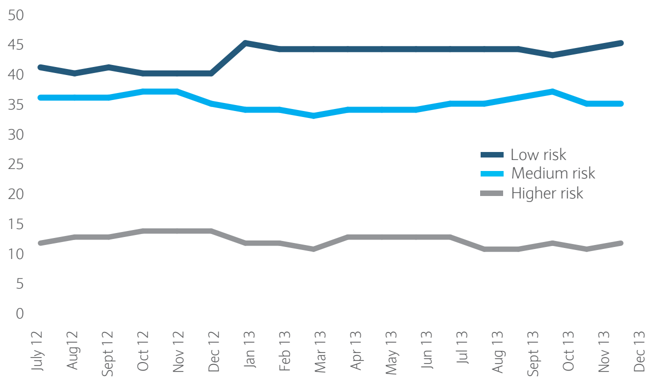
As I highlighted last year, we have de-risked our business over a number of years, to limit the volatility of our revenues. This ranges from reducing proprietary trading and the equity component in Financial Services' shareholders' funds to not participating in the substantial growth in personal loans, which reduced our revenue growth noticeably. Our margin hedging strategy continued to add value in a low rate environment, despite a lower contribution than in 2012. We will maintain our hedge, which aims to provide margin stability through the interest rate cycle.

We continue to exit non-core activities. CIBW sold our Custody and Trustee business and reduced our private equity portfolio 42% to R3,3 billion. Business Banking sold investment properties of R1,4 billion (effective in early 2014). Financial Services discontinued non-core product lines and reduced our appetite for crop insurance and closed Absa Mortgage Fund Managers.

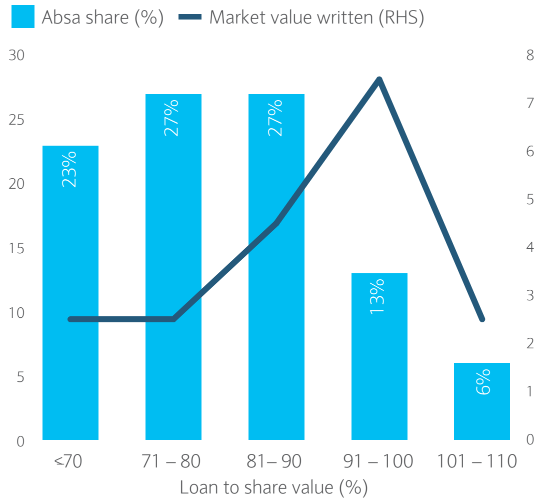
Focus on writing quality new business

Our lending strategy remains focused on our existing customers and specific targeted areas. We are confident that this approach will serve us well as the interest rate cycle turns in South Africa. We increased our new lending volumes 12% in key South African lending, although this slowed noticeably in the second half. While Home Loan registrations grew 16% after returning to originators in 2012, we continue to write far lower loan-to-value business than peers and have a low share of mortgages above 90% loan-to-value. Naturally, this reduces our net interest margin and book growth, but it should become evident in our credit quality medium term. Although we aim to increase our share of new mortgages to 25% from 19%, this is below our share of primary retail customers and our back book. Our personal loan sales declined 1% year on year in the second half. This is further highlighted in the accompanying which show that approximately 45% of new loans originated in the VAF since June 2012 have been in what we classify as lower risk and that 68% of new Personal Loans were to lower-risk and higher-quality customers.

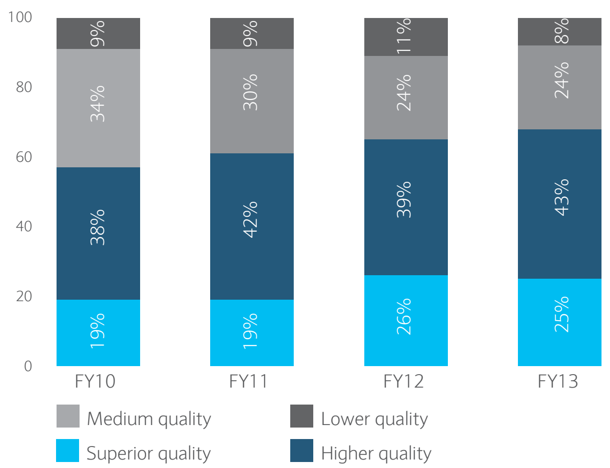
VAF – new loan risk distribution (%)



New home loan production (3Q13)



Personal Loans – new loan risk distribution



Substantial inorganic growth

The two acquisitions we announced in 2012 had a significant impact on our results. Both achieved the targets we set for them and contributed positively to our performance.

Contribution to Barclays Africa Group change in 2013

	Revenue (%)	Costs (%)	Headline earnings (%)
Absa Group	1,7	4,9	10,5
Edcon portfolio	3,7	2,8	0,9
Barclays Africa Limited	2,7	2,8	2,3
Total	**8,1**	**10,5**	**13,7**

Barclays Africa acquisition provides access to higher growth markets

Combining with Barclays Africa Limited was a transformational deal that fundamentally changed our profile. It was a crucial part of accelerating our strategy and will improve our medium-term growth prospects by giving us access to faster growth banking sectors in the Rest of Africa. Given its importance, we restated our 2012 financials to incorporate this acquisition.

It was earnings accretive, improving our 2013 headline earnings per share by 1,2%, as its headline earnings grew 14% to R1 923 million. Importantly, Barclays Africa's revenue increased 18% to R9,7 billion, well above the former Absa Group's 6% growth. Post the deal, the Rest of Africa accounted for 19% of our total revenue and 15% of earnings. Barclays Africa Limited's RoE declined to 15,8% from 19,1%, given the substantial 31% growth in its capital base due to the capital injected into Barclays Bank Mauritius as part of the deal, higher earnings retained in the Barclays Africa subsidiaries not yet distributed to Barclays Africa Group and rand depreciation.

Currency fluctuations now have a greater impact on our enlarged Group. The rand depreciated 17% on average against our Rest of Africa currencies this year, which increased our total revenue growth and earnings by almost 3%, while increasing costs and credit impairments. On a constant currency basis Barclays Africa Limited's headline earnings declined 3% and revenue grew 4%.
Rand depreciation also increased our Rest of Africa balance sheet. For example, customer loans grew 34% in rand, but only 11% in constant currency. We currently do not actively hedge against currency movements, so our earnings and balance sheet are exposed to exchange rate changes.

Edcon partnership widened margins but credit losses worsened

Our strategic partnership with Edcon became effective in November 2012. Including our Edcon portfolio for the full year, rather than the two months in 2012, impacted the growth in our revenue, costs and credit provisions. Edcon's uplift to our net interest margin was very evident, improving our Group margin by 0,13%. The portfolio was bedded down last year and its RoE met our cost of equity, despite far higher credit impairments, low interest rates and modest loan growth (mostly by acquiring additional tranches of the book). We aim to acquire Edcon's gross book of approximately R836 million in the rest of Africa this year, subject to regulatory approval. Our partnership extends beyond the loan book to several other activities, including workplace banking, card acquiring and distribution.

Analysing our 2013 results

Segmental performance

Our earnings remain well diversified by business. As expected, RBB South Africa's headline earnings rebounded strongly after declining 29% the previous year. Rand depreciation increased RBB Rest of Africa's solid 17% constant currency growth to 35%. RBB accounted for almost two-thirds of our total business unit earnings. CIBW's earnings declined off a high base given tough trading conditions in the second quarter, while lower short-term insurance earnings dampened good performances across the rest of Financial Services. Our divisional headline earnings grew 23% last year, although our Group centre's contribution declined by R883 million to reduce our overall earnings growth to 14%.

Headline earnings

	2013 Rm	2012 Rm	Change %	Contribution[1] %
RBB	**7 999**	5 668	41	64,6
Retail Bank SA	**4 941**	3 626	36	39,9
Business Bank SA	**1 710**	1 042	64	13,8
RBB Rest of Africa	**1 348**	1 000	35	10,9
CIBW	**3 017**	3 146	(4)	24,4
CIBW SA	**2 561**	2 682	(5)	20,7
CIBW Rest of Africa	**456**	464	(2)	3,7
Financial Services	**1 370**	1 265	8	11,0
Group centre	**(543)**	340	(260)	
Total	**11 843**	10 419	14	

Notes

[1] Excluding Group centre.

Retail Banking South Africa turnaround continues

Headline earnings increased 36% to R4 941 million due largely to 22% lower credit impairments. Home Loans' earnings increased by R1 868 million, as credit impairments fell sharply from 2012's elevated charge. Vehicle and Asset Finance's 33% earnings growth to R1 127 million reflects solid 12% loan growth, lower credit impairments and cost containment. Total Card earnings grew 5% to R1 980 million, largely due to including the Edcon portfolio for the full year. Personal Loans' earnings decreased 34% to R385 million, given higher credit impairments off a low base and lower revenue. Retail Bank earnings fell 56% to R573 million given continued revenue pressure and higher operating costs. Retail Banking South Africa accounted for 40% of our total headline earnings excluding head office, eliminations and other central items. Its cost-to-income ratio increased to 53,4% from 50,8%, although its RoA improved to 0,98% from 0,74%.

Strong Business Banking South Africa growth off a low base

Headline earnings increased 64% to R1 710 million, reflecting 24% growth in its core franchise and significantly lower losses in its equity portfolio. Solid 14% non-interest income growth (2% increase in the core franchise excluding the equity portfolio), 7% lower operating costs and a 42% reduction in credit impairments were the key drivers. These offset a 1% decline in net interest income, as its loans declined 3%. Business Banking South Africa generated 14% of our overall earnings excluding Group centre. Its cost-to-income ratio improved significantly to 58,7% from 66,2%, which helped to increase its RoA to 1,91% from 1,19%.

RBB Rest of Africa benefited from rand depreciation

Headline earnings rose 35% to R1 348 million, largely due to strong 30% net interest income growth. Rand depreciation accounted for over half of its earnings growth and 15% of its cost growth. Non-interest income declined 4% on a constant currency basis, due to regulatory changes and our decision to eliminate certain fees. RBB Rest of Africa constituted 11% of our earnings excluding Group centre. Its cost-to-income ratio increased to 62,6% from 62,0%, while its RoA declined to 1,62% from 1,76%, in part due to rand depreciation increasing its assets more than earnings.

Corporate, Investment Bank and Wealth benefited from diversification

Headline earnings declined 4% to R3 017 million, reflecting a higher effective tax rate and non-recurring gains in 2012. Net revenue growth of 10% exceeded 8% cost growth resulting in 9% higher pre-tax profits. Market's total net revenue increased slightly, despite difficult trading conditions in the second quarter and margin compression in key products. However, Investment Banking and Corporate's net revenue grew 37% and 18% respectively. Private equity revenue declined due to lower revaluations as we reduced the portfolio by 42% to R3,3 billion. CIBW accounted for 24% of our total earnings in 2013. Its RoRWA declined to 1,76% from 1,97%, given lower earnings and an increase in market risk risk-weighted assets from implementing Basel III.

Financial Services maintains high returns

Headline earnings grew 8% to R1 370 million, while net operating income increased 10% to R1 724 million. Investments' headline earnings rose 23% to R412 million, on solid revenue growth as a result of improved margins. Life Insurance's net operating income grew 12% to R934 million. Rest of Africa profits more than doubled to R37 million. Our revised distribution operating model resulted in this business achieving break even, while employee benefits' turnaround saw its earnings rise significantly to R42 million. However, short-term insurance earnings dropped 39%, due to higher industry-wide weather-related claims which resulted in a decline in our underwriting margin from 5,1% to 1,4%. Financial Services accounted for 11% of our earnings. Its RoE remains high, improving to 28,6% from 27,2%.

Group centre impacted by hedging

The contribution of our Group centre, including inter-segment eliminations and other items, declined by R883 million. This large negative swing was largely due to the ineffective portion of our interest rate hedging and a number of non-recurring items in 2012, including profit on disposal of fixed assets and lower indirect tax.

Income statement analysis

	2013 Rm	2012 Rm	Change %
Net interest income	**32 351**	29 302	10,4
Non-interest revenue	**27 055**	25 674	5,4
Total revenue	**59 406**	54 976	8,1
Credit losses	**(6 987)**	(8 855)	(21,1)
Operating expenses	**(33 420)**	(30 329)	10,2
Other impairments and indirect tax	**(1 033)**	(856)	20,7
Associates and joint ventures	**130**	249	(47,8)
Profit before taxation	**18 096**	15 185	19,2
Taxation	**(5 222)**	(4 439)	17,6
Profit after taxation	**12 874**	10 746	19,8
Non-controlling interest	**893**	747	19,5
Attributable earnings	**11 981**	9 999	19,8
Headline earnings	**11 843**	10 419	13,7

Net interest income underpinned revenue growth

Net interest income grew 10%, benefiting from 0,20% of margin expansion and 6% higher average interest earning assets. There were several moving parts within our net interest margin, although including Edcon for the full period (0,13%) and Barclays Africa (0,07%) were key drivers of the improvement. Loan pricing had a negligible impact, particularly given our focus on lower risk new sales, although CIBW's margin widened. Competition and launching lower margin RBB products reduced our deposit margin slightly, while lower average interest rates reduced our deposit and capital endowment benefit. Our hedging programme contributed R1,6 billion or 0,25% to our margin, which was R500 million less than we released to the income statement in 2012.

Change in net interest margin[1] (year-on-year, basis points)

Notes

[1] Percentage of average interest-bearing assets.

[2] Interest rate risk management.

As mentioned, our underlying non-interest revenue growth remained muted, given modest growth in our RBB transactional income and Markets revenue. However, we saw solid growth in several target areas ranging from CIB to most Financial Services activities.

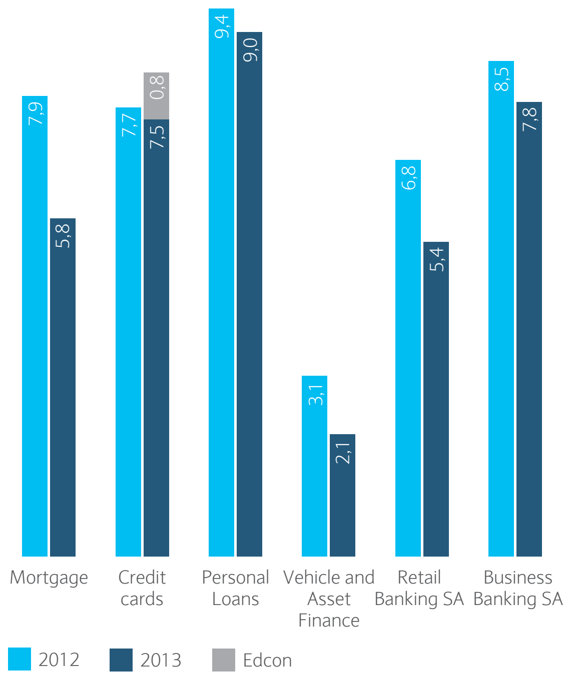
Moreover, our total revenue growth improved to 11% in the second half from 5% in the first half, in part due to rand depreciation and including our Edcon portfolio for the full period.

Lower credit impairments the main driver of earnings growth

Credit impairments decreased 21% to R6 987 million, as our credit loss ratio improved to slightly below our guidance and through-the-cycle level of 1,25%. As expected, our second half Group charge of 1,07% was well below the 1,35% at interims, reflecting normal seasonality, strong collections and a 25% increase in our post-write-off recoveries to R1,1 billion. As noted, the credit metrics for our large secured lending portfolios improved materially, while impairments on unsecured loans increased off a low base.

Our total NPLs fell 14% or by R4,75 billion to R29,3 billion. These improved to 4,7% from 5,9% of gross customer loans and advances, our lowest level since 2008. Almost all categories improved, with Vehicle and Asset Finance's 2,1% at particularly low levels given improved collections. NPLs in our Edcon portfolio increased by R1,1 billion, since there were no NPLs in the base after buying the net book in November 2012.

NPLs to loans and advances (%)



Our NPL cover improved noticeably to 42% from 38%, due to high 81% cover on our Edcon portfolio and increases in RBB Rest of Africa and CIBW. Our NPL mix also had a positive impact, given the large decline in mortgages that have lower cover than other products.

Higher cost growth reflects strategic investment

Our operating expenses grew 10% to R33 420 million, which increased our cost-to-income ratio to 56,3%. However, excluding Edcon and rand depreciation, our underlying cost growth of 5% was below inflation.

Staff costs increased 11% to account for 53% of the total. Salaries grew 7%, due to slightly higher headcount, inflationary pressures and rand depreciation. Our total incentives including share-based payments increased 26%, given the earnings reduction in 2012 and a substantial recovery in RBB profits.

Our non-staff costs increased 9% to R15 827 million. In a challenging environment, we continue to focus on opportunities within our cost base to fund further strategic investment. For example, optimising our property portfolio kept the increase in our property-related costs to 2% and our business-as-usual technology spend declined 6% by leveraging off Barclays' capabilities and systems. Although our amortisation of intangible assets grew 44%, it remains relatively low and reflects increased investment in systems. Our marketing costs increased 19% as we launched our Prosper campaign, an important element in turning around RBB.

The large 68% growth in our professional fees to R1 578 million reflects substantially higher spend on strategic initiatives of R669 million. This was largely for project delivery and investment in digital, mobile applications and systems. Initiatives included end-to-end processing in RBB, our Absa Online platform, Barclays.Net and a new short-term insurance platform. We plan to increase our strategic investments by a third this year.

Slightly lower effective tax rate

Our taxation expense increased 18% to R5 222 million as our effective tax rate decreased slightly to 28,9%. This remains relatively high due to non-deductible expenditure in Barclays Africa Limited.

Indirect taxation increased noticeably

Three smaller items reduced earnings. As expected, our indirect taxation increased 38% to R1 000 million, due to higher value added tax. We cautioned that our associates and joint ventures would decline, since 2012 included gains on Bankserv and SBV Services from prior years. Lastly, the 20% rise in total non-controlling interest was all due to higher minorities, which in turn reflected an improved performance from National Bank of Commerce in Tanzania.

Balance sheet analysis

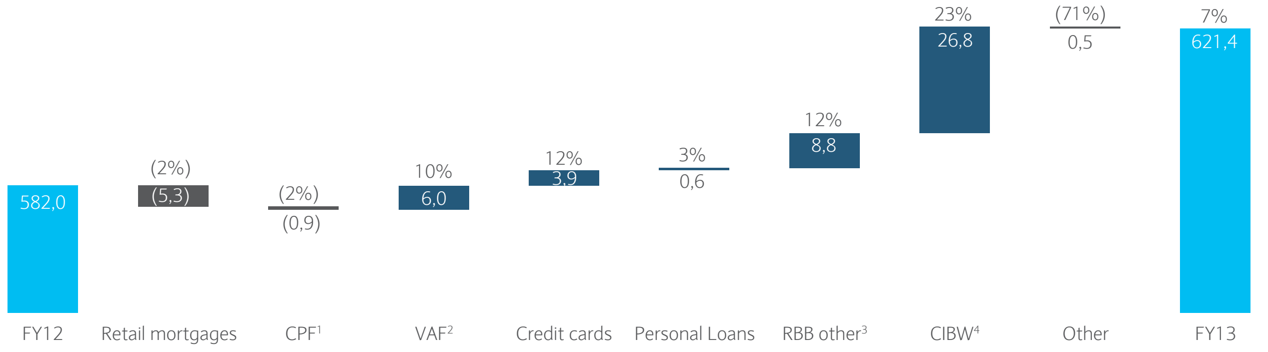
Our total assets increased 7% to R959,6 billion. Solid R44,9 billion growth in customer deposits was our principal source of new funding in 2013. Substantial dividend payments saw only R0,8 billion added to our equity, while borrowed funds declined by R2,3 billion. Other funding – largely deposits from banks – increased by R17,8 billion. We deployed these funds into R39,1 billion of customer loans and a 28% increase in banks.

Growing loans in targeted areas

Our total loans and advances to customers increased 7% to R621,4 billion. Our gross property-related book, 49% of our total book in 2012, declined 2% or by R6,2 billion last year. While gross retail mortgages contracted 2%, this reflects a lower legal book, which is a positive development as our up-to-date mortgages grew 2% and new loan production increased 19%. Although our commercial property finance book declined 2%, this was caused by large repayments, since front book payouts grew 34%.

Excluding property-related lending, our remaining book grew 15%, with targeted growth of 10% and 12% in South African Vehicle and Asset Finance and credit cards respectively. We continued to lose market share in personal loans, given our cautious approach here. RBB Rest of Africa's loans grew 25%, although the bulk of this was due to rand depreciation. CIBW maintained its strong loan growth, adding R26,8 billion in 2013. The bulk of this was term loans and much of Corporate's growth came in the fourth quarter, which bodes well for this year's revenue.

Change in gross customer loans (year-on-year, Rbn)



Note

[1] Includes CIBW mortgages. [2] Retail credit instalment agreements. [3] Largely Rest of Africa. [4] Excludes mortgages.

Continued strength in the deposit franchise

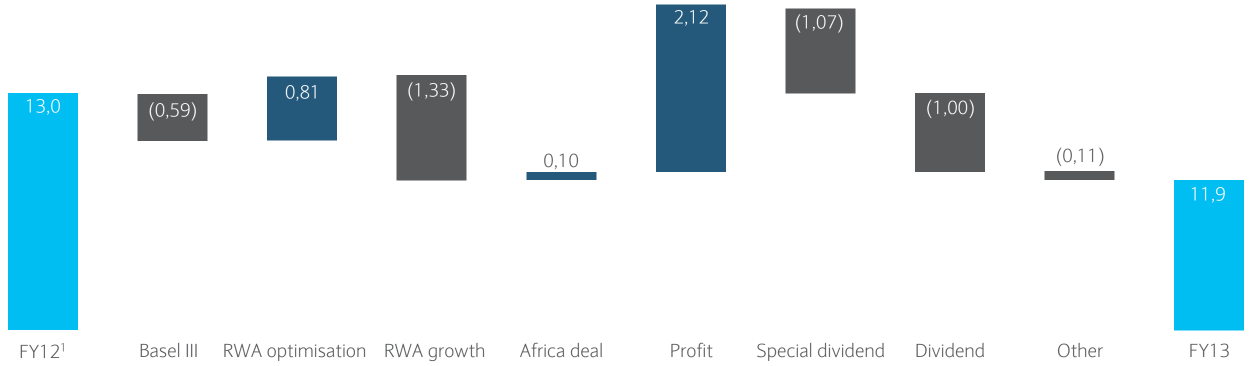
Customer deposits increased 8% to R588,0 billion, with strong 36% growth from the Rest of Africa, largely due to rand depreciation. Our new Depositor Plus investment product brought in R18 billion of deposits across RBB in South Africa. Customer deposits contribute 78% of our funding requirements, slightly less than in 2012. Our funding tenor remained robust, given a 24,3% long-term funding ratio.

Highly capital generative

We remained well capitalised, with a Group Core Equity Tier 1 (CET1) ratio of 11,9%, well above regulatory requirements and our Board target range of 9,5% to 11,0%. Several factors influenced how our CET1 ratio evolved over the year. Implementing Basel III from 1 January reduced Absa Group's Common Equity Tier 1 ratio by 0,59%, slightly less than the 0,7% we expected. Growth in our risk-weighted assets reduced our ratio by 1,3%, although our RWA optimisation efforts offset 60% of this. For example, exiting part of our non-core private equity portfolio released R8,2 billion in RWAs. Acquiring Barclays Africa Limited was slightly capital enhancing, which was also better than we originally thought. We remain very capital generative, with earnings adding over 2% to our CET1 ratio. Our strong capital ratio allowed us to pay a R6 billion special dividend that reduced our ratio by 1,07%. Adding this to the ordinary dividends we paid, effectively offsets the capital we generated.

After completing our Africa transaction, we will establish a funding programme at Barclays Africa Group level, to optimise the management of liquidity and capital requirements across the Group.

Barclays Africa Group Common Equity Tier 1 ratio (%)



Note

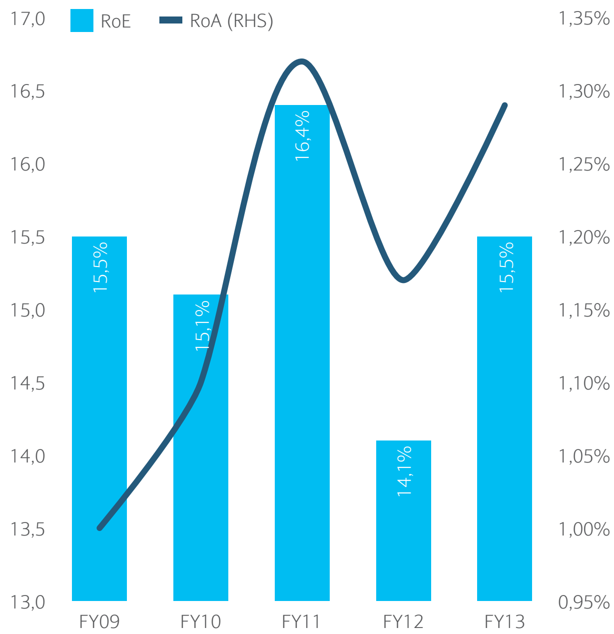
[1] Absa Group ratio.

What to expect in 2014

Our RoE improved from 14,1% to 15,5%, exactly the same as our return in 2009. Importantly, however, our RoA increased materially from 1,0% in 2009 to 1,3%, which is close to our recent peak in 2011. The improvement in our underlying profitability was largely due to our credit loss ratio normalising from a high of 1,7% in 2009, although today's effective tax rate is also 5% higher than five years ago.

However, with our credit loss ratio already slightly below our through-the-cycle level and with consumers under pressure and interest rates rising, we need to grow our revenue faster than costs or increase our leverage to improve our RoE to 18% to 20% by 2015.

RoE vs RoA (%)



We have committed to clear financial targets and expect to make progress towards these in 2014, despite moderate GDP growth and rising interest rates in South Africa. We expect mid-single-digit loan growth this year, with faster growth in Corporate lending and the Rest of Africa and modest mortgage growth. Our net interest margin should widen slightly, given stronger Rest of Africa loan growth and rising interest rates in South Africa, while our credit loss ratio is likely to rise slightly to our through-the-cycle levels. We will continue with our cost strategy of 'saving to invest', allowing us to increase our strategic investment spend. Continued strategic investment should only start to improve RBB's non-interest revenue growth from the second half of 2014.

D Hodnett

David Hodnett
Deputy CEO and Financial Director

20 March 2014

Risk review

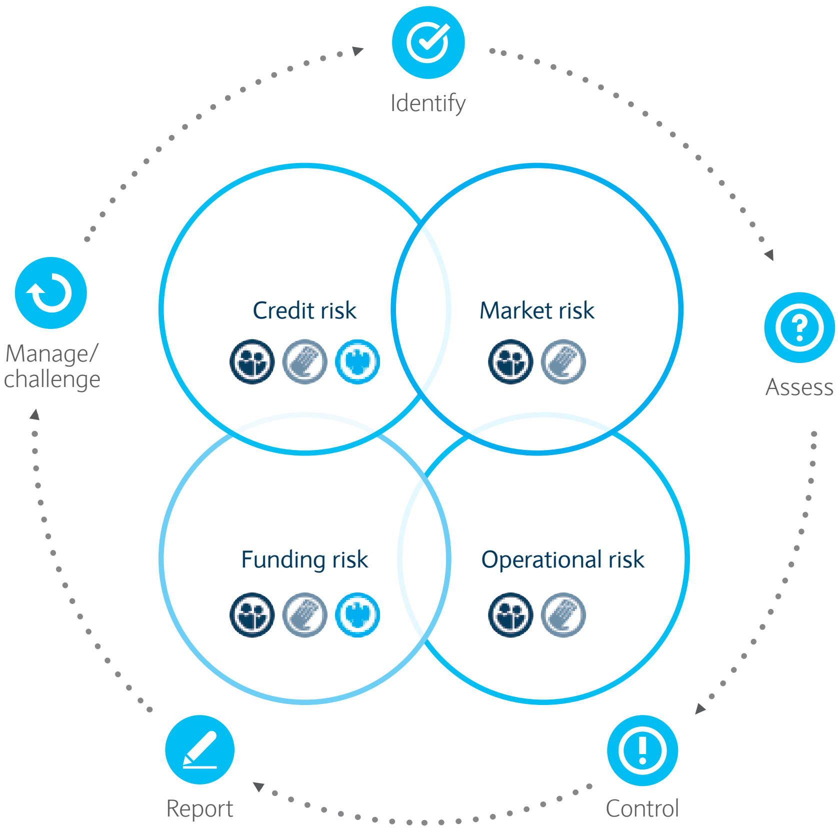
Effective risk management and control are essential for sustainable and profitable growth.

Anil Hinduja
Chief Risk Officer

Introduction

The role of risk management is to evaluate, respond to and monitor risks that arise in the execution of our strategy to become the 'Go-To' bank in Africa. It is essential that our business growth plans are properly supported by an effective risk management infrastructure. Our risk culture is closely aligned to that of our business so to ensure trust and understanding, while retaining independence in analytical and objective decision-making at every level.

Our principal risks – the categories of risk in which we have our most significant actual or potential risks – are presented in the diagram below:



Effectively managing these risks contributes to our Balanced scorecard

- Customer and Client
- Colleague
- Citizenship
- Conduct
- Company

Coming in 2014…
Conduct risk

View our full risk report.

We have clear risk management objectives and a well-established risk strategy, delivered through our core risk management processes. Our approach to managing risk is outlined in the enterprise risk management framework. It defines our risk management process and sets out the activities, tools, techniques and organisational arrangements to ensure that all our material risks are identified, understood, managed and mitigated. The framework defines the principal risks, the key roles and responsibilities of principal and key risk owners, as well as related governance requirements. Further, for each risk, a control framework with supporting policies and standards outlines risk, control and governance requirements for management of that risk.

Review of 2013

Against the backdrop of a challenging macro-economic environment, our overall performance continued to improve and risk and capital measures remained within Board-approved risk appetite. Key performance outcomes included:

- Loans and advances increased, driven by growth in Vehicle and Asset Finance, Absa Card, CIB, Kenya and Mauritius, partially offset by a reduction in non-performing loans in Home Loans.
- Credit performance continued to improve across the retail and wholesale portfolios. Both impairment charges and the impairment loss ratio reduced year-on-year while we continued to increase coverage on non-performing loans.
- Market risk exposures were within our risk appetite, despite volatility in interest rate markets, emerging market exchange rates and market liquidity.
- Our operational risk losses were lower than the prior year with fraud and transactional operations being the primary drivers of losses.
- We remain well capitalised above the minimum regulatory requirements and Board-approved target capital ranges. This was after we successfully implemented Basel III in January 2013, declared a special dividend of 708 cents per share in July 2013 and completed the acquisition of Barclays Africa Limited operations on 31 July 2013.
- Our liquidity position remains healthy and well managed within key limits and metrics.
- Our recovery and resolution plan for South African entities was developed and presented to the South African Reserve Bank.

Future priorities

We will continue to focus on delivering effective and efficient risk management, while meeting regulatory requirements. We will continue to keep our customers and clients at the centre of what we do and strive to deliver sustainable returns above the cost of equity. Our specific risk management priorities for 2014 includes:

- Complete the integration of the acquired African operations to achieve a uniform approach to managing risk across Africa.
- Embed the new enterprise risk management framework and the 'Go-To' target operating model for risk.
- Further improve risk-adjusted returns while reducing volatility in performance.
- Ensure performance is in line with risk appetite and to refine the risk appetite approach for insurance risk.
- Continue to strengthen infrastructure and control with an emphasis on fraud, transactional operations, technology and regulatory risk.
- Continue to build on the recovery and resolution plan for the Group.
- Further develop an approach for the management of conduct risk which is defined as detriment caused to the Group's customers and clients, counterparties or the Bank as a result of inappropriate execution of business activities.

Credit risk

The risk of financial loss should our customers, clients or market counterparties fail to fulfil their contractual obligations.

Factors that influence this risk

- Tapering of the US Federal Reserve Bank's quantitative easing programme has led to volatility of emerging market currencies. Depreciation of the South African rand due to weak economic fundamentals, emerging market pessimism and contagion, could lead to rising inflation. The South African Reserve Bank could raise interest rates further, after a 50 bps increase in January 2014, to control inflation and thereby increasing debt service costs and impacting affordability. The implications of US monetary policy developments in other sub-Saharan African economies should be marginal due to the limited participation of non-residents in these bond and equity markets.
- Continued weakness in the South Africa economy and uncertainty surrounding upcoming elections could delay investment thus putting pressure on South Africa's credit rating. A credit rating downgrade could lead to a higher interest rate environment. This, in turn, would adversely impact the credit quality of customers and counterparties, which, if coupled with a decline in collateral values, could lead to reduced recoveries.
- The direct risk arising from a sovereign default in the Eurozone is not considered material as CIB has reduced its exposure to the Eurozone sovereigns, corporates and banks over the past few years. The remaining exposure is adequately secured.
- Wholesale, leveraged or asset-intensive portfolios (such as commercial property finance and commercial asset finance) will be impacted by higher interest rates.

How we manage this risk

- Define clear risk appetite thresholds and triggers.
- Understand our customer and client target market.
- Establish risk acceptance criteria.
- Undertake sound credit approval, monitoring and account management.
- Ensure appropriate risk infrastructure and controls.

2013 review

Wholesale

Pro forma growth in loans and advances (%)	13,6	2012: 6,8
Risk-weighted assets as a percentage of gross credit extended (%)[1, 2]	29,6	2012: 26,2
Non-performing loans as a percentage of gross loans and advances to customers (%)	3,2	2012: 4,2
Non-performing loans coverage ratio (%)	42,4	2012: 40,6
Impairment losses ratio (%)	0,5	2012: 0,8

Notes

[1] Gross credit extended includes off-balance sheet exposures as well as exposures to banks and sovereigns.

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

- **Growth:** loans and advances grew modestly above South African GDP growth rates and within risk appetite. Renewed interest by South African large corporate and multinational corporate clients in infrastructure and other project finance ventures resulted in a noticeable increase in the Investment Bank's term lending portfolio (26,5% increase). The Markets business increased 23% underpinned by increased demand for currency hedging from corporate clients and financial institutions. In Rest of Africa, the wholesale portfolio grew 13%, with Mauritius on-shore and off-shore strategies showing particularly strong results (30% portfolio growth).
- **Portfolio performance:** was in line with expectations. In particular, arrears within Business Banking reduced and average probability of default measures improved across the wholesale client base. Exposure in our early warning list reduced significantly due to heightened management attention and active client engagement. The South African Reserve Bank's review of our advanced internal ratings-based approach to wholesale risk models and reporting and confirmed the appropriateness of our risk modelling with wholesale credit.
- **Impairment:** by increasing our risk management interventions, we significantly reduced our exposure to customers falling in the 'legal status' category, resulting in significantly reduced impairments primarily in commercial property finance and commercial asset finance. Our non-performing loans coverage ratio increased across major portfolios.

2013 review

Retail

Measure	2013	2012
Growth in loans and advances (%)	3,1	2012: 3,4
Risk-weighted assets as a percentage of gross credit extended (%)[1,2]	34,9	2012: 32,4
Non-performing loans as a percentage of gross loans and advances to customers (%)	5,6	2012: 6,6
Non-performing loans coverage ratio (%)	41,6	2012: 37,3
Impairment losses ratio (%)	1,5	2012: 1,9

Notes

[1] Gross credit extended includes off-balance sheet exposures as well as exposures to banks and sovereigns.

[2] The percentages only include portfolios subject to the internal ratings-based approaches.

- **Growth:** Overall, South African loans and advances remained flat. Growth in vehicle and asset finance, the acquisition of Edcon and a modest increase in unsecured lending was offset by continuing reduction in our Home Loans legal recovery book. Our Rest of Africa portfolio has grown by 11% and makes up 8% to the total retail portfolio. This growth is primarily in unsecured loans, with Kenya and Mauritius being the main contributors.
- **Portfolio performance:** New business quality in South Africa continued to improve across major portfolios due to improvements in credit policy, customer segmentation and a prudent approach to unsecured lending. In Ghana, Mozambique and Tanzania, we implemented actions to address new business performance concerns caused by operational issues. Overall performance has continued to improve with non-performing loans reducing to 5,6% from 6,6% and the South African home loans non-performing loans portfolio reducing R5,2 billion to 5,9% from 8,0% as a percentage of loans and advances.
- **Impairment:** Our South African home loans impairment loss ratio reduced to 0,7% from 2,0% driven by non-recurrence of 2012 charges and reduced inflow into non-performing loans due to strong performance of new business and improved collection capabilities. In South Africa, the impairment loss ratios for unsecured loans, cards and vehicle and asset finance increased, returning to more normal levels. This reflects the current economic environment. The impairment loss ratio in Rest of Africa increased to 2,4% from 1,8%, primarily due to performance in Ghana and Botswana. Our overall non-performing loan coverage ratio increased as balances decreased.

Future priorities

Wholesale

- Implement a Pan-African target-operating model to manage wholesale credit risk.
- Continue to focus on data quality, analytics and models to enhance our capability in managing portfolio risk.
- Increase focus on reducing the legal book through improved security realisation and management of third-party service providers.
- Review existing processes to ensure we capture optimisation and efficiency opportunities and further improve controls.
- Enhance management of sovereign and country transfer risk, where appropriate.

Retail

- Implement a Pan-African target operating model to manage retail credit risk.
- Continue to invest in analytics and models to improve our risk profile and risk-adjusted returns, with a focus on unsecured lending.
- Heighten focus on reducing the legal book, particularly in South African home loans.
- Respond effectively to a potential increase in South African interest rates. Improve debt counselling and other rehabilitation programmes to ensure appropriate management of customers in financial difficulty.
- Continue to improve risk infrastructure, processes and controls.
- Enhance the credit processes and risk-adjusted returns in Edcon.

Market risk

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

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

Factors that influence this risk

- Reduced client activity and decreased market liquidity as our corporate and investment business model is focused on client intermediation.
- Since the US Federal Reserve's asset buying programme started, there has been continued demand for African and other emerging market local currency government bonds. Significant unexpected capital outflows could arise due to a decline in demand for these bonds, triggered by the unwinding of quantitative easing and a change in sentiment or global economic outlook.
- Interest rate volatility can affect our net interest margin. Rate changes, to the extent they are not neutralised by hedging programmes, might have a material adverse effect on our results, financial condition and prospects.
- Accurate product pricing, prudent reserving and appropriate reinsurance strategies assist in managing the risk of insurance claims. We retain additional capital reserves which target a 99,6% level of confidence that policyholder obligations will be met in these extreme scenarios. We review on a regular basis the Group's adequacy of reserves, premiums and retained capital, as we prepare for the Solvency Assessment and Management legislation.

How we manage this risk

- Monitor risk against the limit and appetite framework.
- Ensure a high degree of net interest margin stability in our banking books.
- Understand risk sensitivity and volatility, leverage stress testing and empirical analytics. Use appropriate models to measure risk.
- Underwrite risks that are well diversified in terms of types of risk and the level of insured benefits.
- Ensure pension risk is managed within outlined principles, objectives and governance, as well as the country specific regulations.

2013 review

Average traded market risk – daily value at risk (DVaR) (Rm)[1]	
24,7	**2012: 21,3**
Traded market risk regulatory capital (at 9,5% of RWAs) (Rm)	
1 630	**2012: 1 331**
Banking book AEaR for a 2% interest rate shock (% of Group net interest income)	
<7%	**2012: <7%**
Short-term loss ratio	
72,2	**2012: 69,9**
Life new business margin	
7,6	**2012: 8,6**

Note

[1] DVaR for the Rest of Africa is based on a historical simulation model that uses sensitivity-based inputs rather than full revaluation as is done for South Africa. A variance-covariance instead of historical simulation model is used for selected African countries only.

- **Traded market risk:** We carefully managed our trading exposures to ensure efficient use of trading capital with returns above return hurdles. We managed all exposures within risk appetite. Trading revenues in South Africa were supported by a strong client franchise despite challenging market conditions. The trading business continued to focus on sustainable client flow and facilitation and the careful management of risk within a difficult environment.

- **Non-traded market risk:** The structural interest rate hedge programme remained in place and was efficiently managed. We remained exposed to prime-JIBAR basis risk arising from the funding of the difference between predominantly prime-linked assets with liabilities that are primarily JIBAR-linked after hedging.
- **Insurance risk:** We balanced exposure between life and short-term insurance to allow for better diversification and growing risk exposures outside South Africa.
- **Pension risk:** We took on the responsibility for the employee pension schemes in seven of the countries within the acquisition of majority of the Barclays Africa subsidiaries. The Absa pension fund remained the largest fund.

Future priorities

- Continue to focus on deterioration in traded market liquidity, sensitivity to traded market volatility and back-testing of the value-at-risk model.
- Respond to regulatory and capital change, specifically Basel IV and the Dodd-Frank regulation, while continuing to make efficient use of capital.
- Efficiently maintain our structural hedge programme.
- Submit results of the third and final quantitative impact study into capital requirements to the regulator for the South African insurance entities.
- Embed the principles of own risk and solvency assessment into the operations and governance of the insurance entities to improve our risk management policies, controls and processes.

Funding risk

The risk that we are unable to achieve our business plans as a result of:

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

How we manage this risk

We manage funding risk by adhering to our internal funding risk appetite and by maximising shareholder value through optimisation of our capital, funding and structural components.

Capital risk: Effective capital planning and management ensures that we have sufficient and appropriate capital structures to support our risk appetite, business activities, credit rating and regulatory requirements. The capital management process includes:

- Meeting capital ratios required by regulators and the target ranges approved by the Board.
- Maintaining an adequate level of capital resources prudently in excess of economic capital requirements.
- Optimising returns through capital and balance sheet structuring.

Liquidity risk: By ensuring that the bank has sufficient high-quality liquid assets to survive three pre-determined stress scenarios in line with the Board-approved liquidity risk appetite.

The liquidity risk management process includes:

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

Factors that influence this risk

- Regulatory change and structural reform of the financial sector is under development internationally and we expect these changes to impact not only funding risk but business overall.
- Exchange rate and interest rate volatility in 2013 re-emphasised the importance of structural risk management. After the Barclays Africa acquisition, additional risk was introduced through exposure to the Rest of Africa.

2013 review

Common Equity Tier 1 capital adequacy ratio (%)	
11,9	2012: 13,0[1]
Pro forma return on average risk-weighted assets (%)	
2,18	2012: 2,09
Return on average economic capital (%)	
21,0	2012: 20,8
Return on equity (%)	
15,5	2012: 14,1

Note

[1] The prior period disclosure is based on Basel II.5 and the current reporting period is based on Basel III.

Our cost of equity decreased to 13,0% from 13,5% and we continue to be capitalised above the minimum regulatory and Board-approved capital target ranges. This is after:

- The successful implementation of Basel III in January 2013.
- The declaration of a special dividend of 708 cents per share in July 2013.
- The completion of the Barclays Africa acquisition.
- Subordinated debt of R1,9 billion, qualifying as Tier 2 capital, was called at the first optional redemption date in March 2013.

Risk-weighted assets optimisation has allowed us to allocate capital more efficiently. These efficiencies have been achieved by asset sales, collateral management and process improvement.

Long-term funding ratio (%)	
24,3	2012: 26,5
Loans-to-deposits ratio (%)	
88,3	2012: 87,1

Our liquidity risk position remains healthy and well managed within key limits and metrics. The integration of Barclays' African operations into the Group enhanced our overall liquidity position. A large portion of these entities are deposit-led, with large funding surpluses in both local and hard currency.

Future priorities

Capital risk

- Ensure all entities remain adequately capitalised above the minimum regulatory requirements, Board-approved target capital ranges and in line with Board-approved risk appetite.
- Optimise the capital mix.
- Enhance regulatory and economic capital management and capital allocation.
- Maintain Basel III requirements and consider capital issuances out of the Group as well as our subsidiaries.
- Keep abreast of regulatory and capital changes (Basel IV).
- Continued optimisation of risk-weighted assets.

Liquidity risk

- Ensure that our funding position continues to be managed in line with the Board-approved liquidity risk appetite.
- Maintain adequate liquidity buffers to ensure that we are able to meet the liquidity coverage ratio requirements in the required time frame.
- Continue to grow and diversify the funding base.
- Balance the above against the long-term impact on the cost of funding for the Group.

Operational risk

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

Factors that influence this risk

- Scale and type of fraud, both internal and external.
- Increasing and changing regulatory requirements.
- Extent, nature and management of change in the organisation.
- Technological evolution and progress within and outside the Group.

How we manage this risk

Actively seek to minimise the impact of losses suffered, both in the normal course of business (expected losses) and in extreme events (unexpected losses), improve effective management of the Group and strengthen our brand and external reputation.

- Embed a culture of risk awareness throughout the Group.
- Implement a framework and risk practices in businesses that include risk and control self-assessments, use of risk indicators, management of risk events, including lessons learnt and end-to-end risk and control reviews of specific processes, businesses or type of risks.
- Enhance controls by using automated solutions where possible.
- Set and monitor the appropriate operational risk appetite, which includes assessment of potential extreme scenarios.
- Invest in infrastructure and systems and implement remedial actions should the risk profile not be at an acceptable level.

2013 review

Total losses as a % of gross income	
1,1	2012: 1,2

Total operational risk losses were within our appetite and lower than 2012. Incidents relating to fraud and transaction processing remained the largest contributors, accounting for 55% and 21% of total losses respectively.

- **Risk and control reviews:** We reviewed significant loss events, including a R56 million loss in our structured notes and deposits desk in CIB which related to the financial control and reporting process. This was the largest individual loss in the year. Remedial actions are complete. In addition, deep dives were performed on a number of operations in the Rest of Africa.
- **Fraud risk:** Fraud losses increased 55%, primarily due to the acquisition of the Edcon portfolio. Fraud losses in South Africa were 88% of the total Group losses with the majority of the losses in cards. Counterfeit card fraud was the primary driver of losses in the Rest of Africa.
- **Transaction operations risk:** Transactional losses decreased, although the number of loss events increased. We launched Initiatives to improve the customer experience and strengthen control in customer on-boarding, collections and recoveries, home loans and instalment finance processing, customer complaints management and payment processing.
- **Regulatory risk:** We increased our focus on regulatory risk, making investments to improve overall regulatory controls, particularly those related to know your client, anti-money laundering and the National Credit Act.
- **Technology and information risk:** Key risks include cyclical ageing of technology and infrastructure, information technology security, logical access and system stability. We are addressing these risks through programmes overseen by our Board Information Technology Committee.

Future priorities

- Improve capability in fraud risk, with a focus on Retail Banking and Wealth, Investment Management and Insurance businesses. Optimise fraud detection tools underpinning defences across debit, credit and store cards, and online channels.
- Continue to increase attention on the management of regulatory risk in step with recent and planned regulatory changes. This includes African and international regulatory requirements such as the Foreign Account Tax Compliance Act, Financial Markets Act, Solvency Assessment and Management legislation and the Protection of Personal Information Act.
- Further develop our approach to the management of conduct risk, in line with global best practice and in response to the introduction of the Twin Peaks regulatory model in South Africa.
- Closely oversee management and mitigation of technology risk.
- Monitor risks associated with the expansion of the businesses across Africa.

Anil Hinduja
Chief Risk Officer

20 March 2014

Segment reviews

Section contents

Segment reviews

Retail Banking South Africa

Our purpose

Banking services play a key role in modern society, fulfilling the need for financial transactions that individuals have: storing, receiving and paying monies. Without access to these fundamental financial activities, modern life would be challenging.

Our business model

Our customers are

- Mass market.
- Core middle market.
- Affluent market.

For them we provide

- Transactional products, including current accounts, transmission savings and payments.
- Unsecured and secured lending, including loans, overdrafts and asset finance.
- Facilitating the flow of funds to make card payments quickly, securely and internationally, both in-store and digitally.

The value we uniquely add
Our value propositions…

- Innovation in products and technology to be more customer centric.
- Simpler, more transparent and speedier products, pricing and services.
- Faster decision-making and processing.
- Improving financial access across multiple channels.
- Provide solutions to customer needs at different life stages.
- Support of government to increase banking reach to the previously unbanked communities.

Sustaining business by

- Always innovating for market-leading solutions.
- Supporting society as its appetite for electronic and digital banking services increases.
- Customer diversity through increasing access to financial services to the unbanked.
- Running a financially stable, risk-conscious business.
- Growing the top-line income and expanding our balance sheet.
- Providing relevant products and services that are tailored to individuals, their financial goals and risk appetite.
- Ensuring we have the right people giving the right advice and delivering the most suitable services.

Contributing to income by

- Interest income.
- Transaction fees.
- Service fees from value-added features.
- Long-term customer relationships maximise revenue opportunities over time.

Bring diverse benefits…

Enhanced customer experiences and outcomes.
- Reduction in processing times and associated errors positively influences complaint rates.
- Tailored services.
- Cost synergies with other parts of the business.
- Support and access to lending/capital.

Contributing to strategy

We provide a wide range of banking products and services delivered with excellent customer experience informed by our customer's life stage. We incentivise our people on customer service and not sales. Our journey to 'Go-To' is focused on making customers' lives easier. We look to constantly improve our customers' experiences, for example:

- Responding to demand: providing multichannel access which is increasingly digital.
- Supporting our customers' journey to digital services.
- Speed in our processes – often instant provision and decision-making.
- Targeted investment in relationship management.
- Investing in our people to enhance their ability to serve customers.

South Africa remains our biggest market. We are focused on opportunities for growth through service excellence, value-for-money customer value propositions and our optimised physical and digital platforms.

Operating environment

South Africa's retail sector growth remained subdued in 2013 as household finances were under pressure, real disposable income declined and retail consumption growth slowed, while savings levels remained at low levels. Household credit extension in the retail sector slowed due to tighter lending criteria used by retail banks. The household debt-to-income ratio remained high, increasing the pressure on especially middle and low-income households' finances. A large number of credit-active retail consumers are struggling with impaired credit records, impacting the accessibility of credit. Retail consumer confidence dropped to its lowest level since early 2004 and retail bank business confidence declined sharply in 2013. While interest rates remained low and unchanged during the reporting period, residential property market conditions remained challenging. Consumers' appetite for more credit remained low as the prospects for their own finances did not improve due to inflationary pressures and weak employment growth which diminished buying power.

The key risks we face…

- Continued customer attrition.
- Customers' inability to fulfil their payment obligations as a result of a loss of income.
- Increasing complexity relating to the impact of the Protection of Personal Information Act.
- Interest rate hikes placing pressure on our profit margin with the likely impact of an increase in customer impairments.
- The industry has a host of emerging and non-traditional banking competitors that focus on offering fast, simple and convenient banking solutions, raising consumer expectations for traditional banks to meet these service standards.

Customer and Client

Our aim is to become the 'Go-To' bank for all of our customers and we will achieve this by significantly improving and differentiating our customers' experience of routine transactions as well as at vital moments in their lives. It is our goal to simplify processes and improve customer experience. This began with:

- Simplifying transactional product offerings – our 'Value Bundles' have gained significant traction since their introduction in 2012, now putting us in the most cost-competitive position in the entry-level and middle markets. This is a significant turnaround from 18 months ago when we were rated the most expensive retail bank.

	2013	2012
Revenue (Rm)	**27 295**	25 451
Impairments (Rm)	**5 162**	6 583
Attributable earnings (Rm)	**4 957**	3 641
Headline earnings (Rm)	**4 941**	3 626
Credit loss ratio (%)	**1,48**	1,96
Cost-to-income ratio (%)	**53,4**	50,8
Loans and advances to customers (Rm)	**352 764**	345 698
Deposits due customers (Rm)	**134 830**	126 893
Return on average risk-weighted assets (%)	**2,46**	2,00
Return on average assets (%)	**0,98**	0,74

- Improving our infrastructure, from launching redesigned branches in the right places and upgrading our ATM network, to launching new banking channels including our banking app and our full-service online insurance platform.
- Introduced a rewards programme in the fourth quarter of 2013 that is transparent and cash based, which means there is no fine print and customers can do what they want with their rewards.

Customer attrition and service levels have been a critical focus for us and our various initiatives under our turnaround strategy. We will measure progress through our Net Promoter Score – a widely used measure of customer advocacy. Through regular and rigorous review of our customers' feedback, we will identify where and how we need to invest to make customer journeys simpler, more intuitive and more personalised.

Colleague

Transforming the retail business requires significant investment into our most important assets, which are our people. As we roll out the transformation of our branches, we are multi-skilling our frontline colleagues and reviewing branch management processes to make colleagues' lives easier. In 2013 we:

- Have fundamentally changed our approach to human resources, bringing in a new team with fresh perspectives and broken down barriers between front and back-office employees;.
- Established nine councils, each overseen by a chairman with the power to make necessary decisions within their respective mandates.
- Embedded a stable talent management framework focused on talent development, appropriate incentives, as well as gender and racial transformation.
- Implemented an online performance development system to help support and manage colleague performance.

Citizenship

We have contributed to sustainable progress in our communities in various ways during 2013:

- We assisted government in addressing the housing backlog through two housing projects – Olievenhoutbosch, which has been completed and Klarinet, which is in progress.
- For the lower end of the housing market we provide a free first-time home buyer training programme and a free HIV/Aids treatment programme.
- We continued to partner with key retail partners to develop transactional products and services on inexpensive channels that increase access to financial services for low-income customers in a commercially viable way.
- Working in partnership with NGOs and experts, we have a number of high-performing programmes and volunteering opportunities that harness the skills and passion of our employees, including Unlocking Youth Potential, Nelson Mandela Day, Make a Difference Week and Payroll Giving.
- We invested over R17 million in consumer education initiatives, engaging over 100 000 people from disadvantaged communities, with several million individuals having received education through digital and social media channels.

Conduct

We continue to reduce our risk within our retail lending portfolio, ensuring everything that we do is open and transparent. This includes the way we are managing our lending in line with the National Credit Act and other consumer protection legislation. We are committed to building a culture based on our values. We will continue to focus on the right outcomes for our customers, delivered by empowered colleagues who act with integrity at all times. We have begun to conduct business-wide risk assessments to identify conduct risk issues. We will use this process to measure and control these risks and in so doing, eliminate the gaps between what our customers expect from us and what we deliver to them. We intend to lead the way in becoming the 'Go-To' bank.

Company

Headline earnings increased 36% to R4 941 million due largely to 22% lower credit impairments. Home Loans' earnings increased by R1 868 million, as credit impairments fell sharply from 2012's elevated charge. Vehicle and Asset Finance's 33% earnings growth to R1 127 million reflects solid 12% loan growth, lower credit impairments and cost containment. Total Card earnings grew 5% to R1 980 million, largely due to including the Edcon portfolio for the full year. Personal Loans' earnings decreased 34% to R385 million, given higher credit impairments off a low base and lower revenue. Retail Bank earnings fell 56% to R573 million given continued revenue pressure and higher operating costs. Retail Banking South Africa accounted for 40% of our total headline earnings excluding head office, eliminations and other central items. Its cost-to-income ratio increased to 53,4% from 50,8%, although its return on assets improved to 0,98% from 0,74%.

Future priorities

- Investing in the customer experience providing instant, transparent services with seamless multichannel access.
- Continue the revamping of the branch network, increasing use of technology to improve efficiencies and increase customer satisfaction.
- Investing to ensure that we have the best talent at every level in the organisation; this shift will be driven from top management to lower levels in the organisation.

Using technology to meet our customers' needs.

ATM innovation and development

For the majority of South Africans, an ATM is the most convenient interface with the bank. We have strategically chosen each and every ATM location so that it offers both Absa and non-Absa customers convenience. Through investment in the network, our improved hardware ensures that all customers have a fast and reliable experience, no matter where the ATM is located.

We operate the largest ATM footprint in South Africa, with just more than 8 600 conveniently located ATMs and in 2013 we committed more than R550 million to enhance our ATM functionality and improve the infrastructural network as well as expand convenient self-service banking facilities. ATMs were traditionally used as cash dispensing devices but we are transforming them into platforms that provide the most convenient banking and transactional facilities. For our customers, ATMs provide a cheaper method of performing in-branch functions with the convenience of anytime availability.

Enhancements include ATMs which provide convenient cardless transactions like cash deposits, CashSend, Scan and Pay (simple bill scanning and payment) as well as contactless card services for Absa's PayPass equipped tap-and-go cards. Customers can also obtain immediate short-term instant loans and eStamped statements, which eliminate the need for customers to go into a branch.

During the course of 2013 the first large retailer was onboarded to the Scan & Pay service in the form of the Edcon group. The Edcon group comprises of several outlets including Edgars and Jet stores. Customers can take their bills through to an Absa ATM and follow the easy on screen prompts to pay their bills any time of the day or night, avoiding the branch or long in-store queues.

Money transfers

Absa also recognised that to become the 'Go-To' Bank in South Africa we needed to create strategic partnerships to help reach potential customers wherever they are in order to make their lives easier.

During 2013 we entered into a partnership with PEP, the country's largest single-brand retailer, to offer the PEP Money Transfers service in 1 300+ PEP retail outlets nationwide. Powered by the CashSend platform, PEP Money Transfers allows PEP customers to transfer money from in-store to any South African with a cellphone in a quick, convenient and secure manner.

Many South Africans have a need to send money to loved ones, acquaintances or staff members. Whether it is a parent sending money to their child in college, an employer paying a casual worker, or someone wanting to send cash to a family member some distance away, PEP Money Transfers provides the most convenient customer solution – even to non-Absa and unbanked customers – for affordable, quick and safe transfer and withdrawal of money from any one of our ATMs nationwide. PEP Money Transfers is one of the most cost-effective and convenient methods of transferring funds to someone else and is also significantly cheaper than the commission-based traditional methods used in the past, which sometimes attracted as much as 20 to 50% commission fees and were sometimes unreliable. The 24x7 nature of ATMs for the withdrawal of the cash further extends this convenience for the recipients.

Business Banking South Africa

Our purpose

To put world-class banking solutions within reach of every business in our target market and to be an employer of choice that talented people seek out.

Our business model

Our customers are

Start-ups to established businesses with an annual turnover of R500 million and comprises two segments

- Enterprise customers with an annual turnover of less than R20 million.
- Commercial businesses with an annual turnover of between R20 million and R500 million.

We provide

- Transactional savings and investment.
- Secured and unsecured lending, including loans, overdrafts and commercial asset finance.
- Industry specific products – revolving loans, asset finance and term loans.
- Business assurance and insurance products, as well as cash management.

The value we uniquely add

Our value propositions…

- Digital innovation to enhance services and solutions across all customer channels.
- Simpler, speedier and more transparent, products, pricing and services.
- Broad range of tailored customer solutions.
- Relationship propositions designed for customers' needs.
- Applying global risk standards to local markets ensure world-class customer experience.

Sustaining business by

- Continuously innovating and providing convenient, efficient, market-leading solutions, meet to customers' needs including growing digital demand.
- Running a financially stable, risk-conscious and responsible business.
- Ensuring that we nurture and retain the talent within our business.

Contributing to income by

- Sustainable balance sheet growth in both assets and liabilities, while applying best risk practices.
- Growing our customer base across our chosen sectors and segments.
- Collaborating across the Group to maximise our customer offerings and business opportunities.

Bring diverse benefits…

- Better client experiences and outcomes.
- Improved processing times for customer convenience.
- Cost reduction solutions.
- Support and access to industry specialists through collaboration with various internal stakeholders.

Contributing to strategy

We want to be the 'Go-To' primary bank, meeting our clients' business banking needs.

We have largely de-risked our business and we are focused on opportunities for growth. We will strengthen our relationship management, drive our online capability and lend in targeted areas.

Operating environment

Subdued global economic trading conditions and uncertainty resulting from the Eurozone crisis continued to impact local business, negatively affecting confidence and leading to reduced business volumes. As a result, consumer and corporate credit appetite remained subdued.

The growth in emerging market economies slowed down as a result of lower domestic demand and tighter financial market conditions. The slowdown impacted local business and negatively affected confidence which led to a decline in business volumes. Customer credit appetite remained subdued.

The key risks we face…

- Attrition of the customer base from increased competition from new and old competitors remains a challenge. We are in the process of changing our operating model to regain our base and improve market share.
- Increasing regulations impact the cost to serve with the latest regulation being the Protection of Personal Information Act.
- Interest rate hikes placing pressure on our profit margin and potentially increasing impairments.
- Market leadership position in sectors such as agriculture and public sector continue to be under pressure from renewed competitor activity.

Customer and Client

Our primary focus in 2013 was to reverse the trend of declining client numbers by rectifying a number of legacy challenges and growth obstacles. Toward this goal, we began to design and build the client experience and insights to improve our value proposition to clients. We have identified gaps in our coverage and will close these to take advantage of the opportunities presented.

Technology is a major enabler and we have begun a journey that ensures that we have a competitive offering in the market. A select number of our clients participated in a pilot of Barclays.Net, a world-class electronic banking platform and we expect this platform to be extended to our larger client base in 2014. Enhancements to Absa Online implemented in the year brought the benefit of an improved, more functional and stable platform. We have also started a journey to implement a single sign on for all clients to access the many digital channels currently being offered.

	2013	2012
Revenue (Rm)	**8 377**	8 030
Attributable earnings (Rm)	**1 734**	642
Headline earnings (Rm)	**1 710**	1 042
Credit loss ratio (%)	**1,43**	2,37
Cost-to-income ratio (%)	**58,7**	66,2
Loans and advances to customers (Rm)	**61 679**	63 409
Deposits due to customers (Rm)	**87 915**	79 100
Return on average risk-weighted assets (%)	**2,34**	1,22
Return on average assets (%)	**1,91**	1,19

The efficiency of our credit and account-opening processes is critical to our future. As we move towards more-automated processing we are seeing significant improvements in turnaround time.

Colleague

Maintaining a knowledgeable and committed workforce is critical to achieving our strategy and we are focused on attracting, retaining and developing talented colleagues in a competitive job market. We have identified the skills necessary to deliver on our strategy and achieve our ambitions and are actively working to develop them within our workforce by launching our Business Bank Academy.

We improved our colleague engagement through ongoing communication, ensuring our colleagues are aware of the ongoing achievements and priorities of Business Banking.

During the year, we reconstituted our Executive Committee to ensure a diverse, experienced team focused on delivering world-class business banking.

Citizenship

Supporting small business is at the heart of our contribution to the communities we serve. Our enterprise development business unit aims to create and promote entrepreneurship in support of job creation and strengthening the economies in our communities. The unit has a broad vision, which also involves a long-term view on supporting potential future clients. Our approach is to understand and fulfil their needs in order to attract, grow and retain these clients, while helping them to overcome the challenges they face along the way. For example, our SME procurement portal provides small and medium enterprises with a link to potential business through the procurement activities of large corporates.

Our colleagues supported nearly 100 community organisations across South Africa. Their work spanned rural and urban communities and supported a wide range of beneficiaries such as elderly homes and educational organisations.

Conduct

We are committed to building a culture based on our values and we will continue to focus on the right outcomes for our customers and clients, delivered by empowered colleagues who act with integrity at all times.

We have begun to conduct business-wide risk assessments to identify conduct risk issues. We will use this process to measure and control these risks and in so doing eliminate the gaps between customer and client expectations and what we deliver to them. We intend to lead the way in becoming the 'Go-To' bank.

Company

Headline earnings increased 64% to R1 710 million, reflecting 24% growth in its core franchise and significantly lower losses in its equity portfolio. Solid 14% non-interest income growth (2% increase in the core franchise excluding the equity portfolio), 7% lower operating costs and a 42% reduction in credit impairments were the key drivers. These offset a 1% decline in net interest income, as its loans declined 3%. Business Banking South Africa generated 14% of our overall earnings excluding Group centre. Its cost-to-income ratio improved significantly to 58,7% from 66,2%, which helped to increase its return on assets to 1,91% from 1,19%.

Future priorities

- We will focus on simplifying and improving the efficiency of our processes and systems through redesign and digitisation
- We will design new client value propositions aimed at meeting their comprehensive business needs
- We will leverage a global in-house client relationship management system and will customise it to suit our clients' specific needs
- We will build a One Africa operating model to service clients across the continent where we have a banking presence
- We will continue to invest in the capability of our people and launch our Business Bank Academy

From grassroots to flourishing enterprise.

After completing her studies, Sereti Mailula from Polokwane (South Africa) was unsure which direction to take. She was encouraged to start her own business – nine years later she is the proud owner of Seriteledi Horticulture.

Sereti runs a small business that specialises in grass cutting, weed control, bush clearing (tree felling), fire breaks and garden maintenance services in various provinces. She employs 20 permanent staff and has a contract force of around 120 people, with a turnover of R6 million.

It all began about nine years ago with one chainsaw, a brush cutter, five contract staff, no experience and a whole lot of nerves. The company had to hire equipment and often it would break during the contract and they had to make a plan.

The real break came when Eskom started registering a database of suppliers and Seriteledi got onto the list. "With a three-month contract in place, we did our best to deliver according to the requirements and get the job done but the nagging question was, 'so what will I do with Seriteledi once the contract is up?' Luckily, the Eskom network started opening up for us and in fact, cascaded across Transnet and various municipalities. I watched excitedly as my turnover doubled," she says.

It was around this time that Sereti heard about the Absa Enterprise Development (ED) programme and decided to contact the Entrepreneurship Centre in Polokwane. "I had a big contract coming up and needed finance and Absa not only believed in me but also took me on as a partner. It has paid off for us ever since. Absa helped me fund my fire truck which meant more work and an increased margin on projects."

"Call me silly but I am proud to say that I am the only girl in Polokwane with a fire truck. The Entrepreneurship Centre provided training and business programmes and I learnt business basics like managing my cash and reading an income statement," adds Sereti.

With the support from Absa ED she was able to better manage the business and get out of debt. "The Absa ED stories also gave me hope that I too could be a success and build a stable, profitable business. My journey so far has been interesting and challenging but it is thanks to great partners like Absa that the future looks bright and allows a woman like me to be a success in business."

Small and medium enterprises play an integral role in both developed and developing economies. We believe that money alone is not the solution to the challenges facing them. By providing access to markets, funding and business support, we are contributing to an enabling and access-conducive environment that supports emerging and growing enterprises. This is the basis of our 'going beyond banking' philosophy, to be more than just a financier – to be a partner.

RBB Rest of Africa

Our purpose

As a leading African retail and business bank, RBB Rest of Africa strives to make its customers' lives easier by providing retail and business banking services in a safe, reliable and regulated manner.

Our business model

Our customers are

- Middle-market, emerging affluent and mass affluent markets.
- Small and medium business customers.

In Botswana, Ghana, Kenya, Mauritius, Mozambique, Seychelles, Tanzania, Uganda and Zambia.

We provide

- Transactional products (current accounts, guarantees, international banking services).
- Savings and investments.
- Secured and unsecured lending (loans, overdrafts and asset finance).
- Payment solutions.
- Insurance.

The value we uniquely add

Our value propositions…

- Accessible financial solutions.
- Talented, engaged and committed teams in every market.
- Mature management process and engagement model.
- Ability to leverage customer relationships from other areas of the Group.
- Digital innovation to enhance services and platforms across all customer channels.
- Simpler, more transparent and speedier, products, pricing and services.
- Relationship propositions tailored around customer and client needs.
- Applying global risk standards to local markets ensure a world-class customer experience.

Bring diverse benefits…

- Excellent customer experience, regardless of time or place.
- Improved processing times and fewer associated errors.
- Cost-reduction solutions.
- Support and access to industry and geographic specialists.

Contributing to income by…

- Sustainable balance sheet growth in both assets and liabilities, while applying best risk practices.
- Growing our customer base across our chosen sectors and segments.
- Collaborating across the Barclays Group to maximise our customer offerings and business opportunities.

Sustaining business by

- Continuously innovating and providing convenient, efficient, market-leading solutions, meeting customers' growing digital appetite.
- Running a financially stable, risk-conscious and responsible business.
- Ensuring that we nurture and retain the talent within our business.

Contributing to strategy

We will deliver innovative customer solutions in a controlled manner, while ensuring sustained profitability in all our markets. We will remain agile, continuing to fuel the progress of our customers and communities that we serve, ensuring that we exceed their everyday lifecycle needs.

We are top three in eight of our markets which is underpinned by a relevant and innovative product suite and supported by a talented and engaged team.

Operating environment

The operating environment in the Rest of Africa, while offering exciting opportunities, is nonetheless complex and competitive. There is fierce competition in more mature markets. Kenya, for example, is a fairly saturated market with over 40 banks, including 31 local banks. In several markets, more nimble, niche players are offering non-traditional banking solutions and in markets with low GDP per capita, limited consumer purchasing power constrains saving and loan activity. Within this context, regulatory and legislative environments are becoming more complex as they focus on capital maintenance and the protection of consumers against irresponsible lending practices.

The key risks we face…

- In several countries currencies continue to depreciate.
- Liquidity risk driven by undeveloped or non-existent money markets across Africa hampering our lending ability.
- Interest rate risk which can't be hedged out.
- Social political instability in some markets in which we operate and their neighbouring states.
- Ongoing activity restrictions in certain markets.
- New and disruptive technologies in transactional banking being implemented by our competitors.

Customer and Client

We will offer best-in-class financial solutions backed by superior service to become the 'Go-To' bank for our chosen customer segments. We have focused on enhancing the customer experience. In our Rest of Africa markets, customers are benefiting from the revised Premier and Prestige banking proposition, Barclays Direct, Worldmiles Platinum credit/debit card as well as the CashSend money transfer. It is our goal to simplify processes and improve customer experience.

Historically, business customers were served either though our corporate and investment bank or retail segments. In 2013, we formally established Business Banking in the Rest of Africa, moving clients from CIB and in 2014 we will migrate our business clients from retail.

We will measure our progress through our Net Promoter Score® – a widely used measure of customer advocacy. Through regular and rigorous review of our customers' and clients' feedback we will identify where and how we need to invest to make the customer journey simpler, more intuitive and more personalised.

	2013	2012
Revenue (Rm)	**8 296**	6 724
Attributable earnings (Rm)	**1 354**	995
Headline earnings (Rm)	**1 348**	1 000
Credit loss ratio (%)	**1,79**	2,45
Cost-to-income ratio (%)	**62,6**	62,0
Loans and advances to customers (Rm)	**37 884**	30 322
Deposits due to customers (Rm)	**58 416**	47 533
Pro forma return on average risk-weighted assets (%)	**1,83**	1,91
Return on average assets (%)	**1,62**	1,76

Colleague

As with our colleagues in South Africa, transforming the business has required that our people are given the tools, trust and confidence to execute against our strategy. During the year, we have fundamentally reviewed our approach to human resources, bringing in a new team with fresh perspectives and breaking down barriers between front and back-office employees. We have introduced a customised Pan-African talent mobility programme; in 2013 we had over 30 colleagues moving around our markets and businesses. The business is now run through nine councils, each overseen by a chairman with the power to make necessary decisions within their respective mandates.

Our colleague agenda has also focused on talent development, appropriate incentives, as well as gender transformation. The diversity and inclusivity agenda is heavily focused on developing up and coming young talent, representative of the Africa demographics in the markets in which we operate. A concerted effort has been made to coach and mentor female talent to take up more senior management roles. In line with our 'Go-To' aspiration we placed strong emphasis on young graduate talent development to build bench strength for future succession. A key priority was to develop global relationship management skills to provide a differentiated offering to our premier customers. Skills development remains a huge area of focus for the Rest of Africa and plans are under way to set up sales and service academies.

Citizenship

We continue to drive our citizenship agenda from increasing access to financial services, to youth development through our community investment programme to funding larger and innovative projects. Barclays' social innovation facility, launched in 2012 with a £25 million commitment, exists to accelerate the development of commercial solutions that directly address social challenges. The investments in Africa include a partnership with GSK that aims to remove financial barriers to healthcare access while supporting small business development and job creation in Zambia, while in Uganda we provide support for a mobile financial services incubator which aims to develop innovative technologies and financial products that are relevant and accessible to disadvantaged communities. Our colleagues across Africa have a proud heritage of volunteering and continue to participate through various fundraising and volunteering programmes such as the Barclays global 'Make a Difference Day' campaign.

Conduct

In 2013 we initiated a conduct risk programme and implemented our conduct risk management across Barclays Africa RBB. This ensures that our customers' interests and our market impacts are taken into account in all our business decisions. It also helps us to track the management of conduct risk and ensures that relevant controls are designed and operated effectively. By conducting ourselves in the right way, we will differentiate ourselves by developing high levels of trust with our customers and the markets in which we work.

This positions us well as the Group implements its conduct risk framework in 2014.

Company

Headline earnings rose 35% to R1 348 million, largely due to strong 30% net interest income growth. Rand depreciation accounted for over half of its earnings growth and 15% of its cost growth. Non-interest income declined 4% on a constant currency basis, due to regulatory changes and our decision to eliminate certain fees. RBB Rest of Africa constituted 11% of our earnings excluding Group centre. Its costs-to-income ratio increased to 62,6% from 62,0%, while its return on assets declined to 1,62% from 1,76%, in part due to rand depreciation increasing its assets more than earnings.

Future priorities

In the coming year, we continue our drive to deliver innovative, locally relevant and reliable business and retail banking products to our African markets. In particular, we will:

- selectively focus on geographies with high growth potential;
- create partnerships with retailers and corporates that will give customers access to financial services;
- deepen penetration through corporate relationships;
- deliver cost savings through scale advantage and standardised operations;
- reposition the branch network to ensure an enhanced customer experience; and
- redesign the Business Banking operating model in Africa and strengthen product capabilities in-country.

Africa's first airline independent airmile programme.

Launched in November 2012, Worldmiles is a unique Barclays membership programme available exclusively to Platinum Barclaycard holders and targeted at the growing affluent consumer segment across Africa. It is Africa's first airline independent airmiles programme. Barclays designed Worldmiles to put the power of miles and convenience back into the hands of customers. Customers earn Worldmiles every time they use their Platinum Barclaycard to pay for purchases. Customers can then spend their Worldmiles against reward flights with any airline, to any destination in the world, whenever they want. The Barclays Worldmiles credit card allows customers to earn miles for every dollar they spend. Through this exclusive package, customers can benefit from further peaks including free flights, bonus miles, discounts at premium hotel partners, complimentary lounge access, complimentary priority pass membership, free travel insurance, benefits on car rental, emergency assist when travelling and a host of exclusive Visa and other partner benefits. The partner benefits are applicable for all Worldmiles customers, irrespective of their host country, so when a Kenyan customer travels to Egypt, they enjoy the same benefits as the local Zambian customers. Worldmiles is now offered across eight markets in Africa. The product is a true demonstration of Barclays' commitment to making the lives of our customers easier.

Corporate, Investment Bank and Wealth

Our purpose

We aim to become the premier 'Go-To' wholesale bank for corporate and institutional clients looking to raise capital or invest in Africa.

Our business model

Our customers are

- Corporates looking to maximise value for their owners and shareholders, for example, through organic business growth, merger and acquisition (M&A) activity and investing excess capital.
- Institutions including pension funds and hedge funds that manage assets on behalf of clients.
- Sovereigns such as countries or government departments that seek to deliver their stability and growth plans and improve living standards for their citizens in a sustainable manner.

For them we offer

- Long-term strategic advice on M&A, corporate finance and strategic risk management solutions.
- Execution and risk management services across the full range of asset classes.
- Prime brokerage services including clearing, financing and securities lending.
- Multi-asset class and macro-economic research.
- Lending to firms, supporting operations and fuelling growth.
- Safeguarding clients' deposits.
- Facilitating clients' payments and receipts.
- Financing global trade and providing foreign exchange.
- Risk management solutions.

The value we uniquely add

Our value propositions…

- Global footprint with a unique fully local and regional presence.
- Market leading flow franchise across all core markets products.
- Established and growing equities and investment banking businesses.
- Industry-leading technology platforms
- World-class research capabilities.
- Deep understanding of client sectors and their individual businesses through long-lasting relationships.
- Access to global trade expertise and corridors across Africa.
- Access to leading experts across Barclays for specialist financial needs.

Bring diverse benefits…

- Efficient execution and pricing.
- Expert insight and knowledge.
- High-quality, streamlined client experience.
- Reduced variability of income and risk services of a stable banking partner for the long term.
- Secure place for deposits.
- Competitive financing.
- Enhanced client experience.
- Access to tailored, innovative banking products and services.
- Reliable payments and transactions across multiple currencies.

We generate returns by

- Fees on advisory services.
- Interest income from lending.
- Fees for transactions.
- Service fees.
- Share of the income from referrals to other areas of the Group.
- Commission and spreads on transactions.

Future sustainability

- We seek to build long-term sustainable relationships with our clients by working with them as a strategic partner in Africa. We provide solutions that are in their best interests over the longer term.
- We continue to evolve our products and services in line with changing client expectations, regulation and technology to ensure we continue to meet and exceed our stakeholders' needs.

Contributing to strategy

Our integrated universal banking model allows us to meet the needs of our clients by connecting capabilities from across Barclays. Through our client-focused flow business, we provide diversity of income and risk to the Group and we are able to deliver market execution services for retail, wealth and corporate customers by:

- enhancing client service;
- reinforcing our strong culture and improving our controls;
- actively managing our balance sheet;
- enhancing synergies across the globe;
- developing long-term relationships that benefit clients and provide ongoing income;
- applying responsible lending practices;
- investing in strong and reliable IT systems;
- developing new digital products and solutions;
- leveraging our competitive advantage on the African continent; and
- rolling out a Pan-African offering for global and local clients.

Strengthening our client relationships, technological advancement and talent management are central to becoming the 'Go-To' wholesale bank in Africa.

Operating environment

In 2013, the markets in which we operate were affected by a more-adverse external environment on the back of rising financing costs, slow growth in emerging markets and less favourable commodity prices. In spite of continued resilient economic growth in a number of countries, fiscal pressures continued to build in a number of key countries and rating agencies reacted with a mix of outlook and rating downgrades.

The key issues we face…

- A rapidly evolving regulatory environment has impacted profitability of capital intensive lines, which has led to simpler products across the business and the drive to reduce the impact of operational risk.
- A subdued macro-economic environment can impact client volumes or potentially increase impairment.
- Some sectors and geographies will likely remain challenging, particularly if interest rates rise.
- Cyber crime and technology disruptions remain risks and we actively work to increase the resilience and enhance the security of our banking systems.

Customer and Client

Our focus is set on strengthening relationships with our clients. We undertook a segmentation review of our clients and their needs and we will use the findings to guide us in tailoring our products and services to their unique requirements. In supporting this, we established a CIB customer service centre for Africa.

Innovation is critical to our strategic intent. Technology enables our clients and frees up bankers to deliver exceptional client service. We continue to invest in our IT including the implementation of leading solutions drawn from Barclays globally which we customise for local requirements.

While our platforms are not yet delivering to the standard for which we are aiming, a number of successes demonstrate the potential to delight our clients:

- Our Barclays.Net pilot received excellent feedback.
- We passed a milestone of 52% of forex volumes being traded on our e-commerce platform (BARX).
- We have the largest exchange traded fund (in platinum) as measured by assets under management.

	2013	2012
Net revenue (Rm)	**11 348**	10 352
Headline earnings (Rm)	**3 017**	3 146
Cost-to-income ratio (%)	**57,8**	59,1
Pro forma return on average risk-weighted assets (%)	**1,76**	1,97
Return on average assets (%)	**0,57**	0,56
Client franchise contribution (South Africa) (R)	**7 278**	6 609

These successes helped us to improve our position in the league tables and in 2013, we were named Best Debt House in Africa for the fourth consecutive year by EuroMoney, Best Bond House and Best FX House at the Spire Awards and we were voted best Overall Bank by Risk South Africa.

In the Rest of Africa, we developed a target operating model for coverage and products. Our strong focus on client relationships lays our platform for growth.

We have a strong plan in place to continue capturing the opportunities before us by improving customer and client experience, driving process simplification, through innovative product and systems implementation.

In 2013, our Wealth business was migrated to Financial Services to create an integrated wealth, investment management and insurance business.

Colleague

As vital as innovation is, ultimately it is colleagues that drive our business and so talent management and skills development remain top priorities for us. In 2013 we:

- embedded a stable talent management framework in South Africa;
- established the CIB Academy, a development and training programme aiming to 'make our bankers better';
- conducted around 7 000 training interventions to improve product and service knowledge;
- implemented an online performance development system to help support and manage colleague performance;
- created opportunities for key employees to move between operations seamlessly; and
- rolled out the 'manage my manager' survey, this provides valuable input to building management capabilities.

Citizenship

We continue to leverage our products, capital, networks and expertise to drive sustainable progress. We support the transition to cleaner energy and provided R10,8 billion in debt funding to six projects in the South African government's Renewable Energy Independent Power Producer Procurement Programme. The six projects include wind, solar photovoltaic and concentrated solar power and represent 43% of the renewable power projects awarded under the government's plan.

During the year, we participated in the Global Barclays Make a Difference campaign where over 200 colleagues hosted 600 learners from Diepsloot Combined School in Johannesburg, South Africa, to teach them financial, employability and life skills.

Conduct

During the year, 99,2% of colleagues attended Values workshops. We also participated in global initiatives to address exposure to conduct risk relevant to our business lines including:

- an in-depth review of all rate submissions and associated processes following the Libor issue in the UK;
- an end-to-end review of our business lines to assess the appropriateness of the business we conduct;
- aligning with a global project to improve control and governance related to unauthorised trading; and
- establishing a transaction review committee to manage our reputational risk on defined transactions.

This positions us well as Barclays Africa implements our conduct risk framework in 2014.

Company

Headline earnings declined 4% to R3 017 million, reflecting a higher effective tax rate and non-recurring gains in 2012. Net revenue growth of 10% exceeded 8% cost growth resulting in 9% higher pre-tax profits. Market's total net revenue increased slightly, despite difficult trading conditions in the second quarter and margin compression in key products. However, Investment Banking and Corporate's net revenue grew 37% and 18% respectively. Private equity revenue declined due to lower revaluations as we reduced the portfolio by 42% to R3,3 billion. CIBW accounted for 24% of our total earnings in 2013. Its pro forma return on risk-weighted assets declined to 1,76% from 1,97%, given lower earnings and an increase in market risk risk-weighted assets from implementing Basel III.

Future priorities

- Strengthen our client relationships and roll out Barclays.Net in South Africa.
- Continue to build out the Corporate Banking business as a foundation, with the Markets and the Investment Banking capturing the flow and event businesses opportunities .
- Roll out BARX Africa across all our presence countries.
- Create a specific, consolidated risk appetite plan for the medium term factoring in our global and regional clients and our business strategies. This would cover risk appetite for foreign currency lending and business lending in defined segments.
- Expand our talent management framework into the Rest of Africa.

Technology enables our clients and frees up bankers to deliver exceptional client services.

We have access to the leading-edge technology and innovation that help us to become Africa's 'Go-To' wholesale bank.

In August 2013, we launched the pilot phase of Barclays.Net, a secure platform designed to deliver an internet-based cash management solution for our corporate banking clients.

Modelled on the Barclays global platform, the platform enables us to offer a consistent and improved client experience without incurring the heavy set-up costs usually associated with the launch of a new service.

Once the cash management solution is fully implemented, our clients will benefit from a leading electronic banking platform for payments, collections and balance and transaction reporting from anywhere in the world.

In December 2013, we launched BARX Africa, our award-winning foreign exchange trading platform, in Zambia. This platform introduces our clients outside of South Africa to quick and easy access to the forex markets that South African clients have previously been enjoying under the PACE platform (now rebranded as BARX).

We will roll out BARX across our presence to give clients access to global technology and local liquidity.

We have tailored the platform for clients in the Rest of Africa to ensure consistent performance using a lower bandwidth connection. The offering includes live streaming prices in 14 currencies, order functionality, blotter capabilities as well as research and charting. In the roll-out, we will customise the offering to suit the specific needs of clients in their respective countries.

Financial Services

Our purpose

Our aim is to be the 'Go-To' integrated financial services provider to meet our individual customers' and institutional clients' specific needs in Africa.

Our business model

Our customers are

- Individual retail customers, including high net worth clients.
- Institutional clients.
- Business and corporate clients.
- Corporate employees.
- Family and employee benefit trusts.

For them we provide

- Life insurance.
- Investment management.
- Short-term insurance.
- Employee benefits.
- Trust, wills and estates.

The value we uniquely add

Our value propositions…

- We augment the RBB customer and client value proposition with financial solutions that are integrated bank propositions.
- Our understanding of our customers' and clients' needs enables us to tailor make solutions.
- Our multi-channel distribution competency cuts across all our products to deliver in the best way.
- Our shared infrastructure enables cost efficiencies, delivering competitive products and services to the market.
- We offer attractive solutions to external platforms and providers.
- We are expanding our client proposition across the continent by following the RBB footprint.

Sustaining business by

- Delivering a consistently outstanding customer and client experience.
- Nurturing a collaborative and integrated culture.
- Improving access to financial services solutions.
- Ensuring we have the right people giving the right advice and customer-centric services.
- Being a centre of excellence for financial planning, insurance and investment management.

Contributing to income by

- Earning management fees on actively managed investments.
- Underwriting profits.
- Earnings fees for fiduciary services.

Bring diverse benefits by

- Providing an enhanced customer experience and outcomes.
- Convenience for customers in accessing our solutions.

Contributing to strategy

Our unique and well-established bancassurance operating model augments our banking offering across customer and client segments via multiple distribution channels.

Going forward, our integrated Wealth, Investment Management and Insurance franchise is stronger than the sum of its parts, offering a wide range of non-banking solutions for individual and institutional customers.

	2013	2012
Net operating income (Rm)	**1 724**	1 569
Net operating income contribution from Rest of Africa (%)	**2,4**	1,8
Headline earnings (Rm)	**1 370**	1 265
Cost-efficiency ratio (%)	**24,1**	24,2
Combined ratio (%)	**98,6**	94,9
Assets under management and administration (Rbn)	**176**	192
Embedded value of new business (Rm)	**427**	362
Return on average equity (%)	**28,6**	27,2

Operating environment

The environment was marked by slowing economic growth, although household consumption remained stable with durable goods and spending on services showing strong growth in 2013. Inflation, although at the upper end of the SARBs target band, remained fairly subdued. While the low interest rate environment persisted, clients benefited from growth in equity markets and the strong performance of asset managers.

The short-term insurance industry experienced large weather-related claims in the first and fourth quarters of 2013. With growth projected to continue in Africa, our integrated business model positions us well to capture value going forward.

The key risks we face…

- An uncertain global economic environment impacting the consumer base.
- A changing regulatory environment.
- Adverse claims experience due to weather-related incidents.
- Volatility in investment markets.
- Skills shortages and attracting and retaining high-quality employees.
- Delivery of key IT processes and systems under development.

Customer and client

In 2013, we successfully integrated our Wealth and Investment Management operations, creating exciting new opportunities to improve our client offering and becoming the 'Go-To' integrated financial services provider for our clients. We can now leverage off the strengths of the Barclays' Global Wealth and Investment Management business and begin scaling operations across Africa. Future reporting will include the combined wealth, investment management and insurance business.

We launched an innovative online insurance channel to Absa Online customers in September. Early uptake was largely for account servicing; however, we expect sales to accelerate in 2014.

We also improved our multi-distribution capability in South Africa and a slight decline in adviser numbers is evident as we transform our adviser model. We do, however, aim to grow adviser numbers from 1 000 to 1 300 over the next three years through recruitment and training in our recently upscaled academy. We aspire to deliver the most appropriate solutions through ongoing improvement to our advice model which will be achieved through the further roll-out of our client advisory framework.

The turnaround of our employee benefits business is focused on offering our clients the right solution with appropriate value. A series of operational improvements have led to a seamless, consistent customer experience across all points of interaction and more efficient processing. Ahead of retirement reform initiatives driven by the South African Treasury, we launched an improved umbrella fund proposition aimed at savings growth for clients falling under multi-employer schemes. We continue to make progress on our strategy of entering new countries while broadening our offering in existing operations in the Rest of Africa.

In 2013, we actively focused on our customers' and clients' experience; we began measuring complaints and we will actively manage our response to the major complaints categories.

Colleague

Following the structure optimisation in 2012, our focus has been on ensuring that we have the necessary skills and capabilities to achieve our future ambitions. While employee turnover remains higher than desired, we remain committed to supporting and engaging our workforce to ensure a strong employee proposition. We have implemented a number of initiatives to accelerate our progress, including targeted recruitment strategies; enhanced employee orientation; development programmes; transformation and stronger succession planning.

Citizenship

We have an integrated plan to contribute to the Group citizenship plan and in 2013:

- We committed R100 million of claims spend in our insurance business to our service provider development programme over three years
- We invested R1 million in commerce and finance bursaries at the North West University, South Africa
- Over 630 colleagues supported 14 key community initiatives including fundraising to introduce literacy projects in rural areas.

Conduct

We conduct various reviews on an ongoing basis to ensure that our behaviours exhibit our values as well as meet regulatory requirements aimed at consumer protection. These include reviews of:

- Selling practices and steps taken to strengthen our long-term customer relationships
- Our risk solvency position in line with new regulatory requirements

While the South African regulatory framework has always included market conduct initiatives, these are further enhanced by our response to regulations such as Treating Customers Fairly. We are committed to maintaining good relationships with our regulators and are continually asked to provide industry input and comment on regulatory initiatives. We are proud of the impact our businesses have on shaping the local regulatory framework.

Company

Headline earnings grew 8% to R1 370 million, while net operating income increased 10% to R1 724 million. Investments' headline earnings rose 23% to R412 million, on solid revenue growth as a result of improved margins. Life Insurance's net operating income grew 12% to R934 million. Rest of Africa profits more than doubled to R37 million. Our revised distribution operating model resulted in this business achieving break even, while employee benefits' turnaround saw its earnings rise significantly to R42 million. However, short-term insurance earnings dropped 39%, due to higher industry-wide weather-related claims which resulted in a decline in our underwriting margin from 5,1% to 1,4%. Financial Services accounted for 11% of our earnings. Its return on equity remains high, improving to 28,6% from 27,2%.

Future priorities

- Build on our strengths by collaborating and integrating with the Group's customer value proposition.
- Expand our multi-channel distribution capabilities with a focus on digital channels and transforming the advisory channel.
- Embed Wealth and Investment Management operations and create new opportunities by leveraging our global best practice.
- Compete where we can win through focus on customer and client experience.
- Continue our expansion into the Rest of Africa, augmenting the value proposition for Barclays retail, business and institutional clients.
- Improve efficiencies through scale and operational alignment.
- Maintain product/client profitability.
- Formulate a strategic response to short-term insurance earnings volatility.
- Roll out our enhanced conduct risk framework, underpinning all our strategic decisions.

Transforming customer and client experience through our Client Advisory Framework.

Financial Services' Client Advisory Framework

With the advent of the digital age, the ways in which customers and clients prefer to interact with their financial service providers have shifted significantly. They are showing more interest in the knowledge and functioning of products and demanding higher levels of service, delivered more consistently. In addition, regulatory changes will necessitate changes in the way business is conducted in the future.

The Financial Services cluster has responded by launching its innovative Client Advisory Framework (CAF), providing employees with the knowledge, skills and tools they need to ensure quality and consistency within the customer and client experience. CAF is designed to support a structured, advisory-led client approach that will transform relationship management into a client advisory capability.

Our CAF mission is to ensure that this approach is embedded in our culture, defining the way we conduct our daily business and ensuring that the customer and client are at the centre of everything we do. The framework will support our external customer value proposition and our internal employee value proposition through the values and skills it will embed in our workforce.

The CAF process consists of leading case studies, an assessment of technical and economics skills and an independent vendor accreditation process targeting all customer and client-facing colleagues. Combined, these elements will help us to meet our Treating Customers Fairly commitment and exceed our customers' and clients' expectations.

Board performance review

Section contents

Views from our Chairman

> We have combined strong local franchises, regional know-how and a global presence. This has profound implications and I am confident that, under the leadership of Maria and her wider leadership team, the Group will go from strength to strength.

Introduction

In the preceding sections of the report we outlined our business model, our One Africa strategy and our progress towards achieving our ambition to be the 'Go-To' bank in Africa. Our balanced scorecard and business cluster reviews provide a summary of our performance in 2013 and Maria has clearly articulated our four key focus areas in 2014.

The primary role of the Board is to deliver sustainable value to our shareholders and all our stakeholders by providing overall strategic direction within a framework of sound governance and controls. The sections that follow provide summaries of our governance and our remuneration approach.

Leadership and values

The bedrock of Barclays Africa Group is an understanding that our reputation rests on rigorous governance and sound business ethics. The Board and I are keenly focused on safeguarding sound business ethics as well as accountability and transparency in the Group's relationships with stakeholders. These responsibilities have become more critical as the regulatory environment becomes increasingly complex. In addition, we are overseeing an increased matrix of regulatory and other stakeholders as a result of our wider geographic presence.

I was fortunate to join as Chairman in 2013 as the Barclays Africa deal was coming to fruition. I am truly proud of our Board and its committees as well as the rich leadership resource in our Africa chairs and their boards. Across the continent our boards are governed by strong, committed and respected business people. The quality of this leadership group is testimony to the fact that we have, over many decades, developed deep roots and drawn people of the highest integrity into its ranks.

It has also been gratifying to be part of the Barclays PLC global drive on conduct, ethics and values, which was spearheaded by Antony Jenkins following his appointment in 2012. Colleagues across Africa have actively participated in campaigns to define and embed our Values of Respect, Integrity, Service, Excellence and Stewardship. These Values underpin our purpose, which is to help people achieve their ambitions in the right way. Living these values starts at the top, which is why the board has endorsed them unequivocally and is pleased with the progress made in ensuring they are a living reality throughout the Barclays Africa Group.

External drivers

We continued to monitor our external environment for trends, signalling opportunities and risks that could have an impact on our growth ambitions. The most pressing areas of focus are:

- Global regulation, with particular attention on the Eurozone.
- The longer-term effects of the large monetary stimulus being provided by the central banks of the major western economies.
- Strong fiscal focus throughout the continent.
- The direction of national policy initiatives in South Africa, including the National Development Plan as the framework for South African economic and social policy development.
- South Africa's country credit rating.
- Ongoing muted economic growth in the South African economy with continued high levels of personal debt.
- Technological innovation.
- Financial and cyber crime.

Governance, control and risk management

As a Group running operations across numerous geographical jurisdictions, we are cognisant of the need to strike a balance between independent authority and overall governance. As a result, the Group Board has developed and signed a code of conduct with each of the subsidiary bank boards. We continue to work towards aligning governance structures both upstream and downstream to ensure that the control environment is strengthened and that escalation processes are seamless. Looking ahead, board training will become more standardised and we will roll out best practice programmes in human resources, compliance, risk and internal audit.

We conducted deep dive assessments in three of our subsidiary banks, looking closely at the internal control functions and combined assurance procedures and protocols. Assessments in other countries in the Group will follow in 2014.

While changes to the regulatory environment are placing additional burdens on the Group, we nevertheless support all efforts to ensure that the financial services sector is stable, that the operating environment is safe and fair and that systemic risk is minimised.

We continue to work closely with regulators in all the countries in which we operate. In South Africa this has meant that recent changes to capital adequacy, conduct risk and customer issues have been managed smoothly. We are confident we can replicate this to keep pace with the regulatory changes in other jurisdictions. To this end, we continue to engage industry bodies and regulators across all our legal entities.

Guiding and rewarding performance

We have placed a great deal of emphasis on improving the clarity and transparency of our remuneration disclosure reporting as is evident in this report. Our approach to remuneration is being reviewed on a continuous basis to take account of regulatory changes and evolving best practice as well as to ensure that our reward decisions are aligned with the Group's performance across the balanced scorecard.

Board changes

I took up my position as Chairman of the Group Board on 1 April 2013 and on 19 September became a non-executive director of Barclays PLC and Barclays Bank PLC. In line with the recommendation of King III, Trevor Munday was appointed as lead independent director of the Group. Antony Jenkins and Robert le Blanc stepped down as of 28 February and 31 December respectively. Ashok Vaswani and Patrick Clackson joined the board from 1 March and Mark Merson from 1 January 2014. A process to appoint two additional board members to reflect the Pan-African nature of the Group is underway.

Conclusion

The completion of the Barclays Africa deal in 2013 marked a significant milestone. The deal was important for all the countries involved, as well as for the continent. It was transformational because it combines the power of strong local franchises with regional know-how and a global presence, with profound implications for our operations in Africa as well as for Barclays PLC.

Barclays PLC recognises that Africa offers tremendous opportunity and it has entrusted a core pillar of its growth strategy to Maria and her executive team. This is an extraordinary vote of confidence. As the Group Board, supported by country boards, we have no doubt that through the dedication of our employees led by Maria and her wider leadership team, we will go from strength to strength.

I am confident that we have a solid and realistic plan in place that the executive team can execute against. My optimism stems from the fact that the Board engaged extensively with the Exco, stress testing and challenging its plan. We were able to closely align the financial plan with our strategy and as a result were able to provide our full endorsement. To provide continued support for the Group's increased focus on information technology, we established a Board information technology committee.

I would like to thank our Board, the Africa chairs and their boards as well as the Group Exco for the support they have given me in my first year as Chairman. They have shown extraordinary dedication and professionalism. The creation of Barclays Africa Group Limited required significant recalibration of our governance structures and we have made outstanding progress and I am deeply grateful to them for all their hard work.

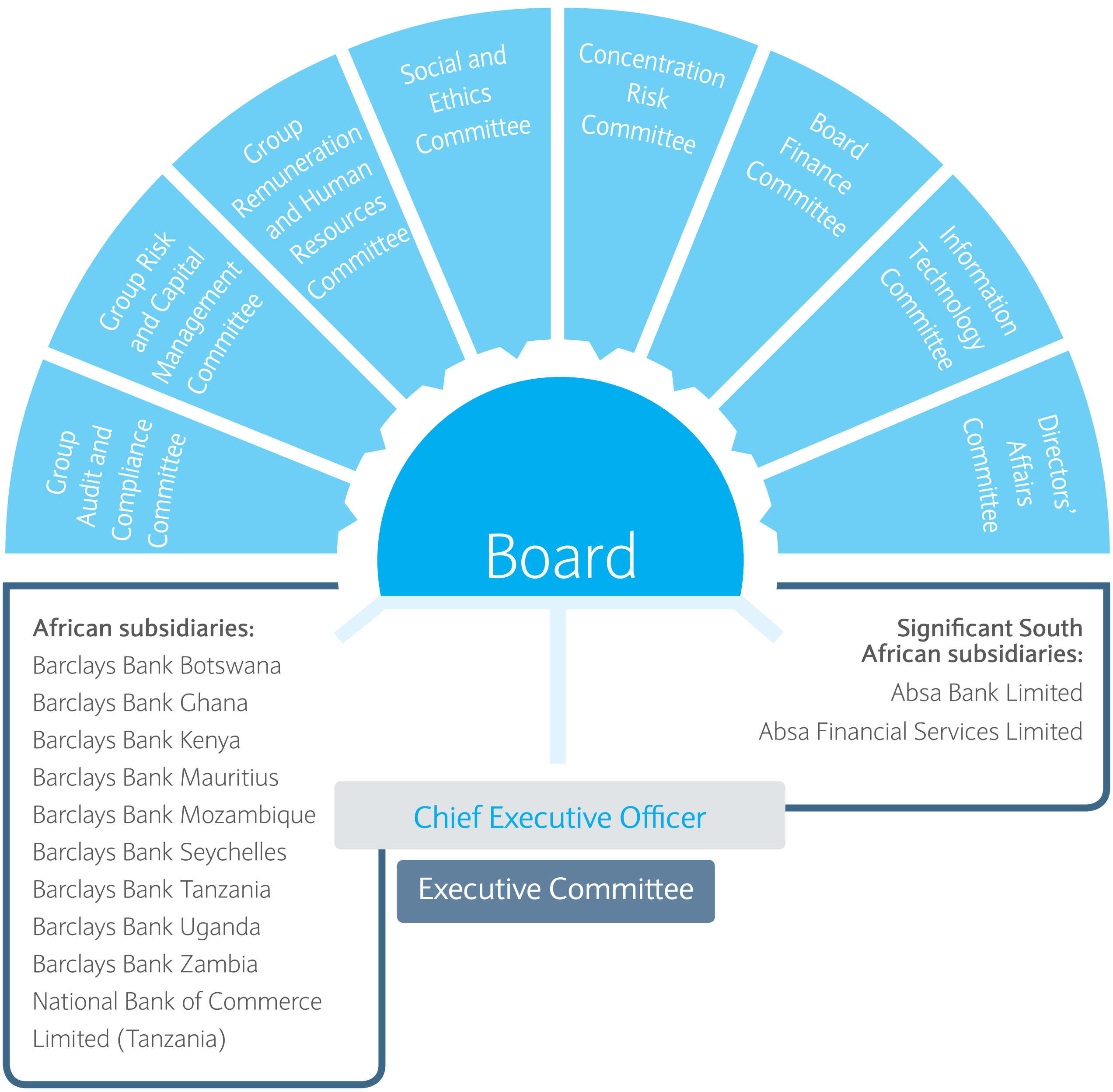
Wendy Lucas-Bull
Group Chairman

20 March 2014

Governance review

Introduction

Good corporate governance is the foundation on which we build shareholder value. We recognise our responsibility to drive ethical, legal and transparent behaviour and to ensure our business dealings are conducted for the benefit of all our stakeholders.



Progress against our 2013 corporate governance objectives

Our Board made good progress with its 2013 corporate governance objectives and where ongoing progress is required, we have incorporated it into our 2014 set of objectives.

1. Embed the governance structure for the Barclays Africa Group Limited	The transaction which combined Absa Group with the Barclays Africa operations was successfully implemented and the new governance structure is being embedded in the larger group.
2. Establish an appropriate set of relationships and governance arrangements between the Board and subsidiary boards and committees	We held two successful Africa Chairmen's conferences and concluded a memorandum of understanding with the chairmen of the subsidiary banks which contributed towards aligning governance, building relationships and alignment on strategy. This objective remains a work in progress.
3. To further develop and extract value from the board relationships between the Group and Barclays PLC	Significant progress was achieved as interaction between the two boards has heightened and we will derive further value through Wendy Lucas-Bull's participation as a non-executive director on the Barclays PLC board.
4. Citizenship and sustainability	• **Embed the new values and behaviours framework** The values and behaviours framework has been rolled out to all our employees and the work to embed these will continue. • **Provide the citizenship team and senior leadership with advice, feedback and challenge on the development, review and implementation of our citizenship strategy, plan and associated policies** This objective has been achieved and becomes an ongoing activity.
5. Control environment process	• **Monitoring the alignment of the internal audit, external audit, risk and compliance functions through implementation of our combined assurance approach** • **Provide guidance and monitoring regarding the design, assessment and strengthening of financial and non-financial controls** We have progressed the alignment of these functions, with enhanced monitoring at Board and committee level; however, these objectives remain work in progress.
6. Continue to monitor and improve IT governance	We have established a Board Information Technology Committee which provides guidance and challenge to management in this key area. We will continue to strengthen IT governance and reporting.

In this section, we describe the mandate of our Board and its committees and review the work done in 2013 and list the future priorities.

Board

Non-executive Chairman:	*Executive:*	*Non-executive:*	*Independent:*
Wendy Lucas-Bull	Maria Ramos (Chief Executive Officer) David Hodnett (Deputy Chief Executive Officer and Financial Director)	Ashok Vaswani Mark Merson (appointed 1 January 2014) Patrick Clackson Robert le Blanc (resigned 31 December 2013)	Brand Pretorius Colin Beggs Mohamed Husain Peter Matlare Trevor Munday (Lead Independent Director) Yolanda Cuba

Board Charter

Our Board is accountable for overseeing and guiding the creation and delivery of sustainable shareholder value through the management of the Group's businesses, including our social, economic and environmental performance. Our Board agrees the strategic objectives and policies, while providing overall direction within a framework of rewards, incentives, controls and risk management processes. This ensures that management balances long-term sustainable growth with short-term performance.

The Board Charter:

- Summarises our corporate governance practices.
- Details matters reserved for the Board.
- Defines separate roles for the Group Chairman and the Chief Executive Officer, as well as the Board's expectations of the chairmen of our Board committees.
- Outlines the mandates of Board committees.

Areas of focus in 2013

- Restructured the Absa Group, Absa Bank and AFS boards (especially in terms of sizes and memberships), to accommodate the new Barclays Africa Group structure.
- Development of the Group's strategy, together with the Exco and the ongoing monitoring of the results thereof.
- Established our Board Information Technology Committee with a majority of non-executive directors as members.
- Formulated our strategy with management and approved our short- and medium-term plans.
- Updated the terms of reference and the Board Charter, taking into account relationships with the subsidiary banks.
- Appointed Ashok Vaswani, Patrick Clackson and Mark Merson as non-executive directors.
- Considered regular reports from the chairs of the Board committees on all matters, including those pertaining to the control environment, all risk types and capital management, conduct and ethics in the Group, citizenship, people, technology, senior appointments and remuneration.

Among others, the Board specifically considered the following three matters (as required by the Companies Act and the JSE Listings Requirements):

- **Group Company Secretary** – The Board remains satisfied with the competency and experience of Nadine Drutman (BCom, LLB, LLM) as Group Company Secretary and that she maintains an arm's-length relationship with the Board members.
- **Going concern** – The directors of the Group are of the opinion that the business will remain a going concern in the 12-month period ahead. Their statement in this regard is contained in the directors' approval to the financial statements.
- **Applying the King III principles** – With the exception of the principle that vesting of share-based incentives should be subject to performance conditions measured over a period appropriate to the strategic objectives of the Company, the Group has applied all the principles of King III. Notwithstanding this exception, our Board believes that our remuneration practices maintain the required governance standard:
  - In particular, although deferred bonus awards are not subject to financial performance conditions, the exposure to share price and clawback provisions in the plan provides appropriate links to performance and risk adjustment. This structure is in accordance with the requirements of the Financial Stability Board's principles for sound compensation practices and generally subjects our incentive awards to higher levels of deferral than found elsewhere in the local market.

Board (continued)

Conclusion and future priorities

We have identified the following priorities for 2014:

- Review progress of management's implementation of the growth strategy for Africa.
- Monitor the shifting global regulatory environment and ensure our resilience in dealing with emerging issues.
- Follow the changing risk environment and seek to minimise those risks (and mitigants) that impact our business.
- Monitor the progress in bedding down the synergy benefits arising from our relationships with our subsidiary banks, especially in the areas of product innovation, talent and technology; and monitor the ongoing benefits of the relationship with Barclays PLC.
- Further develop the relationships and governance arrangements between the Group Board and the boards of our subsidiary banks.
- Appoint two Pan-African directors to the Group Board.
- Oversee ethics and conduct risk through the appropriate Board committees.
- Monitor the implementation of the Africa citizenship strategy, plan and associated policies.
- Support management in the revised information technology architecture of the Group and monitor implementation.

Group Audit and Compliance Committee (GACC)

Members:
Colin Beggs (Chairman)
Mohamed Husain
Trevor Munday

Mandatory invitees:
Ashok Vaswani
David Hodnett
Maria Ramos
Wendy Lucas-Bull

Our external auditors, PwC and EY, the Chief Internal Auditor, Chief Risk Officer and Head of Compliance are invited to attend all meetings.

Terms of reference

- The Group's integrated reporting, including accounting policies and the annual financial statements and reports.
- Our financial and disclosure controls and procedures and compliance matters.
- Management's approach to internal controls.
- Adequacy and scope of the external and internal audit activities.
- Oversee the relationship with the Group's external auditors.
- Provide assurance to the Board that executive management's control assurance processes are complete and effective and are implemented.

Areas of focus in 2013

Company

- Half-year and full-year results, the latter for the first time incorporating the larger Barclays Africa Group and using predecessor accounting.
- An external audit 'hard close' at end September 2013, in respect of the regional banks.
- Integrated Report 2013.
- The two accounting re-statement documents primarily dealing with: (1) Implementation of the new International Financial Reporting Standards (IFRS) and (2) Advance information on the impact of the acquisition of Barclays Africa Limited in accordance with our accounting policies.
- The solvency and liquidity tests in respect of Bank and the Group, including the provision of financial assistance to certain of our subsidiaries, and ordinary and special dividend distributions.
- The revised risk-based Business Continuity Management approach focusing on IT disaster recovery processes and the Africa assurance and standardisation programme.
- The control environments of each of our new subsidiary banks, with deep-dive presentations on three of these banks covering financial performance, key business issues and challenges, the control functions and environment, as well as technology, regulatory, people and legal issues.
- The change process with regard to regulatory changes being embedded into business processes and systems.
- Technology control environment through the reports from the IT Committee.
- The relationships, planning and activities of external and internal audit and compliance functions, including their resources, co-ordination and independence.

Group Audit and Compliance Committee (GACC) (continued)

Areas of focus in 2013 (continued)

Colleague

- Strategic roles and the consideration of skills shortages in the areas of compliance, internal audit and finance and the approach to building of a talent pipeline, while supporting the transformation agenda.
- The required (satisfactory) assessments of the performance and qualifications of the Financial Director, Chief Internal Auditor and internal audit function. Our Chief Internal Officer, Reinette van der Merwe, took up the role as Managing Director of Barclays Bank Botswana in November 2013 and Greg Warland has been appointed as Acting Chief Internal Auditor.

Customer and Client

- The work done to automate payments and bring these under the remit of the payments function.
- The reorganisation of the corporate accounts transferred from Business Bank to Corporate, Investment Banking and Wealth and the controls in respect of impairments in the wholesale credit portfolio.

Conduct

- Fraud, including financial crime and other fraudulent conduct by employees, card fraud and cyber attacks.

Citizenship

- Oversight of the Group's pension funds and the plans to remediate deficits in certain countries with historical defined benefit funds.

Conclusion and future priorities

The GACC is satisfied that control environment within the Group supported the financial statements for 2013 and has set the following priorities for the year ahead in order to strengthen the control environment:

- Monitor the standardisation of processes across Africa to ensure that systems are as robust as possible, in particular in the payments control environment.
- Embed and standardise risk and control assessments throughout Africa.
- Conduct additional deep dives on the banking subsidiaries, including engagement with the chairmen of the audit and risk committees and the subsidiary bank managing directors; and ensure all reporting contains metrics on the basis of materiality (both within the Group and per country).
- Fraud management including cyber-fraud and card fraud.
- Continue assessing and measuring the effectiveness of combined assurance including appropriate programmes of work for the three disciplines of compliance, internal audit and external audit.

View the full GACC statement in our consolidated and separate financial statements.

Group Risk and Capital Management Committee (GRCMC)

Members:
Trevor Munday (Chairman)
Colin Beggs
David Hodnett
Robert le Blanc
(until 31 December 2013)
Maria Ramos
Mark Merson
(from 1 January 2014)
Wendy Lucas-Bull

Our external auditors, PwC and EY, the Chief Internal Auditor and the Chief Risk Officer are invited to attend all GRCMC meetings.

Terms of reference

Review management's recommendations on risk and capital management and compliance with the South African Banks Act requirements.

- Risk: review the Group's principal risk categories, risk appetite and profile and satisfy itself of the design and completeness of the internal control and assurance framework used to monitor risk.
- Capital management: recommend to the Board capital target ranges; monitor levels of capital; monitor liquidity levels and requirements; and ensure the adequacy of available capital relative to the emerging risk profile of the Group.

Areas of focus in 2013

Company

- The Chief Risk Officer's quarterly reports on the principal risk types (market, liquidity, insurance, reputation and credit risk) and the Group's appetite for risk and its utilisation.
- The Chief Risk Officer's specific reports on commercial property finance, renewable energy, unsecured lending and contagion risk, short-term insurance, Africa security, retail collections and recoveries, wholesale credit and legal risks, as well as in the healthcare, agricultural, retail and furniture industries.
- The Group's recovery plan which was recommended to the Board for approval and thereafter submitted to the SARB.
- Current and projected capital and liquidity levels and the optimisation of capital and risk-weighted assets.
- The annual Internal Capital Adequacy Assessment Report, which was recommended to the Board for approval and thereafter submitted to the SARB in terms of Regulation 39(6) of the Banks Act.
- Our R6 billion special dividend to shareholders, together with scheduled interim and final declarations and their impact on capital.
- The medium-term capital plans (2014 to 2018) and capital target ranges for 2014, which were recommended to the Board for approval.
- Technology key risks through the reports from the ITC.
- Model outcomes through reports from the Absa Bank Models Committee.
- Outsource contracts, including the outsourcing of the corporate and business banking customer electronic banking solution, Barclays.Net (in accordance with the regulations of the SARB).

Colleague

- Strategic roles and the consideration of skills shortages in the areas of risk in general, wholesale and retail credit and models specifically and the approach to building a talent pipeline, while supporting the transformation agenda.

Customer and Client

- Data management, with a view to improving data quality towards, inter alia, improved service to the customer.

Conduct

- Brand and reputation issues, with a view to identifying areas of concern and proactively managing the related risks.

Conclusion and future priorities

Risk management of the Group was regarded as satisfactory, with room for improvement in certain areas of operational risk. Capital was well managed, with capital and liquidity targets comfortably within Board-mandated ranges. Priorities were identified to further embed processes and policies in the wider Group,
thereby enhancing the risk
management framework and
optimising capital structures. These priorities for 2014 are to:

- Monitor the Group's risk profile and levels of risk tolerance against the risk framework.
- Monitor the current and projected levels of capital of all regulated entities within the Group relative to regulatory requirements and our plans.
- Optimise the capital structures of each subsidiary bank, given the Basel III and Capital Requirements Directive (CRD IV).
- Analyse and approve the credit impairment numbers in consultation with inputs from the Models Committee and the Concentration Risk Committee.
- Conduct deep dives at various subsidiary banks focusing on, *inter alia*, credit impairments and capital management.

Group Remuneration and Human Resources Committee (GRHRC)

Members:
Brand Pretorius (Chairman)
Ashok Vaswani
Patrick Clackson
Trevor Munday
Wendy Lucas-Bull
Yolanda Cuba

Attendee:
Maria Ramos

Terms of reference

Assist and advise the Board on various strategic human resource matters, specifically remuneration and incentive arrangements, talent management, succession planning for strategic positions, key management retention schemes and the governance of retirement benefits.

Areas of focus in 2013

Company and Colleague

- Salary mandate for bargaining unit and non-bargaining unit employees (for all countries in the Group), having regard to our market positioning.
- Incentive pools, having regard to the performance of the Group as a whole and the individual business units and countries.
- Strategic human resources practices, focusing on talent, succession planning and strategic hiring.
- Remuneration structure – updated to ensure compliance with regulation under the European Union CRD IV.
- Structure and funding of incentive arrangements, including consideration of financial and non-financial performance outcomes against a range of measures.
- Performance and remuneration proposals for specified employee groups (above certain thresholds and in risk management positions).

Conduct

- Terms of reference – updated to support global best practice in human resources and remuneration governance.
- Remuneration policy and supporting principles – updated in line with the One Africa strategy and our Values.
- In applying incentives and salary adjustments, moved towards the elimination of pay anomalies in terms of race and gender.

Conclusion and future priorities

We engaged at length regarding the European Union CRD IV, with a view to determine the impact on the Group and decide an appropriate response to balance the need to retain talent and ensure compliance. The committee has prioritised the following activities in 2014:

- Monitor that individual objectives match balanced scorecards at business unit and/or functional level as these are rolled out.
- Support management in the design of an effective long-term incentive and retention plan.
- Respond to regulatory and legislative developments.
- Recognise performance on a balanced scorecard basis and reward fairly for that performance.
- Ensure the competitiveness of our remuneration packages.
- Talent retention in light of the impact of CRD IV.
- Make further enhancements to our remuneration disclosure in line with best practice and effective stakeholder engagement.

Social and Ethics Committee (SEC)

Members:
Mohamed Husain (Chairman)
Brand Pretorius
Maria Ramos
Peter Matlare
Wendy Lucas-Bull

Attendee:
David Hodnett

Terms of reference

Monitor the Group's social and economic performance, including good corporate citizenship, ethics management, labour and employment, consumer relations, stakeholder management, transformation, environment, health and safety, in line with the South African Companies Act requirements.

Areas of focus in 2013

Company

- All functions in terms of the Companies Act, including:
  - Stakeholder and sustainability management.
  - Overall corporate citizenship strategy and performance.
  - Performance against broad-based black economic empowerment targets, in particular employment equity (EE).
  - Human resource performance and ethics management.
  - Treating Customers Fairly developments.
  - Health, safety and environmental issues.
  - OECD recommendations on corruption.
  - Our standing in terms of the International Labour Organisation Protocol on Labour and the United Nations Global Compact.

Colleague

- Human resource initiatives, policies and performance in light of the results of the 2012 Employee Opinion Survey and the strategy to achieve our human resource targets for 2014.
- Preparation for the new labour legislation, including an analysis of the permanent, part-time and contractor composition of the workforce.

Customer and Client

- Customer complaints management.
- Matters raised by the South African Banking Ombudsman and the establishment of the customer adjudication office culminating in the South African Banking Ombudsman's Best Bank Award.
- Net Promoter Score (NPS) survey and actions to improve the underlying customer experience.

Conduct

- The roll out of the Barclays values and behaviours framework as an enhancement to the previous approach.
- Disciplinary and grievances matters, in the context of our code of ethics.
- Our readiness for the South African Financial Services Board's Treating Customers Fairly framework and with the UK's Conduct Risk requirements.

Citizenship

- Our citizenship strategy and plan, CSI and sponsorship spend, stakeholder framework and material stakeholder issues.

Conclusion and future priorities

The SEC has focused its attention on the people strategy and on customer service and has identified areas for improvement and related priorities for 2014:

- Monitor reputation and brand management, with a focus on matters of conduct and conduct risk.
- Monitor the change in workforce constitution in response to the proposed revised labour legislation.
- Consider the outcomes of a review of the effectiveness of the Group's ethics policies, practices, procedures, controls, awareness training and reporting.
- Monitor enhanced talent management, succession planning and employment equity programmes.
- Ongoing review of customer service and complaints performance.

Concentration Risk Committee (CoRC)

Members:
Trevor Munday (Chairman)
Colin Beggs
David Hodnett
Maria Ramos
Wendy Lucas-Bull
Yolanda Cuba

Other voting members (representing management):
Anil Hinduja (appointed 1 November 2013)
Anthony Harvett (Wholesale Chief Credit Officer)
Jan Lubbe (resigned 31 October 2013)

Terms of reference

Approve all large exposures as required by the South African Reserve Bank. Large exposures are defined in section 73(1) of the Banks Act as those exposures that exceed 10% of the bank's qualifying capital which, in the case of the Group was R76 515 million at 31 December 2013. The committee also approves settlement limits to counterparties greater than R10 billion and reviews portfolio exposures and impairment trends arising therein.

Areas of focus in 2013

Company, Customer and Client

- Considered for approval all large exposure credit applications presented by management.
- Monitored the risk profile of all large exposures and determined any further action required on key risk issues.
- Approved all limits relating to counterparties under its mandate.
- Addressed matters under review relating to key concentration risk at the GRCMC.
- Reviewed quarterly segment concentrations affected by the economic environment.
- Approved the scope and terms of references of the Wholesale Credit Committee and the Group Credit Committee and made suitable amendments to ensure that limits were sanctioned and risk profiles analysed by the appropriate level of management.

Conclusion and future priorities

The committee was satisfied that all regulatory requirements were met with regard to large exposures and intends to expand the work of the CoRC in 2014 to:

- Review the risk profile of the Group's large exposures to ensure that such exposures are managed within risk appetite and against the risk management framework.
- Commission portfolio and country stress-testing against currency volatility and quantitative easing.
- Undertake industry and product-specific reviews.
- Review concentration risk.

Board Finance Committee (BFC)

Members:
Trevor Munday (Chairman)
Colin Beggs
Wendy Lucas-Bull
Mark Merson
Yolanda Cuba (Co-opt)
Mohamed Husain (Co-opt)

Attendees:
David Hodnett
Maria Ramos

Following the appointment of Wendy Lucas-Bull to the Barclays PLC Board, Trevor Munday succeeded her as chairman of the BFC.

Terms of reference

Assist the Board in the governance and approval of investments and in particular around acquisitions, disposals and infrastructural investments; capital raising and funding initiatives; recommend the Group's annual budget and medium-term plan to the Board for approval and approve the final release to stakeholders of the Group's financial results and dividend announcements.

Areas of focus in 2013

Company

- The sale of the Group's 73,37% limited partnership interest in Absa Capital Private Equity Fund I.
- The corporate office consolidation strategy throughout South Africa.
- A post-acquisition review of the Edcon transaction.
- The unbundling of the assets of Barclays Africa Limited pursuant to the regulatory requirements of the Africa transaction.
- The Group's 2014 budget and medium-term plan (2015 to 2016).

Conclusion and future priorities

The committee was comfortable with the execution of its mandate and will continue to act on its terms of reference and mandate and provide robust challenge to management on the setting of budgets and on investments and disposals.

Information Technology Committee (ITC)

Members:
Patrick Clackson (Chairman)
David Hodnett
Wendy Lucas-Bull
Peter Matlare
Maria Ramos
Ashok Vaswani

The Chief Risk Officer and Group Operations Officer attend all ITC meetings.

Terms of reference

Assist the Board with the effective oversight and governance of Group IT with input on the technology control environment from management assurance, internal audit and compliance. The inaugural meeting for the year was held in August 2013.

Areas of focus in 2013

Company, Customer and Client

- Overall IT performance.
- IT and business continuity management with regard to customer satisfaction and human resources.
- The balance of 'run the bank activities' vs 'change the bank activities'.
- The high-severity incidents that occurred in the IT environment during the year.
- The top IT risks facing the Group and assessment of the risks associated with the top IT projects in the Group.

Conclusion and future priorities

The committee made good progress in its first two meetings with the establishment of a King III compliant terms of reference and our 2014 priorities are to:

- Review our new IT strategy plan (including for stability and innovation).
- Review our IT disaster recovery capabilities.
- Review the bench-strength of the IT team and support management in the hiring of key individuals to the team.
- Ensure optimal allocation of IT spend in Africa.
- Continue to enhance the IT performance measures.

Directors' Affairs Committee (DAC)

Members:
Wendy Lucas-Bull (Chairman)
Colin Beggs
Mohamed Husain
Robert le Blanc (until 31 December 2013)
Trevor Munday
Brand Pretorius
.

Attendees:
David Hodnett
Maria Ramos

Terms of reference

Assist the Board with corporate governance, Board nominations, Board evaluation and related matters.

The selection and appointment of directors is based on recommendations from the DAC, supported by the GRHRC and are in consultation with Barclays PLC. All appointments are subject to confirmation by shareholders.

Areas of focus in 2013

Company and Citizenship

- Progress against the Group's six corporate governance objectives for 2013.
- The Group Board and governance structure to incorporate the larger Barclays Africa Group. The Absa Bank and the Group boards were separated given the different focus areas and the AFS board was strengthened though the appointment of additional non-executive directors. As a consequence of this split, the committee considered a change to the fees payable to the non-executive directors of the Board.
- The level of non-executive directors' remuneration of the African country boards including a process to ensure alignment and equity in the approach to non-executive directors' fees.
- The composition of the African country boards.
- Enhancements to the content and layout of Board and committee meeting papers.
- The appointment of Trevor Munday as lead independent director of the Board, following Wendy Lucas-Bull's appointment to the boards of Barclays PLC and Barclays Bank PLC.
- The addition of 'issues of reputational concern' to the agenda of the committee.

Colleague

- The assessment of director independence.
- The skills and qualifications required for Pan-African directors as additional members of the Group Board and the identification of a shortlist of potential candidates.

Conclusion and future priorities

The committee had an intense year, with the change in Board structures and the combination of the African businesses. Our 2014 priorities are to:

- Strengthen the Barclays Africa Group governance structure, focusing on board vacancies, the ongoing alignment of director fees in the countries and escalation of issues from the regions to the Group Board and its committees.
- Ensure that the process of escalation of matters from our Group to Barclays PLC is robust.
- Appoint two Pan-African directors to our Group Board.
- Manage ethics and conduct risk through the appropriate Board committees.
- Ensure comprehensive training for our Board and committees is available for Group directors and directors of all major subsidiaries.

Board and Board committee meeting attendance for 2013

Board attendance was at 89%, down from 93% last year. In addition, Board members were expected to be available for meetings with the regulator, a two-day Board strategy meeting and a further training session. The DAC performs periodic assessments of the Board members' skills sets and availability and makes appropriate recommendations to optimise the resources.

Name	Board	GACC	GRCMC	DAC	GRHRC	BFC	ITC	SEC	Total
Number of meetings held[1]	**8**	**7**	**6**	**6**	**5**	**6**	**2**	**4**	
Current directors									
C Beggs	8/8	7/7[2]	6/6	6/6	n/a	6/6	n/a	n/a	33/33
PA Clackson	7/7	n/a	n/a	n/a	2/4	3/5	2/2	n/a	14/18
YZ Cuba	6/8	n/a	n/a	n/a	2/4	3/6	n/a	n/a	11/18
DWP Hodnett	6/8	[3]	6/6	[3]	n/a	[3]	2/2	[3]	14/16
MJ Husain	7/8	7/7	n/a	4/6	n/a	6/6	n/a	4/4[2]	28/31
R le Blanc	5/8	n/a	6/6	5/6	n/a	n/a	n/a	n/a	16/20
WE Lucas-Bull	5/5[2]	[3]	4/4	3/3[2]	3/3	5/5	2/2	3/3	25/25
PB Matlare	5/8	n/a	n/a	n/a	n/a	n/a	0/2	2/4	7/14
TS Munday	8/8	7/7	6/6[2]	6/6	5/5	6/6[2]	n/a	n/a	38/38
SG Pretorius	8/8	n/a	n/a	6/6	5/5[2]	n/a	n/a	4/4	23/23
M Ramos	8/8	[3]	6/6	[3]	[3]	[3]	1/2	4/4	19/20
AV Vaswani	6/7	[3]	n/a	n/a	3/4	n/a	1/2	n/a	10/13
Past directors									
SA Fakie	4/4	2/2	2/2	n/a	n/a	n/a	n/a	n/a	8/8
G Griffin	3/3	[3]	1/2	2/3	2/2	1/1	n/a	1/1	10/12
AP Jenkins	0/1	[3]	n/a	n/a	0/1	n/a	n/a	n/a	0/2
TM Mokgosi-Mwantembe	4/4	n/a	n/a	n/a	2/2	n/a	n/a	n/a	6/6
EC Mondlane, Jr	4/4	n/a	n/a	n/a	2/2	n/a	n/a	n/a	6/6
LL von Zeuner	4/4	n/a	2/2	n/a	n/a	0/1	n/a	1/1	7/8
BJ Willemse	4/4	n/a	1/2	n/a	n/a	n/a	n/a	n/a	5/6

Notes

[1] Excludes the CoRC, which meets as and when required.
[2] Denotes committee Chairman.
[3] Denotes attendance/standing invitee.

Board of directors

Ashok Vaswani (53)

Chartered Accountant (CPA) – Institute of Chartered Accountants of India

Non-executive director from 2013

1.

Colin Beggs (65)

BCom (Hons), CA(SA)

Independent director from 2010

3.

Brand Pretorius (65)

MCom (Business Economics), Honorary Doctorate (Marketing)

Independent director from 2009

2.

David Hodnett (44)

BCom, CA(SA), MBA

Executive Director from 2010

4.

1. **Ashok Vaswani** is the Chief Executive of Barclays Retail and Business Banking. He spent 20 years in a number of senior roles at Citigroup. Ashok was a partner at Brysam Global Partners LLC, a New York City-based private equity firm focused on building retail financial service businesses in emerging markets. He joined Barclays in 2010 and was the Chief Executive of the Barclays Africa businesses from October 2010 to September 2011.

2. **Brand Pretorius** retired as chief executive of McCarthy Limited and as an executive director of Bidvest Group Limited in 2011. He started his career at Toyota South Africa in 1973. In 1988, he was appointed as managing director of Toyota South Africa Marketing. Brand was appointed chief executive officer of McCarthy Motor Holdings in 1995.

3. **Colin Beggs** is the former senior partner and chief executive officer of PricewaterhouseCoopers (PwC) in southern Africa and retired from that position in June 2009. Throughout his career, he served on several boards and councils of PwC's global firm. He was also the chairman of the SAICA board in 2002/3 and was a member of the Accounting Practices Board.

4. **David Hodnett** is the Deputy Chief Executive Officer and Financial Director. He completed his articles with KPMG and became a partner in the financial services team. He then joined Standard Bank group, where he was involved in group risk and retail credit functions. David joined the Group in 2008 as the Chief Risk Officer and became the Group's Financial Director on 1 March 2010. In December 2013, David was appointed as Deputy Chief Executive Officer. He has oversight of the Chief Operating Officer's portfolio and responsibility for significant Group-wide change initiatives.

Maria Ramos (54)
Institute of Bankers' Diploma (CAIB), BCom (Hons), MSc (Economics)
Executive director from 2009

5.

Mohamed Husain (53)
BProc
Independent director from 2008

7.

Mark Merson (45)
Chartered Accountant (UK)
Non-executive director from 2014

6.

Patrick Clackson (49)
BSc (Hons), ACA
Non-executive director from 2013

8.

5. **Maria Ramos** joined Absa as Group Chief Executive Officer in March 2009 and is a member of the Barclays PLC Executive Committee. She was previously the director-general of the National Treasury and in January 2004, she was appointed as the group chief executive of Transnet Limited.

6. **Mark Merson** is the Barclays Business Chief Financial Officer (CFO) and CFO for Barclays Corporate and Investment Banking (CIB). He is a graduate of Oxford University, chartered accountant and was previously a partner in the financial services consulting practice of Deloitte. He joined Barclays in 2003 as Group Financial Controller and during his career to date, has held positions as the Head of Investor Relations (2005) and Financial Controller and CFO for UK and EMEA in the Investment Bank (2009) before becoming global CFO for CIB at the end of 2011.

7. **Mohamed Husain** has been an attorney for 29 years, during which time he has represented a diverse range of clients in commercial and corporate litigation, insolvency law and administrative law.He is a former president and current member of the executive committee of the International Commonwealth Lawyers Association. Mohamed was one of the advisers to the Constitution Assembly on the drafting of the final Constitution and has acted as a Judge of the High Court. He previously chaired the Attorneys Insurance Indemnity Fund and is also a past president of the Law Society of the Northern Provinces. He is a councillor of the Law Society of South Africa where he serves on the audit and risk committees and chairs the remuneration committee.

8. **Patrick Clackson** is the Chief Executive of Barclays Corporate and Investment Banking in Europe, the Middle East and Africa and the Head of Business Transformation. He was the chief financial officer for Sumitomo Bank's London and Asian investment banking activities, as well as a senior manager at PricewaterhouseCoopers. Patrick joined Barclays Investment Bank in December 1998.

Peter Matlare (54)
BSc (Hons) (Political Science),
MA (South African Studies)
Independent director from 2011
9.

Wendy Lucas-Bull (60)
BSc
Non-executive director from 2013
(Chairman)
11.

Trevor Munday (64)
BCom
Independent director from 2007
10.

Yolanda Cuba (36)
BCom (Statistics), BCom (Hons), CA(SA)
Independent director from 2006
12.

9. **Peter Matlare** is the chief executive officer of Tiger Brands Limited. He began his career with the Urban Foundation and Citibank and gained international experience, particularly in Europe. Peter is the previous chief executive officer of the South African Broadcasting Corporation (SABC), chief strategy and business development officer of Vodacom Group Limited and executive director of commercial at Vodacom SA Proprietary Limited.

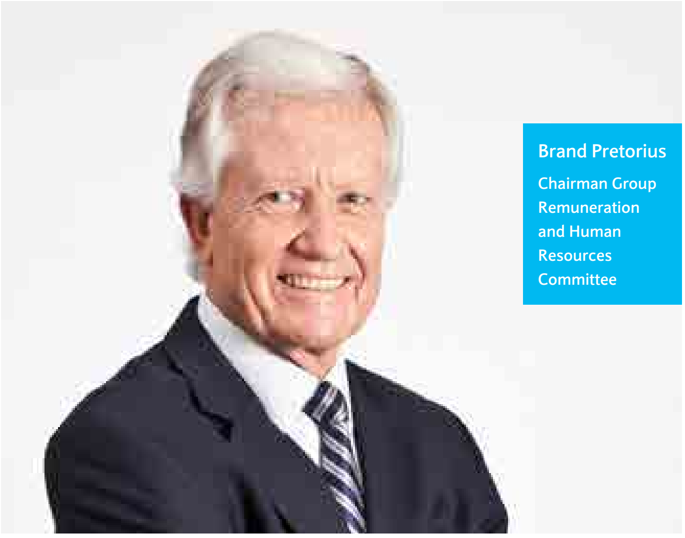
10. **Trevor Munday** retired as deputy chief executive of Sasol Limited on 31 December 2006. He was appointed finance and commercial director of AECI Explosives Chemicals Limited in the late 1980s. He then served as managing director of Dulux Paints (early 1990s); followed by Polifin Limited (1996 to 2000). In 2001, Trevor was appointed as an executive director of Sasol Limited, with global responsibility for finance and accounting, risk management, internal audit, corporate affairs and planning. In 2003, he assumed responsibility for Sasol Group's global chemical businesses. Trevor was appointed as deputy chief executive of Sasol Limited on 1 July 2005.

11. **Wendy Lucas-Bull** is the Group Chairman, Absa Bank and Absa Financial Services Chairman is one of the founders of the Peotona Group. She was previously chief executive of FirstRand Limited's retail businesses and prior to that an executive director of Rand Merchant Bank Holdings. Former non-executive directorships include those at Anglo American Platinum Limited, the Development Bank of Southern Africa, Alexander Forbes, Eskom, Nedbank, Telkom, Aveng (deputy chairman), Lafarge Industries (chairman), the South African Financial Markets Advisory Board, Discovery Holdings, Dimension Data PLC and the Momentum Group. Wendy was appointed to the board of Barclays PLC in September 2013.

12. **Yolanda Cuba** is the executive director for strategy and business support for the South African Breweries Limited. She began her career with Robertsons Foods in 1999. She moved to Fisher Hoffman, an auditing firm, where she completed her articles in 2002. In 2003, she joined Mvelaphanda Holdings in corporate finance and was later appointed deputy chief executive officer. In July 2007, Yolanda became chief executive officer of Mvelaphanda Group Limited. She joined the South African Breweries as executive director for development and decision support in September 2011.

Remuneration review

We are confident that our remuneration framework and underlying principles are aligned to our goal to be the 'Go-To' bank in Africa. Our remuneration approach supports our One Africa strategy and effective remuneration governance.



Brand Pretorius
Chairman Group Remuneration and Human Resources Committee

Overview

We are committed to attracting, retaining and incentivising colleagues needed to deliver our One Africa strategy. Ensuring we have the right people, with the right skills and behaviours, in the right jobs is vital to our ability to generate shareholder returns and execute against our strategy in the competitive market for talent in the financial services sector.

Our approach to remuneration considers a variety of internal and external factors, including underlying risk-adjusted business performance, current and future affordability, global remuneration trends and regulatory developments impacting remuneration. As outlined over the following pages, our focus on total compensation frameworks enable us to appropriately manage remuneration costs and the share of value between shareholders and employees.

In this year's report, we continue to improve the transparency and clarity of our remuneration disclosures. We also provide stakeholders with relevant forward-looking information regarding amendments to our remuneration structure in 2014 in response to European regulatory developments impacting Barclays PLC and consequently the Barclays Africa Group.

Remuneration developments in 2013

We have updated our remuneration policy in line with our One Africa strategy and our values. The principles in our remuneration policy, as set out on pages 90 to 93, underpin our 2013 remuneration decisions and our objectives for 2014 and beyond.

Our remuneration policy ensures that remuneration decisions for all employees across the Group are aligned with and support the achievement of our goal to become the 'Go-To' bank in Africa.

Our deferral arrangements remain in excess of practice at local competitors and regulatory requirements and continue to be used to encourage longer-term focus and align employee interests with those of shareholders. We have introduced the Cash Value Plan to operate alongside the Share Value Plan as part of our annual bonus deferral arrangements. As summarised on pages 102 to 103, awards under our bonus deferral plans vest in three equal tranches on the first, second and third anniversaries of the award and are subject to continued service and malus provisions.

Performance assessment and the balanced scorecard

We will measure our progress in achieving our goal by reference to pre-determined targets in our balanced scorecard. The scorecard, alongside our Purpose and Values, is also embedded in how we measure and reward individual and business performance. This promotes a clear and direct alignment between our remuneration policy, Group strategy, Values and key business objectives.

We have implemented a new approach to performance assessment across our executive and senior management population and we now measure performance against both objectives (the 'what') and the demonstration of our Values and Behaviours (the 'how').

All employees will align their performance objectives to the balanced scorecard in 2014. This approach will help our employees understand how their day-to-day activities contribute to the overall performance of the business or function in which they work and, ultimately, the overall performance of the Group.

2013 incentives and compensation ratios

We determine incentive pool funding on a discretionary basis within a structured framework. This is because we believe that performance cannot always be assessed simply by formulae and it is important that informed discretion is applied to achieve appropriate remuneration outcomes which reflect the underlying health of the Group, a balanced assessment of all-round performance and the creation of shareholder value.

The 2013 total incentive pool, including the value of all non-deferred cash and share awards, deferred share awards and other formulaic incentives, is R1 988 million. On an absolute basis, the 2013 total incentive pool is 20% higher than in 2012. Our 2013 compensation to net income ratio is stable at 29,2% (2012: 29,4%) and our 2013 compensation to pre-compensation profit before tax ratio has reduced to 45,8% (2012: 47,0%).

The total incentive pool reflects performance against financial and non-financial measures focused on transforming our business over the coming years and growing momentum in the delivery of our One Africa strategy. The total incentive pool was differentiated strongly by business unit and individual performance.

Details of the process followed to determine and allocate this pool are set out on page 93. 2013 incentive awards for executive directors and prescribed officers are set out on pages 95 to 101.

Impact of European regulation in 2014

The Capital Requirements Directive (CRD) IV is a European regulation effective from 1 January 2014. From a remuneration perspective, it imposes a maximum ratio between variable and fixed remuneration for identified senior managers and material risk takers of European banking organisations. The maximum ratio is either 1:1 (without shareholder approval) or up to 2:1 (with shareholder approval).

For Barclays PLC, headquartered in Europe, the maximum capped ratio applies to individuals classified as Code Staff globally for the purposes of the UK's Prudential Regulation Authority Remuneration Code of Practice. Barclays PLC is seeking shareholder approval at its 2014 AGM for a 2:1 ratio. We had 11 Code Staff in 2013 which includes executive directors and prescribed officers as well as other individuals on our executive committee. The maximum ratio will not apply to these categories of employees at the majority of our local competitors as these institutions are generally not part of a larger European banking organisation.

During 2013 and early 2014, we considered the maximum ratio and the corresponding impact on our remuneration structure. We will comply with the spirit and letter of the regulation in a simple and transparent manner.

In 2014, executive directors, prescribed officers and other Code Staff will receive a new class of fixed remuneration called role based pay, which has the flexibility to be increased or decreased to reflect changes in role and to maintain cost control. Role based pay will not be adjusted for performance and will not be considered as salary for pension and benefits purposes unless legally required in a particular geography. It will be reviewed and fixed annually. In addition, long-term incentive awards will not be awarded in 2014.

For our Chief Executive Officer, who is a member of the Barclays PLC Executive Committee, role based pay will be awarded quarterly in phantom shares, subject to a holding period and released over five years (20% each year). This approach is aligned to the treatment of other Barclays PLC Executive Committee members. For all other Code Staff in Barclays Africa, role based pay will be paid monthly in cash alongside salary. This approach is aligned to the treatment of other Code Staff below the Barclays PLC Executive Committee level.

The introduction of role based pay in 2014 will result in a transfer of costs from variable to fixed remuneration; however, this is expected to represent a small proportion of total staff costs for the Group. Our approach will assist us to remain competitive in terms of total remuneration which is essential when considering that this regulatory requirement does not apply for the majority of our local competitors and the competitive market for talent in financial services.

Remuneration governance and policy

Governance framework

Our Board is responsible for the implementation of effective remuneration governance. Our Board approves remuneration principles and structures, ensuring that they are competitive and support the long-term interests of stakeholders.

Our Group Remuneration and Human Resources Committee (GRHRC) provides governance and strategic oversight of executive and all other employee remuneration, human resources activities and senior talent retention.

The GRHRC sets the over-arching principles and parameters of the remuneration policy. It considers and approves the remuneration arrangements of executive directors, the executive committee and other roles regardless of quantum as well as certain senior executives and employees whose total annual remuneration exceeds an amount determined by the GRHRC from time to time (R5 million in 2013). The GRHRC met five times during 2013 to consider and discuss broader human resources and remuneration matters including the structure and funding of 2012 and 2013 incentives, amendments to the remuneration policy factoring in CRD IV remuneration regulation, global and local remuneration trends, as well as the performance and remuneration arrangements for our executive committee, senior managers, risk takers and other high earners.

Further information on the membership, remit and responsibilities of the GRHRC is set out on page 79.

Remuneration policy

Our remuneration policy sets out the principles by which we ensure that remuneration remains competitive, in accordance with regulatory requirements, and provides appropriate risk-adjusted incentives for performance.

Our remuneration policy states that all our remuneration decisions must:

1. Support the goal of becoming the 'Go-To' bank by attracting, retaining and competitively rewarding colleagues with the ability, experience, skill, values and behaviours to deliver that goal.
2. Only reward business results when these are achieved in a manner consistent with our Values and behaviours.
3. Protect and promote shareholder interests by incentivising colleagues to deliver sustained performance and create long-term value through the delivery of the Group's strategy and objectives. Remuneration decisions will reflect that performance for individuals and in aggregate. We will pay competitively for high performance but will not pay more than the amount appropriate to maximise the long-term value of the Group for our shareholders.
4. Create a direct and recognisable alignment between remuneration and risk exposure, as well as adjusting current and deferred incentives for current and historic risk, including malus adjustments, as appropriate.
5. Be as simple and clear for colleagues and stakeholders as possible – as is the process used to determine them.
6. Ensure that the balance between shareholder returns and remuneration is appropriate, clear and supportive of long-term shareholder interests.

2013 remuneration structure

We aim to apply a common remuneration structure across employee groups and locations; however, the structure and delivery of remuneration arrangements is sometimes differentiated to take account of market practice, statutory and/or regulatory requirements.

The remuneration structure for executive directors, prescribed officers and other Code Staff is similar to the structure for the broader employee population. Any material divergence in remuneration practice between employee groups is highlighted within each remuneration component over the following pages.

The GRHRC is careful to control the proportion of variable to fixed remuneration paid to individuals. The ability to recognise and reward performance through variable remuneration enables us to flexibly control our cost base.

For the broader employee population, we benchmark remuneration against the relevant internal and, where available, external peers. We aim to position remuneration at the median level; however, we may agree an above-median position to ensure we attract and retain talented employees. For executive directors and prescribed officers, remuneration is benchmarked and determined with reference to market practice relevant to each individual's specific experience and role.

Typical composition of total remuneration

The diagram on this page summarises the main components of total remuneration across the Group. Employees receive salary, pension, benefits and/or allowances reflecting local market practice and are eligible to be considered for a discretionary annual bonus award.

Fixed remuneration

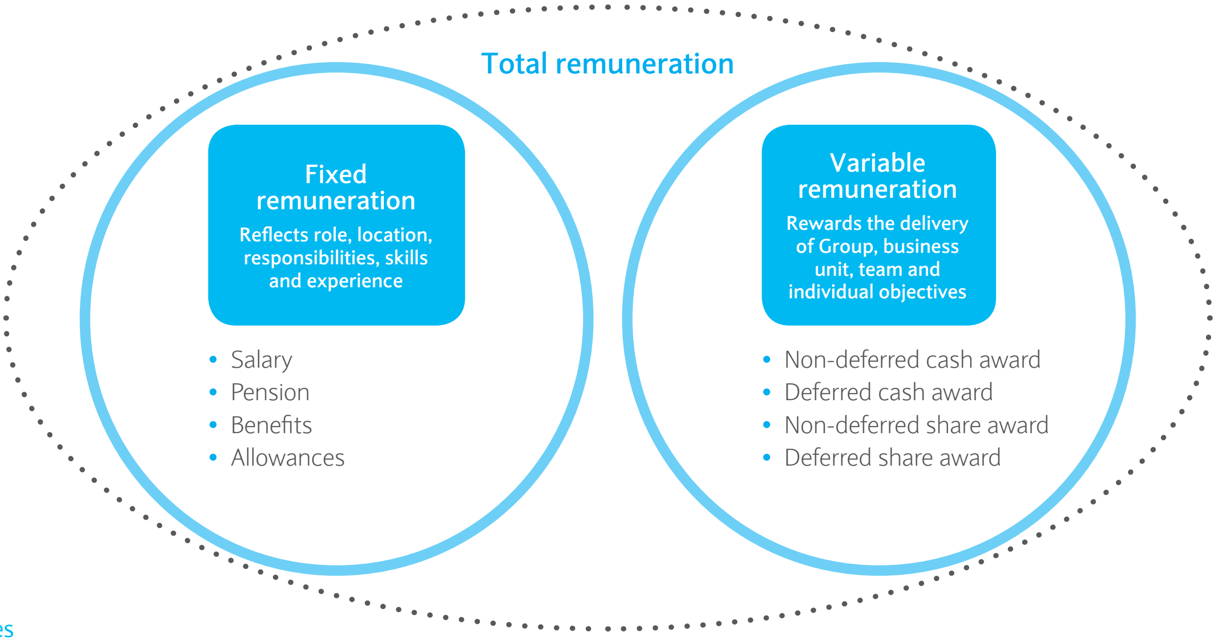
Fixed remuneration is designed to attract and retain talent in a competitive market and provide market competitive benefits.

Fixed remuneration comprises salary, pension, benefits and/or allowances appropriate to an individual's role and location. Benefits typically include life insurance, death-in-service, temporary and permanent disability cover and medical aid.

Fixed remuneration is positioned at a market competitive level reflecting the size and complexity of role, responsibilities, experience and skills. Fixed remuneration is reviewed annually in the context of the annual performance assessment and total remuneration.

For the broader employee population, fixed remuneration is either increased in line with local statutory requirements and union and collective bargaining commitments, or when justified by a role change, increased responsibility or the latest available market data.

For executive directors and prescribed officers, fixed remuneration is determined with reference to market practice relevant to each individual's specific experience and role. In line with the approach for the broader employee population, fixed remuneration is reviewed annually but is only increased on an exceptional basis and when justified by market movements and/or a material change in job responsibilities.



Notes

Cash in lieu of pension may be provided in limited cases, for example, when an individual is excluded from participating in the relevant pension scheme.

Allowances are based on role, geography and corporate grade where applicable.

Non-deferred share awards are applicable to executive directors, prescribed officers and other Code Staff. 50% of an individual's non-deferred annual bonus award is awarded in phantom shares vesting after six months.

Variable remuneration

Variable remuneration is used to reward the delivery of performance targets at Group, business unit, team and individual levels.

Annual bonus awards are used as the primary variable remuneration mechanism used to reward performance. These awards are delivered using a combination of cash and share based non-deferred and deferred awards as follows:

- **Non-deferred cash award:** For all employees, non-deferred cash awards are paid following the end of the performance year to which they relate, normally in February.
- **Non-deferred share award:** For executive directors, prescribed officers and other Code Staff, 20% of any annual bonus award is awarded as phantom shares at the same time as the non-deferred cash award which vest after six months.
- **Deferred share award:** For all employees subject to deferral, 50% of any annual bonus award is awarded as phantom shares under the Share Value Plan vesting in three equal tranches on the first, second and third anniversaries of the award subject to continued service and malus provisions. An additional six-month vesting period applies to all deferred share awards for executive directors, prescribed officers and other Code Staff as each award tranche vests.
- **Deferred cash award:** For all employees subject to deferral, 50% of any annual bonus award is awarded as deferred cash under the Cash Value Plan vesting in three equal tranches on the first, second and third anniversaries of the award subject to continued service and malus provisions. Employees receiving a deferred cash award may be awarded a service credit of 10% of the initial value of the award at the time that the final tranche vests subject to continued service.

In response to the CRD IV remuneration regulation impacting Barclays PLC and consequently the Barclays Africa Group, the GRHRC determined that long-term incentive awards will not be awarded in 2014. Details on cash and share based long-term incentive awards awarded in prior years are set out on pages 102 and 103 respectively.

Deferral structure

In the competitive and mobile market for talent within the financial services sector, annual bonus deferral is a central feature of our remuneration structure. This is used to encourage long-term focus and retention and align employee interests with those of shareholders.

The GRHRC reviews the deferral thresholds, rates and vesting periods annually. Our deferral requirements for 2013 remain in excess of practice at local competitors and regulatory requirements.

For executive directors, prescribed officers and other Code Staff, 60% of any 2013 annual bonus award was deferred as follows:

- 30% of any 2013 annual bonus award was awarded as phantom shares under the Share Value Plan vesting in three equal tranches on the first, second and third anniversaries following grant subject to continued employment and malus provisions. Phantom shares are subject to an additional six-month vesting period (after the payment of tax).
- 30% of any 2013 annual bonus award was awarded as deferred cash under the Cash Value Plan vesting in three equal tranches on the first, second and third anniversaries following grant subject to continued employment and malus provisions.

For all other empoloyees, a graduated level of deferral applies based on the quantum of annual bonus award.

Vesting conditions and malus

All deferred awards are subject to continued employment and malus provisions. Under our malus provisions, the GRHRC may reduce the level of vesting of deferred awards for any reason. This includes, but is not limited to:

- A participant deliberately misleading the Group, the market and/or shareholders in relation to the financial performance of the Group.
- A participant causing harm to our reputation or where his/her actions have amounted to misconduct, incompetence or negligence.
- A material restatement of the financial statements of the Group.
- A material failure of risk management in the Group.
- A significant deterioration in the financial health of the Group.

The GRHRC ensures that the judgements on malus are equitable and take account of all relevant information. During 2013 and early 2014, the GRHRC gave detailed consideration to risk adjustment and the potential application of malus. The GRHRC determined that there was no evidence of irresponsible or untoward behaviour for any employee which would necessitate the forfeiture or reduction of deferred cash or share awards.

2013 incentives

Determining incentive pools and individual awards

The GRHRC set Group, business unit and team incentive pools

- Risk-adjusted financial and non-financial performance against pre-determined targets for Group and business unit or function (e.g. profit before taxation, return on equity, return on risk-weighted assets, net income, other industry-specific measures)
- Specific risk or compliance events
- Historical and current compensation ratios for Group level, business units/functions
- Affordability, attrition data, market data and economic indicators

Managers assess individual performance

- Performance against strategic, operational and financial objectives and behaviour in line with our Values and Behaviours
- 'What' and 'how' individuals have contributed
- Risk and compliance input
- Individual performance rating within a five-point scale

Managers recommend individual annual bonus awards

- Driven by performance rating
- Target to pay 50% incentive pool to top 30% of performers
- Target to pay no bonus to lowest 15% of performers
- Size of incentive pool(s)
- Year-on-year comparisons
- Grade, job and performance rating averages
- Market competitiveness

Managers conduct consistency checks

- Group, business unit or function
- Functional reviews independent of business line
- HR reviews
- Review of recommendations based on budgets, performance differentiation, Values and Behaviours, diversity and inclusion

The GRHRC and Board review and approve incentive pools and individual awards

- Final spend at Group and business unit or function levels
- Employees with total remuneration >R5 million
- Senior managers and material risk takers, including senior finance, risk and compliance officers
- Distribution of spend by grade, performance rating and diversity

Our balanced scorecard

During 2013, individual objectives and the performance assessment process for executives and senior management were aligned to our balanced scorecard and values. A similar linkage of performance assessment and variable remuneration decisions for all employees will follow in 2014. Consequently, all individual objectives will be closely aligned with balanced scorecards for the business unit or function in which employees work, which align with and support the Group balanced scorecard.

A summary of 2013 performance against key financial and non-financial performance measures is in our balanced scorecard review set out on pages 20 to 40 which includes detailed financial performance in the Financial Director's review.

Composition of 2013 total incentive awards

	2013 Year ended 31 December Rm	2012 Year ended 31 December Rm
Non-deferred cash awards	**1 398**	1 192
Non-deferred share awards	**25**	8
Deferred cash awards	**256**	7
Deferred share awards	**256**	338
Annual bonus pool	**1 935**	1 545
Commission and other incentives	**53**	51
Awarded value of long-term incentives	**–**	64
Total incentives granted	**1 988**	1 660
Total permanent employees	**41 433**	41 372
Total employees who received an annual bonus award	**33 647**	34 170

Note

Values in the table above exclude permanent employees and any incentives for Woolworths Financial Services. The total number of permanent employees for 2013 (including Woolworths Financial Services) is 42 356 (2012: 42 175).

Reconciliation of 2013 total incentive awards granted to the income statement charge for performance costs

	2013 Year ended 31 December Rm	2012 Year ended 31 December Rm
Total incentive awards	**1 988**	1 660
Less: Deferred cash awards, deferred share awards and the awarded value of long-term incentives	**(512)**	(409)
Add: Current year charges for deferred awards and long-term incentives from previous years	**442**	471
Other[1]	**50**	(181)
Income statement charge for performance costs[2]	**1 968**	1 541

Notes

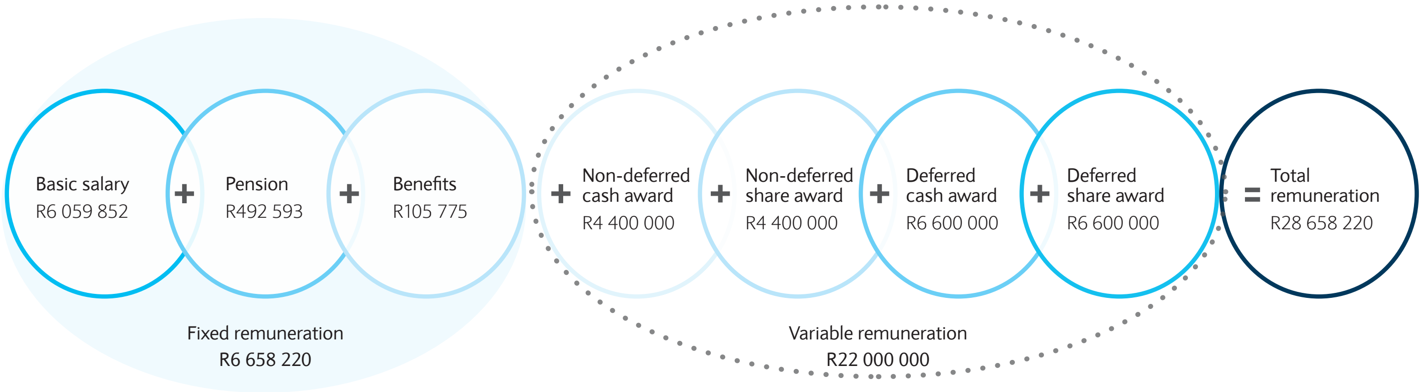
[1] Reflects the difference between incentive awards granted and the income statement charge. This comprises changes in provisions for incentive awards, other incentives including the Joiners Share Value Plan and the Key Leaders Plan, the income statement charge for commissions and other incentives and the foreign exchange impact of performance costs paid in foreign currency.

[2] The income statement charge reflects the charge for employees' actual services provided in the relevant calendar year.

Executive director and prescribed officer remuneration

2013 individual remuneration outcomes

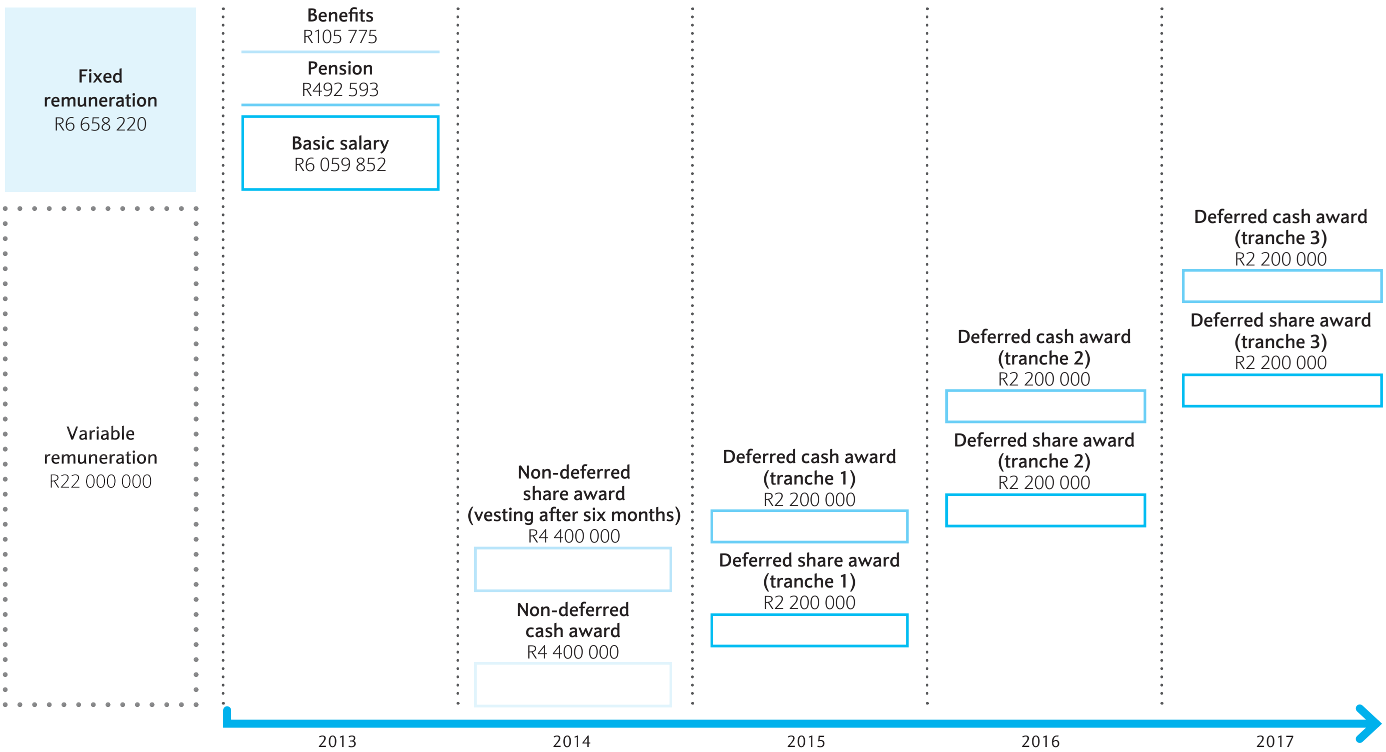
Maria Ramos: Chief Executive Officer



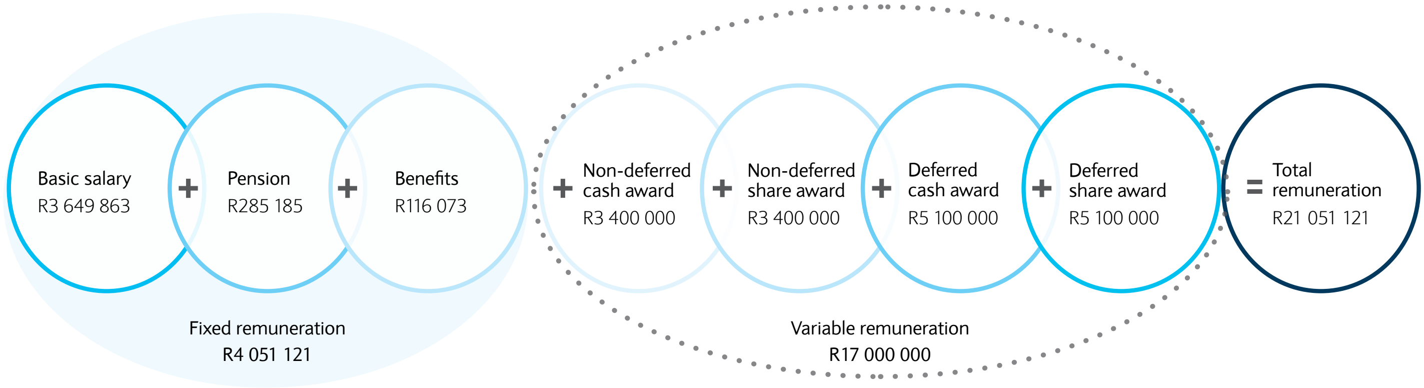
Overview

Fixed remuneration	Maria did not receive an increase in fixed remuneration in 2013.
Variable remuneration	Maria received an annual bonus award comprising cash and share-based deferred and non-deferred awards of R22 000 000 for 2013. Maria's variable remuneration for 2013 is 120% higher than in 2012 (when the GRHRC agreed to her request to forego consideration for an annual bonus award) and flat relative to 2011. The GRHRC's annual bonus decision for Maria considered performance during the year against Group and individual performance measures. The GRHRC noted performance against key financial and non-financial measures contained in the balanced scorecard and the strong personal contribution made by Maria during 2013, particularly in building and embedding a strong leadership team, the continued implementation of the One Africa strategy and the significant progress made against the Group's objective to become the 'Go-To' bank in Africa.

Payout timeline



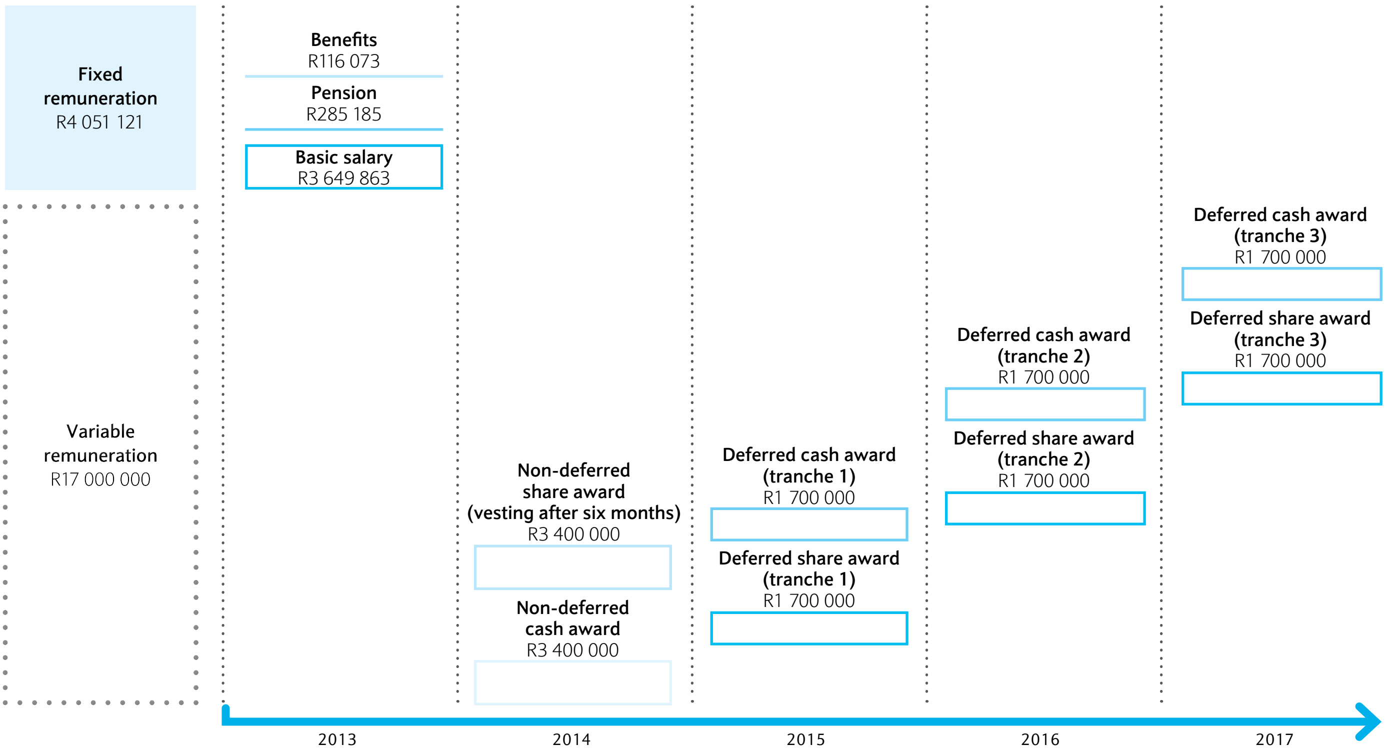
David Hodnett: Deputy Chief Executive Officer and Finance Director



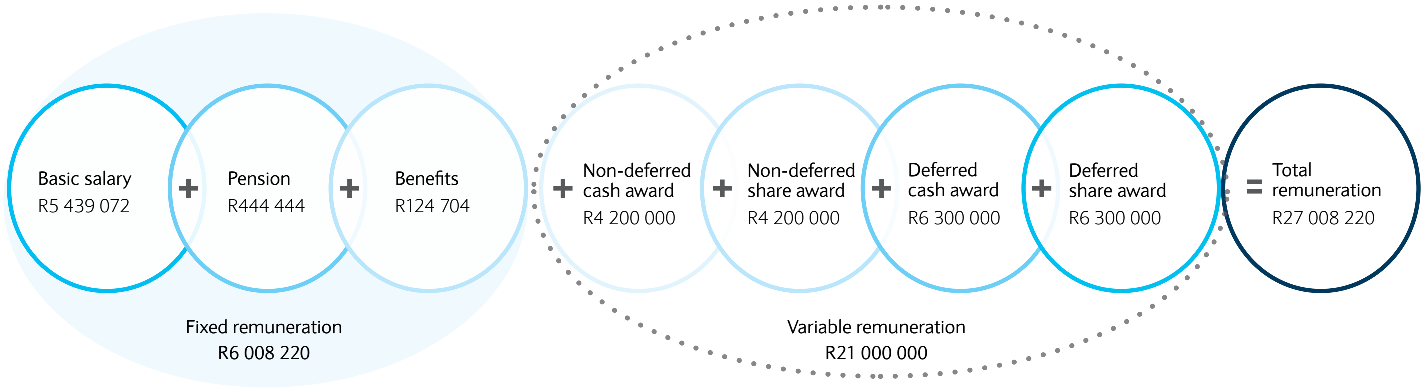
Overview

Fixed remuneration	David's fixed remuneration was increased from R3 400 000 to R4 000 000 in April 2013 to reflect a market adjustment and from R4 000 000 to R6 500 000 in December 2013 to reflect the expansion of his responsibilities and his appointment to the Deputy Chief Executive Officer role.
Variable remuneration	David received an annual bonus award comprising cash and share-based deferred and non-deferred awards of R17 000 000 for 2013. David's variable remuneration for 2013 is 42% higher than in 2012 and 21% higher than in 2011. The GRHRC's annual bonus decision for David considered performance during the year against Group and individual performance measures. The GRHRC noted and confirmed the performance assessment of his line manager, Maria Ramos, which highlighted the implementation of the new Finance operating model across Africa, effective balance sheet management, maintaining return on equity above cost of equity and delivery of the Barclays Africa transaction. The GRHRC also noted and confirmed David's contribution to a broad range of Group-wide initiatives prior to the formal expansion of his roles and responsibilities in December 2013.

Payout timeline



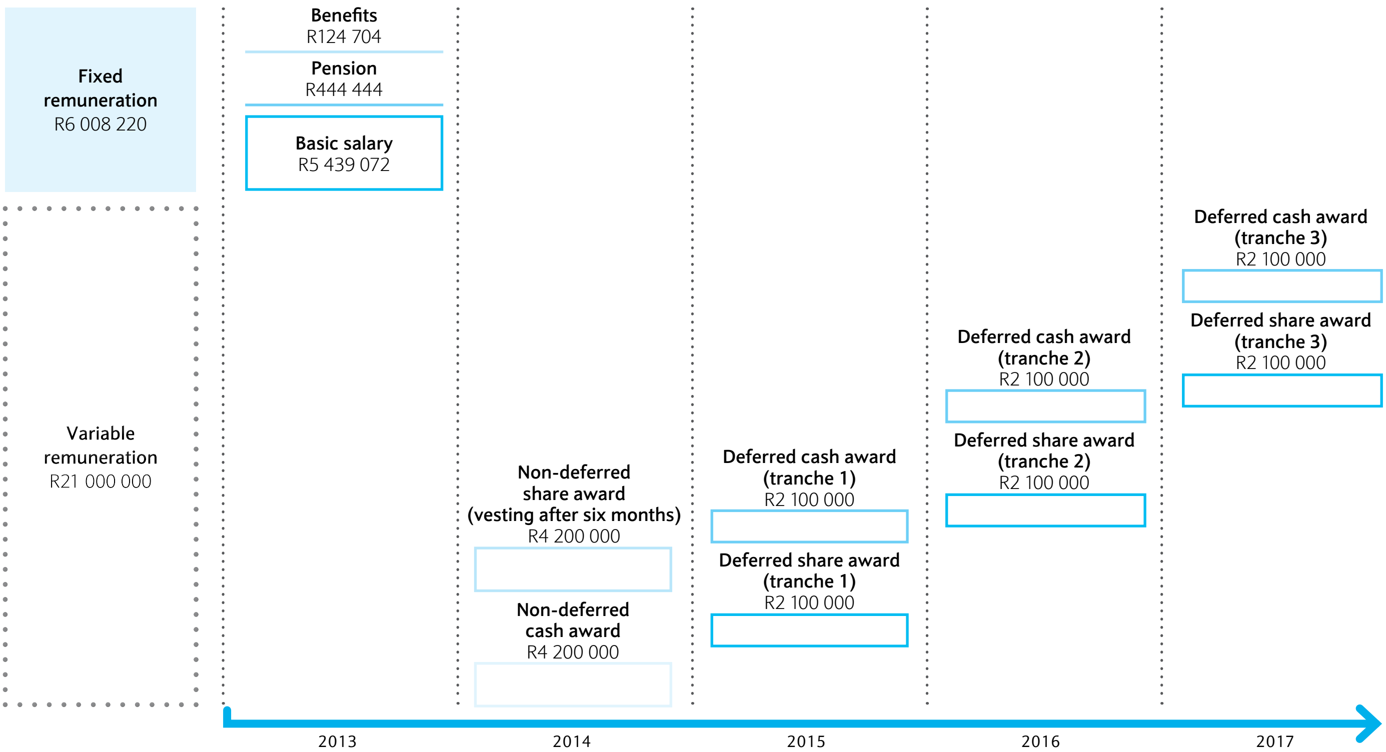
Craig Bond: Chief Executive, Retail and Business Banking



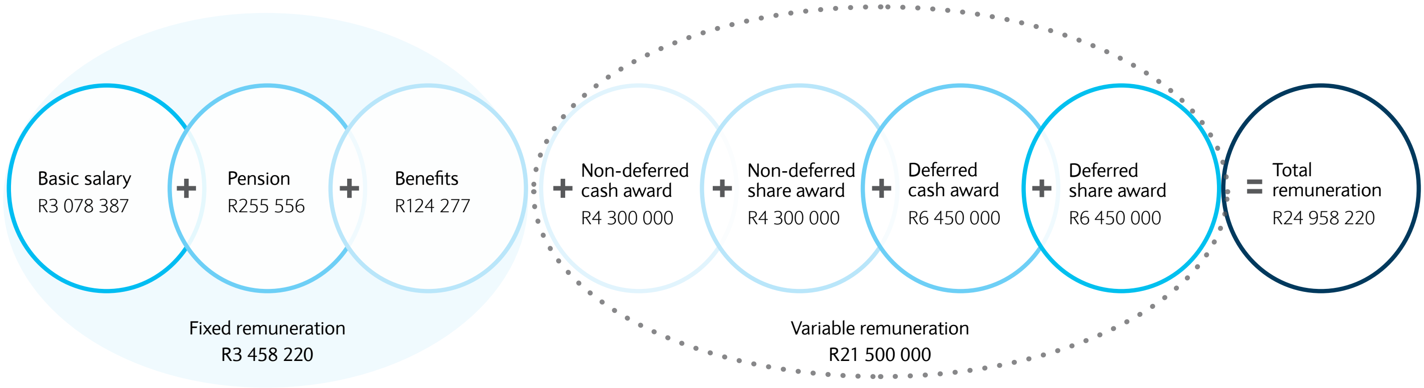
Overview

Fixed remuneration	Craig was appointed in January 2013 and did not receive an increase in fixed remuneration during the year.
Variable remuneration	Craig received an annual bonus award comprising cash and share-based deferred and non-deferred awards of R21 000 000 for 2013. The GRHRC's annual bonus decision for Craig considered performance during the year against Group, business unit and individual performance measures. The GRHRC noted and confirmed the performance assessment of Craig's line manager, Maria Ramos, which highlighted the design and execution of a robust multi-channel strategy, the development of a strong leadership team and continued focus on improving the customer experience within Retail and Business Banking.

Payout timeline



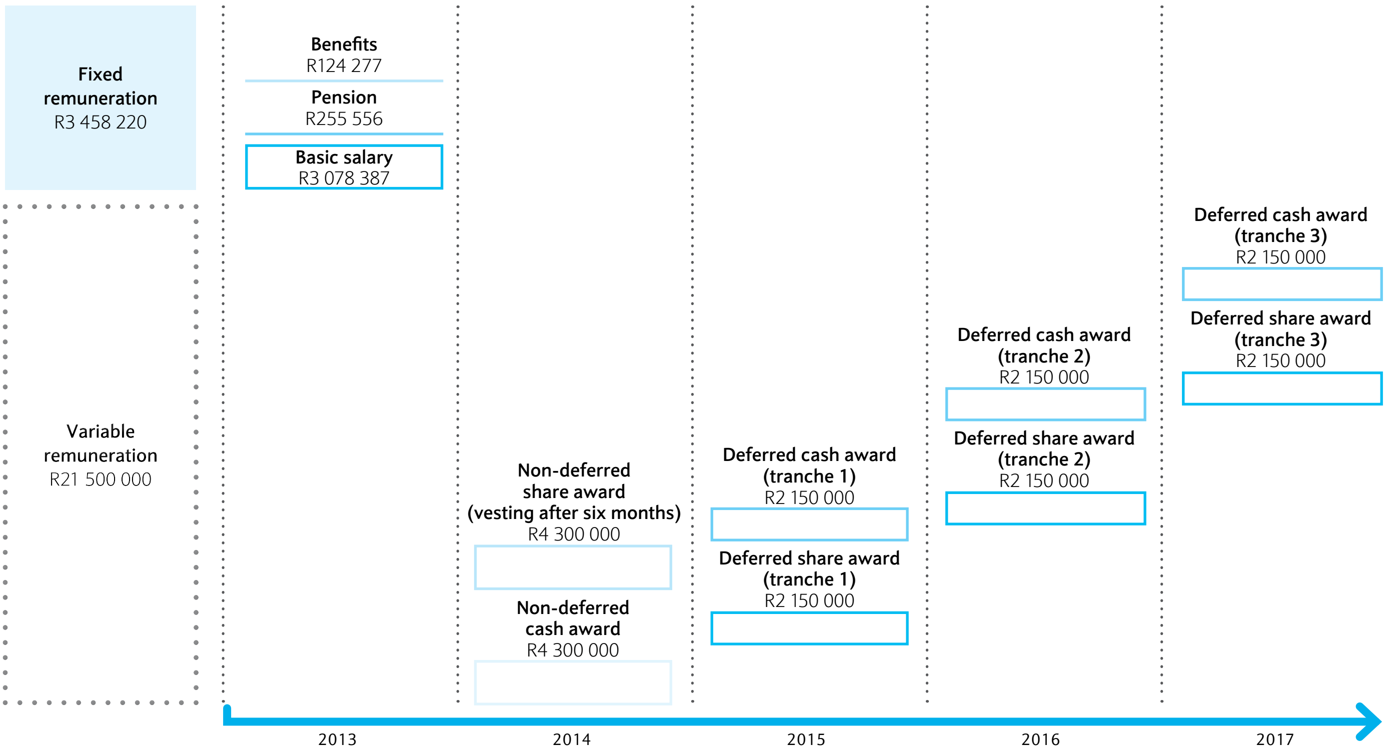
Stephen van Coller: Chief Executive, Corporate and Investment Banking



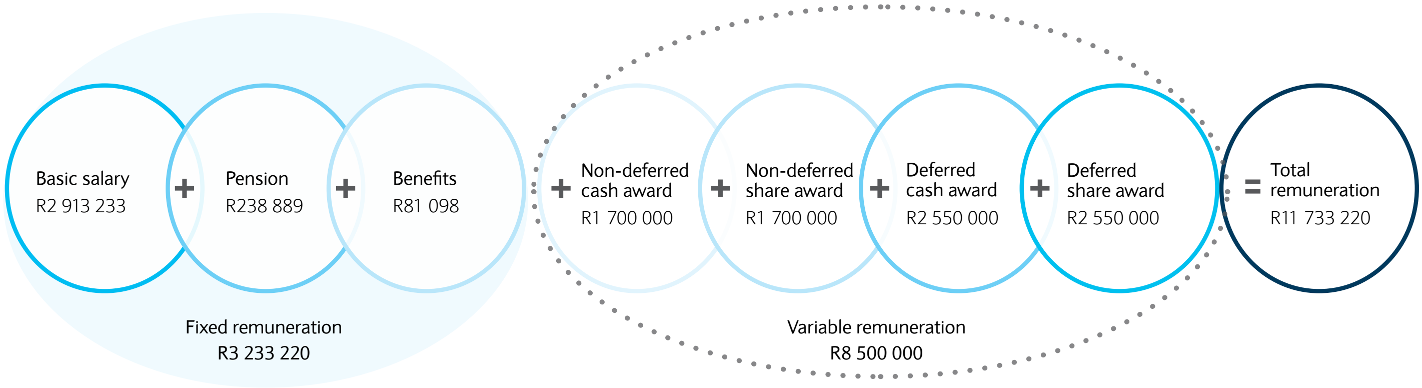
Overview

Fixed remuneration	Stephen's fixed remuneration was increased from R3 300 000 to R3 500 000 in April 2013 to reflect a market adjustment.
Variable remuneration	Stephen received an annual bonus award comprising cash and share-based deferred and non-deferred awards of R21 500 000 for 2013. Stephen's variable remuneration for 2013 is 16% higher than in 2012 and 5% higher than in 2011. The GRHRC's annual bonus decision for Stephen considered performance during the year against Group, business unit and individual performance measures. The GRHRC noted and confirmed the performance assessment of Stephen's line manager, Maria Ramos, which highlighted the improved profile, product and service build and implementation of a revised operating model for the Corporate and Investment Bank. The GRHRC also noted and confirmed Stephen's strong contribution to the Group's citizenship agenda in 2013.

Payout timeline



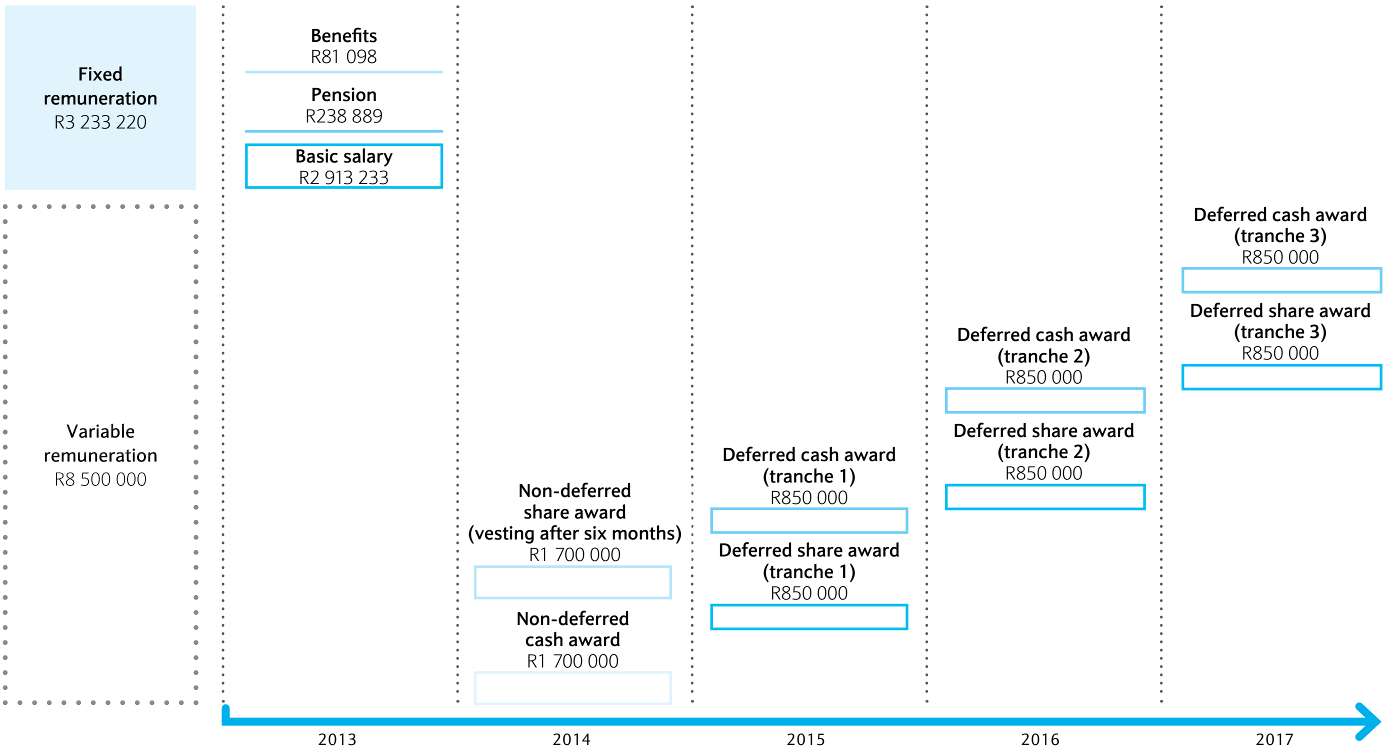
Willie Lategan: Chief Executive, Wealth, Investment Management and Insurance



Overview

Fixed remuneration	Willie's fixed remuneration was increased from R3 000 000 to R3 300 000 in April 2013 to reflect a market adjustment.
Variable remuneration	Willie received an annual bonus award comprising cash and share-based deferred and non-deferred awards of R8 500 000 for 2013. Willie's variable remuneration for 2013 is 24% higher than in 2012 and 4% higher than in 2011. The GRHRC's annual bonus decision for Willie considered performance during the year against Group, business unit and individual performance measures. The GRHRC noted and confirmed the performance assessment of Willie's line manager, Maria Ramos, which highlighted the delivery of a number of insurance business growth initiatives and the implementation of a multi-channel customer experience. The GRHRC also noted and confirmed his continued strong contribution to the Group's leadership team and agenda in 2013.

Payout timeline



Combined tables for 2013 total remuneration

Audited

Executive directors	M Ramos 2013 R	M Ramos 2012 R	DWP Hodnett 2013 R	DWP Hodnett 2012 R	Total 2013 R	Total 2012 R
Salary	**6 059 852**	6 065 600	**3 649 863**	3 050 769	**9 709 715**	9 116 369
Medical aid	**76 128**	69 840	**97 944**	89 856	**174 072**	159 696
Retirement benefits	**492 593**	492 593	**285 185**	251 852	**777 778**	744 445
Other employee benefits	**29 647**	29 648	**18 129**	41 443	**47 776**	71 091
Fixed remuneration	**6 658 220**	6 657 681	**4 051 121**	3 433 920	**10 709 341**	10 091 601
Non-deferred cash award	**4 400 000**	–	**3 400 000**	1 200 000	**7 800 000**	1 200 000
Non-deferred share award	**4 400 000**	–	**3 400 000**	1 200 000	**7 800 000**	1 200 000
Deferred cash award[1]	**6 600 000**	–	**5 100 000**	–	**11 700 000**	–
Deferred share award[2]	**6 600 000**	–	**5 100 000**	3 600 000	**11 700 000**	3 600 000
Awarded value of long-term incentives	**–**	10 000 000	**–**	6 000 000	**–**	16 000 000
Variable remuneration	**22 000 000**	10 000 000	**17 000 000**	12 000 000	**39 000 000**	22 000 000
Total remuneration	**28 658 220**	16 657 681	**21 051 121**	15 433 920	**49 709 342**	32 091 601

Prescribed officers	CL Bond 2013 R	CL Bond 2012 R	S van Coller 2013 R	S van Coller 2012 R	WT Lategan 2013 R	WT Lategan 2012 R	Total 2013 R	Total 2012 R
Salary	**5 439 072**	–	**3 078 387**	2 948 613	**2 913 233**	2 663 630	**11 430 692**	5 612 243
Medical aid	**97 944**	–	**108 852**	99 864	**66 672**	62 328	**273 468**	162 192
Retirement benefits	**444 444**	–	**255 556**	244 444	**238 889**	218 519	**938 889**	462 963
Other employee benefits	**26 760**	–	**15 425**	14 759	**14 426**	68 544	**56 611**	83 303
Fixed remuneration	**6 008 220**	–	**3 458 220**	3 307 680	**3 233 220**	3 013 021	**12 699 660**	6 320 701
Non-deferred cash award	**4 200 000**	–	**4 300 000**	2 700 000	**1 700 000**	870 000	**10 200 000**	3 570 000
Non-deferred share award	**4 200 000**	–	**4 300 000**	2 700 000	**1 700 000**	870 000	**10 200 000**	3 570 000
Deferred cash award[1]	**6 300 000**	–	**6 450 000**	–	**2 550 000**		**15 300 000**	–
Deferred share award[2]	**6 300 000**	–	**6 450 000**	8 100 000	**2 550 000**	2 610 000	**15 300 000**	10 710 000
Awarded value of long-term incentives	**–**	–	**–**	5 000 000	**–**	2 500 000	**–**	7 500 000
Variable remuneration	**21 000 000**	–	**21 500 000**	18 500 000	**8 500 000**	6 850 000	**51 000 000**	25 350 000
Total remuneration	**27 008 220**	–	**24 958 220**	21 807 680	**11 733 220**	9 863 021	**63 699 660**	31 670 701

Notes

[1] Deferred cash awards comprise deferred cash under the Cash Value Plan vesting in equal tranches over three years subject to continued employment and malus provisions.

[2] Deferred share awards comprise phantom shares under the Share Value Plan vesting in equal tranches over three years subject to continued employment and malus provisions.

Contract terms and appointment dates

Name	Board appointment date	Notice period	Potential compensation for loss of office
Executive directors			
M Ramos	1 March 2009	6 months	6 months fixed remuneration
DWP Hodnett	1 March 2010	6 months	6 months fixed remuneration
Prescribed officers			
CL Bond	n/a	6 months	6 months fixed remuneration
S van Coller	n/a	3 months	3 months fixed remuneration
WT Lategan	n/a	6 months	6 months fixed remuneration

Outstanding cash-based long-term incentive awards

Name	Value under award at 1 January 2013 R	Value lapsed in the year R	Value under award at 31 December 2013 R	Maximum potential value at 31 December 2013 R	End of performance period	Last exercise/ scheduled vesting date
M Ramos						
Key Leaders Plan 2010 – 2012	4 000 000	4 000 000	–	–	2012/12/31	2013/03/01
One Africa Long-Term Incentive Plan 2012 – 2014	4 000 000	–	4 000 000	20 000 000	2014/12/31	2015/06/14
DWP Hodnett						
Key Leaders Plan 2010 – 2012	3 000 000	3 000 000	–	–	2012/12/31	2013/03/01
One Africa Long-Term Incentive Plan 2012 – 2014	2 500 000	–	2 500 000	12 500 000	2014/12/31	2015/06/14
S van Coller						
Key Leaders Plan 2010 – 2012	3 000 000	3 000 000	–	–	2012/12/31	2013/03/01
One Africa Long-Term Incentive Plan 2012 – 2014	2 500 000	–	2 500 000	12 500 000	2014/12/31	2015/06/14
WT Lategan						
Key Leaders Plan 2010 – 2012	3 000 000	3 000 000	–	–	2012/12/31	2013/03/01
One Africa Long-Term Incentive Plan 2012 – 2014	1 500 000	–	1 500 000	7 500 000	2014/12/31	2015/06/14

Outstanding share plan and long-term incentive awards

Name	Number of shares under award/ option at 1 January 2013	Number of shares awarded in 2013	Strike price for shares under option R	Share price on award R
Executive directors				
M Ramos				
Deferred Award Plan 2010 – 2012	13 615	–	–	133
Deferred Award Plan 2011 – 2013	42 507	–	–	133
Deferred Award Plan 2012 – 2014	94 213	–	–	149
Key Leaders Plan 2010 – 2012	30 098	–	–	133
Barclays Africa Long-Term Incentive Plan 2012 – 2014	79 464	–	–	151
Barclays Africa Long-Term Incentive Plan 2013 – 2015	–	216 029	–	139
Total				
DWP Hodnett				
Deferred Award Plan 2010 – 2012	8 170	–	–	133
Deferred Award Plan 2011 – 2013	22 888	–	–	133
Deferred Award Plan 2012 – 2014	36 340	–	–	149
Executive Share Award Scheme 2008 – 2010	5 955	–	–	105
Key Leaders Plan 2010 – 2012	22 574	–	–	133
Barclays Africa Long-Term Incentive Plan 2012 – 2014	49 665	–	–	151
Share Value Plan 2013 – 2015	–	21 735	–	166
Barclays Africa Long-Term Incentive Plan 2013 – 2015	–	108 014	–	139
Total				
Prescribed officers				
CL Bond			–	
Barclays Africa Long-Term Incentive Plan 2013 – 2015	–	129 617	–	139
Joiners Share Value Plan 2013 – 2017	–	144 624	–	156
Total				
S van Coller				
Deferred Award Plan 2010 – 2012	18 853	–	–	133
Deferred Award Plan 2011 – 2013	53 951	–	–	133
Deferred Award Plan 2012 – 2014	60 566	–	–	149
Executive Share Award Scheme 2009 – 2011	39 403	–	–	95
Key Leaders Plan 2010 – 2012	22 574	–	–	133
Barclays Africa Long-Term Incentive Plan 2012 – 2014	49 665	–	–	151
Share Value Plan 2013 – 2015	–	48 904	–	166
Barclays Africa Long-Term Incentive Plan 2013 – 2015	–	108 014	–	139
Total				
WT Lategan				
Deferred Award Plan 2010 – 2012	7 354	–	–	133
Deferred Award Plan 2011 – 2013	17 984	–	–	133
Deferred Award Plan 2012 – 2014	22 208	–	–	149
Executive Share Award Scheme 2009 – 2011	9 850	–	–	95
Share Option Scheme 2005 – 2007	20 000	–	149	92
Key Leaders Plan 2010 – 2012	22 574	–	–	133
Barclays Africa Long-Term Incentive Plan 2012 – 2014	29 799	–	–	151
Share Value Plan 2013 – 2015	–	15 758	–	166
Barclays Africa Long-Term Incentive Plan 2013 – 2015	–	54 007	–	139
Total				

Audited

Weighted average exercise price R	Number of shares released/exercised in 2013	Market price on release/exercise date R	Value of release/exercise R	Value of dividend released R	Value of bonus shares released (Executive Share Award Scheme only) R	Number of shares under award/option at 31 December 2013	End of performance period	Last exercise/scheduled vesting date
168	13 615	164	2 285 278	227 915	–	–	2012/12/31	2013/02/20
168	21 253	164	3 567 316	261 199	–	21 254	2013/12/31	2014/02/20
168	31 404	164	5 271 161	222 026	–	62 809	2014/12/31	2015/02/20
165	30 098	163	4 976 403	503 841	–	–	2012/12/31	2013/03/02
–	–	–	–	–	–	79 464	2014/12/31	2015/06/14
–	–	–	–	–	–	216 029	2015/12/31	2016/10/01
			16 100 159	**1 214 981**				
168	8 170	164	1 371 335	136 766	–	–	2012/12/31	2012/12/31
168	11 444	164	1 920 875	140 647	–	11 444	2013/12/31	2014/02/20
168	12 113	164	2 033 167	85 639	–	24 227	2014/12/31	2015/02/20
168	5 955	162	997 760	331 246	299 244	–	2010/12/31	2013/03/01
165	22 574	163	3 732 385	377 889	–	–	2012/12/31	2013/03/02
–	–	–	–	–	–	49 665	2014/12/31	2015/06/14
–	–	–	–	–	–	21 735	2015/12/31	2016/03/01
–	–	–	–	–	–	108 014	2015/12/31	2016/10/01
			10 055 522	**1 072 187**				
						–		
–	–	–	–	–	–	129 617	2015/12/31	2016/10/01
–	–	–	–	–	–	144 624	2017/03/31	2017/03/31
168	18 853	164	3 164 476	315 599	–	–	2012/12/31	2012/12/31
168	26 975	164	4 527 754	331 523	–	26 976	2013/12/31	2014/02/20
168	20 188	164	3 388 556	142 729	–	40 378	2014/12/31	2015/02/20
168	39 403	164	6 612 217	1 511 129	1 322 343	–	2011/12/31	2014/02/20
165	22 574	163	3 732 385	377 889	–	–	2012/12/31	2013/03/02
–	–	–	–	–	–	49 665	2014/12/31	2015/06/14
–	–	–	–	–	–	48 904	2015/12/31	2016/03/01
–	–	–	–	–	–	108 014	2015/12/31	2016/10/01
			21 425 388	**2 678 869**				
168	7 354	164	1 234 369	123 106	–	–	2012/12/31	2012/12/31
168	8 992	164	1 509 307	110 512	–	8 992	2013/12/31	2014/02/20
168	7 402	164	1 242 426	52 332	–	14 806	2014/12/31	2015/02/20
149	9 850	145	1 463 021	381 128	292 604	–	2011/12/31	2014/02/20
	20 000	164	1 834 000		–	–	2007/12/31	2015/08/18
165	22 574	163	3 732 385	377 889	–	–	2012/12/31	2013/03/02
–	–	–	–	–	–	29 799	2014/12/31	2015/06/14
–	–	–	–	–	–	15 758	2015/12/31	2016/03/01
–	–	–	–	–	–	54 007	2015/12/31	2016/10/01
			11 015 507	**1 044 967**				

Performance measures for long-term plans in which executive directors and prescribed officers participate

2010 2011 2012 2013 2014 2015 2016 Performance targets

Key Leaders Plan
2010 – 2012

- 50% of the award (deferred cash portion) lapsed in full because the 2012 profit before taxation target was R21 707 million whereas actual 2012 profit before tax was R12 118 million.
- 50% of the award (phantom shares) vested in March 2013 as these awards were subject to continued service and malus provisions.

Deferred Award Plan
2010 – 2012

- 2010 return on equity of 15,1% exceeded cost of equity of 14% (first tranche vested in February 2011).
- 2011 return on equity of 16,4% exceeded cost of equity of 14% (second tranche vested in February 2012).
- 2012 return on equity of 13,6% exceeded cost of equity of 13,5% (third tranche vested in February 2013).

Deferred Award Plan
2011 – 2013

- 2011 return on equity of 16,4% exceeded cost of equity of 14% (first tranche vested in February 2012).
- 2012 return on equity of 13,6% exceeded cost of equity of 13,5% (second tranche vested in February 2013).
- 2013 return on equity of 15,5% exceeded cost of equity of 13,0% (third tranche vested in February 2014).

Barclays Africa Long-Term Incentive Plan
2012 – 2014

- Finance: From 10% to a maximum of 60% can vest subject to average return on risk-weighted assets of 2,18% (at threshold) to 3,26% (at maximum) on a straight line basis.
- Risk: From 5% to a maximum of 30% can vest subject to performance against the average annual impairment ratio of 1,26% (at threshold) to 0,9% (at maximum).
- Sustainability: Up to 10% of awards can vest at the discretion of the GRHRC considering performance against our material issues.

One Africa Long-Term Incentive Plan
2012 – 2014

- Performance will be measured against return on risk-weighted assets.
- No value will vest for performance below 1,59%.
- Maximum awards vest if average return on risk-weighted assets is 2,55%.
- Vesting on a straight line basis between 1,59% and 2,55%.

Barclays Africa Long-Term Incentive Plan
2013 – 2015

- Finance: From 10% to a maximum of 60% can vest subject to average return on risk-weighted assets of 2,06% (at threshold) to 3,09% (at maximum) on a straight line basis.
- Risk: From 5% to a maximum of 30% can vest subject to performance against the average annual impairment ratio of 1,60% (at threshold) to 1,15% (at maximum).
- Sustainability: Up to 10% of awards can vest at the discretion of the GRHRC considering performance against the balanced scorecard.

Further details of key design features for these plans are set out on pages 109 to 110.

Non-executive director remuneration

Elements and purpose

We aim to attract and retain suitably skilled and experienced non-executive directors and to reward them appropriately for their time and experience.

Non-executive directors are remunerated by way of fees paid in recognition of membership of the Board and its committees. The Group Chairman receives a single retainer fee. Additional fees are paid to the chairman of each committee to reflect the additional responsibilities. Set fees are also payable for special or *ad hoc* Board or committee meetings and consultancy work.

Neither the Group Chairman nor any non-executive director receives any other benefits or performance-related pay from the Group. In the event that non-executive directors are requested to leave, there is no contractual compensation for loss of office.

We are committed to reviewing the structure periodically to ensure that fees remain appropriate against the external market and support the attraction and retention of high-quality non-executive directors. Fees are reviewed each year by the Directors' Affairs Committee, the Group Chairman and Chief Executive Officer and are then recommended by the Board to shareholders for approval.

With effect from 1 May 2013, the Group Board and Absa Bank Limited Board commenced operating separately with distinct membership and separate agendas. Non-executive director fees were adjusted having regard to inflation, market movements as well as a structural amendment to recognise increased complexity and extended scope.

Fee structure for the year ended 30 April 2014

Category	Fees from 1 May 2013 to 30 April 2014 R	Fees from 1 May 2012 to 30 April 2013 R	Change %
Board Chairman	**4 500 000**	3 860 000	17
Group Board member[1]	**415 000**	368 000	13
Absa Bank Board member[2]	**275 000**	184 000	49,5
Group Audit and Compliance Committee member[3]	**225 000**	200 000	13
Group Risk and Capital Management Committee member[3]	**225 000**	200 000	13
Group Remuneration and Human Resources Committee member[3]	**125 000**	110 000	14
Group Directors' Affairs Committee member[3]	**85 000**	75 000	13
Group Concentration Risk Committee member (incorporating Group Credit Committee Large Exposures)	**40 000 1 925 per credit facility reviewed**	37 500 1 800 per credit facility reviewed	7
Group Social and Ethics Committee member	**90 000**	75 000	20
Group Information Technology Committee member	**75 000**	n/a	–
Group Disclosure Committee member	**67 500**	60 000	13
Group Board Finance Committee member	**16 600 per meeting**	15 500 per meeting	7
Bank Models Committee member	**75 000**	60 000	25
Special Board meeting	**28 500 per meeting**	25 200 per meeting	13
Special (*ad hoc*) Board committee and sub-committee meetings	**17 500 per meeting**	15 500 per meeting	13
Consultancy work	**3 900 per hour**	3 650 per hour	7

Notes

[1] Executive directors do not receive fees.

[2] Members who serve on both the Group and Absa Bank Boards receive 50% of the Bank Board fee.

[3] These chairmen receive fees equal to two and a half times the fee payable to members of these committees.

The chairmen of Board committees and sub-committees other than the GACC, GRCMC and GRHRC receive fees equal to twice the fee payable to members of these committees.

2013 total actual fees

Audited

Current directors	Group Board R	Group Board committees and sub-committees	Subsidiary boards, committees and trusts: Absa Bank Limited R	Subsidiary boards, committees and trusts: Absa Financial Services R	Subsidiary boards, committees and trusts: Other R	2013 Total R	2012 Total R
C Beggs[1]	345 200	1 235 842	153 000	58 333	89 883	**1 882 258**	1 551 824
PA Clackson[2]	314 533	230 567	30 667	–	–	**575 767**	–
YZ Cuba	345 200	213 417	153 000	–	–	**711 617**	473 367
T Dingaan[3]	–	–	104 167	–	5 309	**109 476**	–
MJ Husain	345 200	611 833	153 000	–	–	**1 110 033**	919 701
R Le Blanc[2]	345 200	313 833	61 333	–	–	**720 367**	650 500
WE Lucas-Bull (Group Chairman)[4]	–	–	–	–	–	**3 321 667**	–
PB Matlare	338 000	116 250	61 333	–	–	**515 583**	368 384
TS Munday[3]	345 200	1 291 533	238 500	–	–	**1 875 233**	1 459 325
SG Pretorius	345 200	547 167	61 333	–	30 400	**984 100**	961 467
AV Vaswani[2]	314 533	316 250	30 667	–	–	**661 450**	–
Past directors							
SA Fakie[3,5]	68 533	133 333	294 667	–	–	**496 533**	737 534
G Griffin[4,6]	–	–	–	–	–	**965 000**	3 798 333
AP Jenkins[2,7]	30 667	51 667	30 667	–	–	**113 000**	652 067
TM Mokgosi-Mwantembe[5]	68 533	36 667	244 667	–	90 585	**440 451**	595 115
EC Mondlane, Jr[8]	68 533	36 667	61 333	110 000	628 800[9]	**905 333**	1 297 999
LL von Zeuner[10]	68 533	132 967	238 417	95 517	34 575	**570 008**	–
BJ Willemse[1,8]	68 533	127 767	132 333	150 000	–	**478 633**	735 459
Total	3 411 600	5 395 759	2 049 083	413 850	879 552	**16 436 510**	14 201 075

Notes

1 Member of the Insurance Actuarial Committee.
2 Fees are paid to Barclays PLC and not to the individual.
3 Member of the Bank Models Committee.
4 Single retainer fee applicable to the Group Chairman.
5 Retired from the Group Board on 3 May 2013 and remained on the Absa Bank Limited Board.
6 Retired from the Group Board on 31 March 2013.
7 Resigned from the Group Board on 28 February 2013.
8 Retired from the Group Board and the Absa Bank Limited Board on 3 May 2013 and joined the Absa Financial Services Board.
9 Represents the Board fee for Barclays Bank Mozambique.
10 Retired from the Group Board on 3 May 2013 and resigned from the subsidiary boards and Board committees on 30 September 2013.

Other disclosures

We are committed to the maintenance of robust remuneration arrangements in accordance with legislative and regulatory requirements. This table summarises key examples of how we comply with legislative and regulatory requirements.

Regulatory area	Our practice
Scope and application	• The provisions of the Banks Act and the Financial Stability Board Implementation Standards apply across the Group and remuneration arrangements are consistent with the UK Prudential Regulation Authority's Remuneration Code of Practice. All remuneration arrangements are considered in context of King III. • Code Staff are identified and made aware of the implications of their status.
Governance	• The GRHRC terms of reference take account of regulatory and corporate governance developments. • The GRHRC reviews the remuneration of all senior managers and material risk takers as well as any employee with a total annual remuneration of R5 million or more.
Guaranteed incentives	• The GRHRC only considers making a guaranteed commitment in exceptional circumstances, for example, to secure a commercially significant hire. • In June 2012, we decided that no further guaranteed incentive commitments, including guaranteed bonuses and sign-on awards, would be made. • No guaranteed incentives have been made since this decision was taken in June 2012.
Risk-focused remuneration policies	• Our policies, procedures and practices promote sound risk management. This is embodied in our remuneration policy and our values. • The GRHRC receives regular detailed reports from the Chief Risk Officer on a range of risk measures. • Risk and remuneration are linked through governance processes, incentive pool funding, the performance assessment process, performance measure selection, deferral structure and malus provisions.
Deferral structure	• Our deferral structure remains in excess of practice at local competitors and regulatory requirements. • For executive directors, prescribed officers and other Code Staff, at least 60% of total annual bonus awards are deferred 50% as deferred cash under the Cash Value Plan and 50% as phantom shares under the Share Value Plan. • Deferred share and cash awards under these plans are subject to continued employment and malus provisions.
Remuneration of control function staff	• During 2013, we changed control function reporting lines across the Group. • Key remuneration and performance assessment responsibilities moved from the relevant Group or business unit CEO to the Group head of that respective control function. This approach is considered to strengthen the independence of control function employees in carrying out their duties.

Basel Pillar III remuneration disclosures

In the following two tables, senior managers are defined as members of our Executive Committee and other individuals with management responsibility for a material portion of our business and other material risk takers are defined as the heads of key control functions and individuals responsible for setting trader mandates, risk and stop loss limits. In 2013, a total of 97 individuals were classified as senior managers and 10 individuals as other material risk takers.

2013 aggregate remuneration for senior managers and risk takers

	Senior managers Rm	Other material risk takers Rm
Fixed remuneration	**198**	**25**
Non-deferred cash award	100	19
Non-deferred share award	27	–
Deferred cash award	79	14
Deferred share award	79	14
Variable remuneration	**285**	**47**
Total remuneration	**483**	**72**

2013 outstanding deferred remuneration for senior managers and material risk takers

	Senior managers Rm	Other material risk takers Rm
Unvested deferred remuneration outstanding at the beginning of 2013	382	43
Deferred remuneration awarded in 2013	120	24
Deferred remuneration forfeited in 2013	–	–
Deferred remuneration vested in 2013	184	43
Deferred unvested remuneration outstanding at the end of 2013	318	24

Note

Values in the table above for legacy Absa Group and Barclays Africa employees are based on a share price of R133,81 (the daily volume-weighted average price of an ordinary Barclays Africa Group share trading on the JSE as at 31 December 2013) and/or a share price of £2,72 (the daily volume-weighted average price of an ordinary Barclays PLC share trading on the FTSE as at 31 December 2013) respectively.

2013 guaranteed variable remuneration and severance awards for all employees

	Rm
Total guaranteed bonuses (zero individuals)	–
Total sign-on awards (zero individuals)	–
Total severance awards (11 individuals)	19

Share plans and long-term incentive plans currently in operation

Plan and eligibility	Other key design features
Share Value Plan The Deferred Award Plan was renamed the Share Value Plan in 2012. This plan applies to all deferred annual bonus awards from 2013. *Employees eligible* All employees (including executive directors and prescribed officers) whose performance incentives are above a set threshold.	• Used to support the delivery of deferred share awards from annual bonuses. • Phantom shares vest on a *pro rata* basis over three years subject to continued service and malus provisions. • Vested awards are settled in cash based on a 20-day volume-weighted average price of Barclays Africa Group shares immediately preceding the vesting date. • Dividends that would normally be received may be awarded as additional phantom shares and released with each tranche of the award. • On cessation of employment, eligible leavers normally retain unvested awards subject to GRHRC discretion. For other leavers, awards typically lapse.
Cash Value Plan Introduced in 2013. This plan applies to all deferred annual bonus awards from 2013. *Employees eligible* All employees (including executive directors and prescribed officers) whose performance incentives are above a set threshold.	• Used to support the delivery of deferred cash awards from annual bonuses. • Deferred cash vests on a *pro rata* basis over three years subject to continued service and malus provisions. • Employees receiving a deferred cash award may be awarded a service credit of 10% of the initial value of the award at the time that the final instalment is made subject to continued service. • On cessation of employment, eligible leavers normally retain unvested awards subject to GRHRC discretion. For other leavers, awards typically lapse.
Joiners Share Value Plan The Joiners Share Award Plan was renamed Joiners Share Value Plan in 2012. *Employees eligible* All employees (including executive directors and prescribed officers). Typically used for new joiners.	• Used to support the delivery of phantom share awards to new joiners as a buy-out of unvested deferred remuneration awards forfeited as a result of termination of employment with their previous employer. • The plan has flexible vesting dates. The applicable vesting profile for each participant replicates forfeited awards. • Vested awards are settled in cash based on a 20-day volume-weighted average price of Barclays Africa Group shares immediately preceding the vesting date. • Dividends that would normally be received may be awarded as additional phantom shares and released with each tranche of the award. • On cessation of employment, eligible leavers normally retain unvested awards subject to GRHRC discretion. For other leavers, awards typically lapse.
Joiners Cash Value Plan Introduced in 2012. *Employees eligible* All employees (including executive directors and prescribed officers). Typically used for new joiners.	• Used to support the delivery of deferred cash awards to new joiners as a buy-out of unvested deferred remuneration awards forfeited as a result of termination of employment with their previous employer. • The plan has flexible vesting dates. The applicable vesting profile for each participant replicates forfeited awards. • Vested awards are settled in cash based on a 20-day volume-weighted average price of Barclays Africa Group shares immediately preceding the vesting date. • Dividends that would normally be received may be awarded as additional phantom shares and released with each tranche of the award. • On cessation of employment, eligible leavers normally retain unvested awards subject to GRHRC discretion. For other leavers, awards typically lapse.
Barclays Africa Long-Term Incentive Plan The Absa Long-Term Incentive Plan was introduced in 2012 and renamed the Barclays Africa Long-Term Incentive Plan in 2013. *Employees eligible* Limited to executive directors, prescribed officers and selected senior managers.	• Used to support the delivery of range of performance measures including financial, risk and sustainability measures. • Share-based awards are released after three years, with 50% of the vested shares (after payment of tax) subject to an additional 12-month holding period. The maximum number of shares which can be released is three times the value at award subject to the achievement of stretching performance targets. • Dividends that would normally be received may be awarded as additional Barclays Africa shares. • If a participant resigns or is dismissed, all unvested awards lapse in full. If a participant leaves for another reason, e.g. retrenchment, retirement, disability or ill health, a *pro rata* award may be eligible to vest on the original vesting date, subject to the relevant performance measures and the plan rules.
One Africa Long-Term Incentive Plan Introduced in 2012. *Employees eligible* Limited to executive directors and prescribed officers.	• Used to support the delivery of stretching return on risk-weighted assets performance targets in support of our One Africa strategy. • Awards are released after two years and delivered half as a cash award and half as an award of phantom shares that vest subject to the rules of the Share Value Plan after an additional 12-month period. • The award can be adjusted up or down by a performance multiple ranging from zero to five times the initial award subject to the achievement of the stretching return on risk-weighted assets target. • If a participant resigns from or is dismissed, all unvested awards lapse in full. If a participant leaves for another reason, e.g. retrenchment, retirement, disability or ill health, a *pro rata* award may be eligible to vest on the original vesting date, subject to the relevant performance measures and the plan rules.

Legacy share plans and long-term incentive plans

Plan and eligibility	Design details
Executive Share Award Scheme The Executive Share Award Scheme replaced with the Share Value Plan[1] in 2010. *Last awards made* No awards made since 2010. *Employees eligible* All employees (including executive directors and prescribed officers).	• Plan used for mandatory deferral for annual bonus awards over a specific threshold between 2006 and 2010 (final awards are due to expire in 2015). • Awards vest after three years, at which point 'bonus shares' equal to 20% of the value of the initial award may be released. If the participant does not withdraw the award shares until the fifth anniversary, a further 10% 'bonus shares' may be released. • Dividends that would normally have been received over the life of the award may be awarded as additional shares and released on vesting. • Awards made in 2005 and 2006 were settled in cash and awards made in 2008 and 2009 were settled in shares. • On cessation of employment, eligible leavers normally retain awards. For other leavers awards, will normally lapse. • Participants could also elect to voluntarily defer additional amounts of variable remuneration (after payment of tax) into the Voluntary Executive Share Award Scheme. • Voluntary Executive Share Award Scheme awards are releasable to the participant at any time but 'bonus shares' are awarded in the same way as for mandatory Executive Share Award Scheme if the participant does not withdraw the shares before the third or fifth anniversaries.
Key Leaders Plan *Last awards made* One-off retention initiative in 2010. *Employees eligible* Selected employees (including executive directors and prescribed officers).	• One-off retention initiative in 2010. • Awards were targeted at key senior leaders with the ability to materially influence the execution of the One Absa strategy from 2010 to 2012. • 50% of award delivered as deferred cash subject to the achievement of the PBT objective of the One Absa strategy over 2010 to 2012. • 50% of award delivered as phantom shares with vesting subject to malus provisions. • The value of dividends that would normally be received may be awarded as additional phantom shares and released on vesting. • Phantom share awards are settled in cash based on a 20-day volume-weighted average price immediately preceding the vesting date. • No automatic eligible leaver treatment applies to awards. The GRHRC determines leaver treatment in their absolute discretion taking individual circumstances into account. • The share-based portion of awards vested on 1 March 2013. The deferred cash portion lapsed in full because the performance condition was not met.

Note

[1] Prior to 2010, this plan was known as the Deferred Award Plan.

Appendices

Section contents

View our full consolidated and
separate financial statements

Barclays Africa Group Limited
(formerly Absa Group Limited)

Authorised financial services and
registered credit provider (NCRCP7)
Registration number: 1986/003934/06
Incorporated in the Republic of South Africa
JSE share code: BGA
ISIN: ZAE000174124
(Barclays Africa Group, BAGL or the Group)

Audited condensed consolidated financial results
for the reporting period ended 31 December 2013.

These audited condensed consolidated financial
results were prepared by Barclays Africa Group
Financial Control under the direction and supervision
of the Financial Director, D W P Hodnett CA(SA).

Condensed consolidated statement of financial position

as at 31 December

	Note	2013 (Audited) Rm	2012[1] (Audited) Rm	Change %	2011[1] (Audited) Rm
Assets					
Cash, cash balances and balances with central banks		**50 130**	44 770	12	44 779
Statutory liquid asset portfolio		**62 055**	63 020	(2)	57 473
Loans and advances to banks		**79 971**	62 511	28	75 782
Trading portfolio assets		**87 034**	87 324	—	84 742
Hedging portfolio assets		**3 357**	5 456	(38)	4 313
Other assets		**15 829**	17 579	(10)	18 124
Current tax assets		**529**	376	41	344
Non-current assets held for sale	1	**4 814**	4 052	19	35
Loans and advances to customers	2	**605 337**	566 262	7	542 127
Reinsurance assets		**870**	1 003	(13)	1 009
Investment securities		**33 083**	30 913	7	28 082
Investments in associates and joint ventures		**694**	569	22	420
Investment properties		**1 089**	1 220	(11)	2 839
Property and equipment		**10 679**	9 624	11	9 642
Goodwill and intangible assets		**3 141**	3 048	3	2 282
Deferred tax assets		**987**	644	53	669
Total assets		**959 599**	898 371	7	872 662
Liabilities					
Deposits from banks		**69 064**	41 424	67	44 636
Trading portfolio liabilities		**51 477**	51 734	—	55 997
Hedging portfolio liabilities		**2 391**	3 855	(38)	2 456
Other liabilities		**19 775**	20 410	(3)	17 298
Provisions		**2 460**	2 280	8	2 258
Current tax liabilities		**173**	29	>100	301
Non-current liabilities held for sale	1	**1 651**	1 480	12	—
Deposits due to customers	4	**588 011**	543 101	8	503 408
Debt securities in issue	5	**97 829**	106 804	(8)	128 883
Liabilities under investment contracts		**19 773**	18 768	5	19 922
Policyholder liabilities under insurance contracts		**3 958**	3 550	11	3 183
Borrowed funds	6	**16 525**	18 777	(12)	14 999
Deferred tax liabilities		**1 311**	1 714	(24)	1 283
Total liabilities		**874 398**	813 926	7	794 624
Equity					
Capital and reserves					
Attributable to ordinary equity holders:					
Share capital		**1 695**	1 694	—	1 693
Share premium		**4 474**	5 336	(16)	5 151
Retained earnings		**64 701**	64 898	—	60 244
Other reserves		**6 447**	5 168	25	3 486
		77 317	77 096	—	70 574
Non-controlling interest – ordinary shares		**3 240**	2 705	20	2 820
Non-controlling interest – preference shares		**4 644**	4 644	—	4 644
Total equity		**85 201**	84 445	1	78 038
Total liabilities and equity		**959 599**	898 371	7	872 662

Note

[1] Restated, refer to note 1.22 in our full financial statements for reporting changes.

Condensed consolidated statement of comprehensive income

for the reporting period ended 31 December

	Note	2013 (Audited) Rm	2012[1] (Audited) Rm	Change %
Net interest income		**32 351**	29 302	10
Interest and similar income	7.1	**60 232**	57 297	5
Interest expense and similar charges	7.2	**(27 881)**	(27 995)	—
Impairment losses on loans and advances	3.1	**(6 987)**	(8 855)	21
Net interest income after impairment losses on loans and advances		**25 364**	20 447	24
Non-interest income		**27 055**	25 674	5
Net fee and commission income		**18 554**	17 383	7
Fee and commission income	8.1	**21 348**	20 096	6
Fee and commission expense	8.2	**(2 794)**	(2 713)	(3)
Net insurance premium income		**5 686**	5 618	1
Net insurance claims and benefits paid		**(2 819)**	(2 719)	(4)
Changes in investment and insurance contract liabilities		**(2 457)**	(1 707)	(44)
Gains and losses from banking and trading activities	8.3	**4 361**	4 535	(4)
Gains and losses from investment activities	8.4	**2 831**	1 735	63
Other operating income		**899**	829	8
Operating income before operating expenditure		**52 419**	46 121	14
Operating expenditure		**(34 453)**	(31 185)	(10)
Operating expenses	9.1	**(33 420)**	(30 329)	(10)
Other impairments	9.2	**(33)**	(132)	75
Indirect taxation		**(1 000)**	(724)	(38)
Share of post-tax results of associates and joint ventures		**130**	249	(48)
Operating profit before income tax		**18 096**	15 185	19
Taxation expense		**(5 222)**	(4 439)	(18)
Profit for the reporting period		**12 874**	10 746	20
Profit attributable to:				
Ordinary equity holders		**11 981**	9 999	20
Non-controlling interest – ordinary shares		**599**	452	33
Non-controlling interest – preference shares		**294**	295	—
		12 874	10 746	20
Earnings per share:				
Pro forma basic earnings per share (cents per share)		**1 414,0**	1 180,4	20
Pro forma diluted earnings per share (cents per share)		**1 412,9**	1 178,2	20

Note

[1] Restated, refer to note 1.22 in our full financial statements for reporting changes.

Condensed consolidated statement of comprehensive income

for the reporting period ended 31 December

	2013 (Audited) Rm	2012[1] (Audited) Rm	Change %
Profit for the reporting period	**12 874**	10 746	20
Other comprehensive income			
Items that will not be reclassified to the profit or loss component of the statement of comprehensive income			
Movement in retirement benefit fund assets and liabilities	**(324)**	(88)	>(100)
Decrease in retirement benefit surplus	**(92)**	(71)	(30)
Increase in retirement benefit deficit	**(229)**	(59)	>(100)
Deferred tax	**(3)**	42	>(100)
Total items that will not be reclassified to the profit or loss component of the statement of comprehensive income	**(324)**	(88)	>(100)
Items that are or may be subsequently reclassified to the profit or loss component of the statement of comprehensive income			
Foreign exchange differences on translation of foreign operations	**2 986**	338	100
Movement in cash flow hedging reserve	**(1 822)**	405	>(100)
Fair value (losses)/gains arising during the reporting period	**(903)**	2 650	>(100)
Amount removed from other comprehensive income and recognised in the profit or loss component of the statement of comprehensive income	**(1 629)**	(2 088)	22
Deferred tax	**710**	(157)	>100
Movement in available-for-sale reserve	**107**	1 318	(92)
Fair value gains arising during the reporting period	**131**	1 739	(92)
Amortisation of government bonds – release to the profit or loss component of the statement of comprehensive income	**10**	10	—
Deferred tax	**(34)**	(431)	92
Total items that are or may be subsequently reclassified to the profit or loss component of the statement of comprehensive income	**1 271**	2 061	(38)
Total comprehensive income for the reporting period	**13 821**	12 719	9
Total comprehensive income attributable to:			
Ordinary equity holders	**12 610**	11 848	6
Non-controlling interest – ordinary shares	**917**	576	59
Non-controlling interest – preference shares	**294**	295	—
	13 821	12 719	9

Note

[1] Restated, refer to note 1.22 in our full financial statements for reporting changes.

Condensed consolidated statement of changes in equity

for the reporting period ended 31 December

	2013 (Audited)			
	Capital and reserves attributable to ordinary equity holders Rm	Non-controlling interest – ordinary shares Rm	Non-controlling interest – preference shares Rm	Total equity Rm
Balance at the beginning of the reporting period	77 096	2 705	4 644	84 445
Total comprehensive income for the reporting period	12 610	917	294	13 821
Profit for the reporting period	11 981	599	294	12 874
Other comprehensive income	629	318	—	947
Dividends paid during the reporting period	(11 602)	(346)	(294)	(12 242)
Accounting adjustments related to business combinations under common control[1]	(443)	—	—	(443)
Purchase of Group shares in respect of equity-settled share-based payment schemes	(76)	—	—	(76)
Elimination of the movement in treasury shares held by Group entities	(279)	—	—	(279)
Movement in share-based payment reserve	11	—	—	11
Transfer from share-based payment reserve	(38)	—	—	(38)
Transfer to share capital and share premium	38	—	—	38
Value of employee services	11	—	—	11
Movement in general credit risk reserve	—	—	—	—
Transfer from retained earnings	(220)	—	—	(220)
Transfer to general credit risk reserve	220	—	—	220
Movement in foreign insurance subsidiary regulatory reserve	—	—	—	—
Transfer from retained earnings	(3)	—	—	(3)
Transfer to foreign insurance subsidiary regulatory reserve	3	—	—	3
Share of post-tax results of associates and joint ventures	—	—	—	—
Transfer from retained earnings	(130)	—	—	(130)
Transfer to associates' and joint ventures' reserve	130	—	—	130
Acquisition of non-controlling interest and related transaction costs[2]	101	(36)	—	65
Transaction costs related to shares issued on the acquisition of Barclays Africa Limited	(101)	—	—	(101)
Balance at the end of the reporting period	77 317	3 240	4 644	85 201

Notes

All movements are reflected net of taxation.

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

[2] During the current reporting period, the Group increased its shareholding in National Bank of Commerce Limited (Tanzania) (NBC) from 55% to 66%. This increased shareholding was driven by a rights issue made by NBC. The Group exercised its rights, together with a portion of the rights relating to non-controlling shareholders. The shareholders that did not take up their portion of the rights issue were granted a one-year option to acquire such shares from Barclays Africa Group Limited.

Condensed consolidated statement of changes in equity

for the reporting period ended 31 December

	2012[1] (Audited)			
	Capital and reserves attributable to ordinary equity holders Rm	Non-controlling interest – ordinary shares Rm	Non-controlling interest – preference shares Rm	Total equity Rm
Balance at the beginning of the reporting period as previously reported	62 308	1 453	4 644	68 405
Restatements[1]	8 266	1 367	—	9 633
Restated balance at the beginning of the reporting period	70 574	2 820	4 644	78 038
Total comprehensive income for the reporting period	11 848	576	295	12 719
Profit for the reporting period	9 999	452	295	10 746
Other comprehensive income	1 849	124	—	1 973
Dividends paid during the reporting period	(5 069)	(597)	(295)	(5 961)
Accounting adjustments related to business combinations under common control[2]	(89)	—	—	(89)
Transfer from retained earnings	(346)	—	—	(346)
Transfer to share premium	257	—	—	257
Purchase of Group shares in respect of equity-settled share-based payment schemes	(211)	—	—	(211)
Elimination of the movement in treasury shares held by Group entities	30	—	—	30
Movement in share-based payment reserve	13	—	—	13
Transfer from share-based payment reserve	(110)	—	—	(110)
Transfer to share capital and share premium	110	—	—	110
Value of employee services	13	—	—	13
Zambia regulatory requirements transfer	—	—	—	—
Transfer to retained earnings	150	—	—	150
Transfer from general credit risk reserve	(150)	—	—	(150)
Movement in general credit risk reserve	—	—	—	—
Transfer from retained earnings	(54)	—	—	(54)
Transfer to general credit risk reserve	54	—	—	54
Movement in insurance contingency reserve[3]	—	—	—	—
Transfer to retained earnings	324	—	—	324
Transfer from insurance contingency reserve	(324)	—	—	(324)
Movement in foreign insurance subsidiary regulatory reserve	—	—	—	—
Transfer from retained earnings	(13)	—	—	(13)
Transfer to foreign insurance subsidiary regulatory reserve	13	—	—	13
Share of post-tax results of associates and joint ventures	—	—	—	—
Transfer from retained earnings	(249)	—	—	(249)
Transfer to associates' and joint ventures' reserve	249	—	—	249
Increase in the interest of non-controlling equity holders	—	35	—	35
Disposal of interest in subsidiary without loss of control	—	(129)	—	(129)
Restated balance at the end of the reporting period	77 096	2 705	4 644	84 445

Notes

All movements are reflected net of taxation.

[1] Restated, refer to note 1.22 in our full financial statements for reporting changes.

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

[3] This reserve is no longer required due to a change in the Financial Services Board regulations.

Condensed consolidated statement of cash flows

for the reporting period ended 31 December

	2013 (Audited) Rm	2012[1] (Audited) Rm	Change %
Net cash generated from operating activities	**18 035**	5 199	>100
Net cash utilised in investing activities	**(1 841)**	(1 672)	(20)
Net cash utilised in financing activities	**(14 616)**	(2 045)	>(100)
Net increase in cash and cash equivalents	**1 578**	1 482	6
Cash and cash equivalents at the beginning of the reporting period	**13 985**	12 163	15
Effect of exchange rate movements on cash and cash equivalents	**291**	340	(14)
Cash and cash equivalents at the end of the reporting period	**15 854**	13 985	13
Notes to the condensed consolidated statement of cash flows			
1. Cash and cash equivalents at the beginning of the reporting period			
Cash, cash balances and balances with central banks[2]	**11 085**	9 989	11
Loans and advances to banks[3]	**2 900**	2 174	35
	13 985	12 163	15
2. Cash and cash equivalents at the end of the reporting period			
Cash, cash balances and balances with central banks[2]	**12 653**	11 085	14
Loans and advances to banks[3]	**3 201**	2 900	10
	15 854	13 985	13

Notes

[1] Restated, refer to note 1.22 in our full financial statements for reporting changes.

[2] Includes coins and bank notes, which are part of cash, cash balances and balances with central banks on the statement of financial position.

[3] Includes call advances, which are used as working capital of the Group and are a component of other advances within loans and advances to banks on the statement of financial position.

Condensed notes to the consolidated financial results

for the reporting period ended 31 December

1. Non-current assets and non-current liabilities held for sale

During the reporting period, the Group effected the following transfers to non-current assets and non-current liabilities held for sale:

- Through the Retail and Business Banking (RBB) segment
  - In the Commercial Property Finance Equity (CPF Equity) division, investment properties in two of its wholly owned subsidiaries, with a total carrying value of R212 million, were transferred to non-current assets held for sale. The disposal of these properties is expected to take place during the 2014 reporting period.
- Through the Head Office and Other segment
  - A number of assets classified as property and equipment within Corporate Real Estate Services have been identified as held for sale. These assets have a total carrying value of R209 million. The disposal of the property and equipment is due to take place during 2014.

2. Loans and advances to customers

	2013 (Audited) Rm	2012[1] (Audited) Rm	Change %
Cheque accounts	**34 768**	34 282	1
Corporate overdrafts and specialised finance loans	**5 729**	5 121	12
Credit cards	**37 500**	33 504	12
Foreign currency loans	**22 760**	13 143	73
Instalment credit agreements	**66 764**	61 321	9
Gross advances	**81 248**	74 049	10
Unearned finance charges	**(14 484)**	(12 728)	(14)
Reverse repurchase agreements	**3 893**	4 698	(17)
Loans to associates and joint ventures	**12 039**	10 094	19
Microloans	**2 192**	2 002	9
Mortgages	**276 253**	282 778	(2)
Other advances[2]	**20 742**	17 348	20
Overnight finance	**14 083**	18 862	(25)
Personal and term loans	**67 954**	58 456	16
Preference shares	**8 945**	6 342	41
Wholesale overdrafts	**47 764**	34 088	40
Gross loans and advances to customers	**621 386**	582 039	7
Impairment losses on loans and advances (refer to note 3)	**(16 049)**	(15 777)	(2)
	605 337	566 262	7

Notes

[1] Restated, refer to note 1.22 in our full financial statements for reporting changes.

[2] Includes customer liabilities under acceptances, working capital solutions and collateralised loans.

Condensed notes to the consolidated financial results

for the reporting period ended 31 December

3. Impairment losses on loans and advances

Reconciliation of allowance for impairment losses on loans and advances to customers	2013 (Audited) Retail Banking South Africa Rm	Business Banking South Africa Rm	RBB Rest of Africa Rm	CIBW South Africa Rm	CIBW Rest of Africa Rm	Other[1] Rm	Total Rm
Balance at the beginning of the reporting period[2]	10 157	2 667	1 967	650	192	144	15 777
Net present value unwind on non-performing book (refer to note 7.1)	(697)	(153)	—	(3)	—	2	(851)
Exchange differences	—	—	422	—	—	—	422
Amounts written off	(5 197)	(1 171)	(725)	(108)	(157)	(46)	(7 404)
Impairment raised – identified	5 962	939	645	49	149	10	7 754
Impairment raised – unidentified	87	107	56	95	6	—	351
Balance at the end of the reporting period	10 312	2 389	2 365	683	190	110	16 049

Reconciliation of allowance for impairment losses on loans and advances to customers	2012[2] (Audited) Retail Banking South Africa Rm	Business Banking South Africa Rm	RBB Rest of Africa Rm	CIBW South Africa Rm	CIBW Rest of Africa Rm	Other[1] Rm	Total Rm
Balance at the beginning of the reporting period	9 327	1 923	2 167	566	163	125	14 271
Net present value unwind on non-performing book (refer to note 7.1)	(956)	(60)	—	(5)	—	3	(1 018)
Exchange differences	—	—	(64)	—	2	—	(62)
Amounts written off	(5 456)	(849)	(831)	(33)	8	(3)	(7 164)
Impairment raised – identified	7 068	1 688	651	108	19	19	9 553
Impairment raised – unidentified	174	(35)	44	14	—	—	197
Balance at the end of the reporting period	10 157	2 667	1 967	650	192	144	15 777

Notes

[1] Includes Financial Services, Head office and Other.

[2] Restated, refer to note 1.22 in our full financial statements for reporting changes.

3.1 Statement of comprehensive income charge

	2013 (Audited) Rm	2012[1] (Audited) Rm	Change %
Impairments raised during the reporting period	8 105	9 750	(17)
Identified impairments	7 754	9 553	(19)
Unidentified impairments	351	197	78
Recoveries of loans and advances previously written off	(1 118)	(895)	(25)
	6 987	8 855	(21)

Note

[1] Restated, refer to note 1.22 in our full financial statements for reporting changes.

Condensed notes to the consolidated financial results

for the reporting period ended 31 December

4. Deposits due to customers

	2013 (Audited) Rm	2012[1] (Audited) Rm	Change %
Call deposits	**52 843**	56 667	(7)
Cheque account deposits	**174 686**	170 915	2
Credit card deposits	**1 914**	1 938	(1)
Fixed deposits	**168 054**	147 686	14
Foreign currency deposits	**17 456**	12 253	42
Notice deposits	**56 349**	55 728	1
Other deposits[2]	**11 139**	8 434	32
Repurchase agreements with non-banks	**1 208**	1 503	(20)
Savings and transmission deposits	**104 362**	87 977	19
	588 011	543 101	8

Notes

[1] Restated, refer to note 1.22 in our full financial statements for reporting changes.

[2] Includes partnership contributions received, deposits due on structured deals, preference investments on behalf of customers and unclaimed deposits.

5. Debt securities in issue

	2013 (Audited) Rm	2012[1] (Audited) Rm	Change %
Credit linked notes	**8 155**	9 800	(17)
Floating rate notes	**44 719**	52 639	(15)
Liabilities arising from securitised structured entities	**495**	2 391	(79)
Negotiable certificates of deposit	**20 494**	17 575	17
Other debt securities in issue	**11**	7	57
Promissory notes	**935**	1 378	(32)
Structured notes and bonds	**1 487**	1 122	33
Senior notes	**21 533**	21 892	(2)
	97 829	106 804	(8)

Note

[1] Restated, refer to note 1.22 in our full financial statements for reporting changes.

Condensed notes to the consolidated financial results

for the reporting period ended 31 December

6. Borrowed funds

		2013 (Audited) Rm	2012[1] (Audited) Rm	Change %
Subordinated callable notes issued by Absa Bank Limited				
The subordinated debt instruments listed below qualify as secondary capital in terms of the Banks Act, No 94 of 1990 (as amended).				
Interest rate	**Final maturity date**			
8,80%	7 March 2019	**1 725**	1 725	—
8,10%	27 March 2020	**2 000**	2 000	—
10,28%	3 May 2022	**600**	600	—
8,295%	21 November 2023	**1 188**	1 188	—
Three-month JIBAR + 2,10%	3 May 2022	**400**	400	—
Three-month JIBAR + 1,95%	21 November 2022	**1 805**	1 805	—
Three-month JIBAR + 2,05%	21 November 2023	**2 007**	2 007	—
CPI-linked notes, fixed at the following coupon rates:				
6,25%	31 March 2018	**—**	1 886	(100)
6,00%	20 September 2019	**3 000**	3 000	—
5,50%	7 December 2028	**1 500**	1 500	—
Subordinated callable notes issued by other subsidiaries				
United States dollar three-month LIBOR	29 April 2013	**—**	136	(100)
Bank of Botswana certificate rate + 0,85%	30 October 2014	**120**	207	(42)
Ninety-one day Kenyan Government Treasury Bill rate + 0,60%	19 November 2014	**121**	97	25
Ninety-one day Zambian Government Treasury Bill rate + 2,00%	9 May 2015	**96**	82	17
One-hundred and eighty-two day Kenyan Government Treasury Bill rate + 1,00%	14 July 2015	**90**	73	23
11,50%	14 July 2015	**153**	124	23
One-hundred and eighty-two day Zambian Government Treasury Bill rate + 2,50% (capped at 13,00% overall)	18 May 2016	**96**	82	17
United States dollar three-month LIBOR + 1,00%	31 March 2018	**69**	56	23
Accrued interest		**1 490**	1 475	1
Fair value adjustment		**65**	334	(81)
		16 525	18 777	(12)

Note

[1] Restated, refer to note 1.22 in our full financial statements for reporting changes.

Condensed notes to the consolidated financial results

for the reporting period ended 31 December

7. Net-interest income

	2013 (Audited) Rm	2012[1] (Audited) Rm	Change %
7.1 Interest and similar income			
Interest and similar income is earned from:			
Cash, cash balances and balances with central banks	**245**	166	48
Fair value adjustments on hedging instruments	**3 803**	(185)	>100
Investment securities	**2 072**	1 742	19
Loans and advances to banks	**1 292**	1 251	3
Loans and advances to customers	**50 697**	48 161	5
Cheque accounts	**3 143**	3 022	4
Corporate overdrafts and specialised finance loans	**123**	484	(75)
Credit cards	**5 697**	3 593	59
Foreign currency loans	**275**	288	(5)
Instalment credit agreements	**5 841**	5 585	5
Interest on impaired financial assets (refer to note 3)	**851**	1 018	(16)
Reverse repurchase agreements	**12**	(41)	>(100)
Loans to associates and joint ventures	**657**	494	33
Microloans	**478**	505	(5)
Mortgages	**19 642**	20 986	(6)
Other loans and advances[2]	**927**	479	93
Overnight finance	**786**	814	(3)
Personal and term loans	**9 073**	8 244	10
Preference shares	**484**	485	—
Wholesale overdrafts	**2 708**	2 205	23
Other interest income[3]	**385**	578	(33)
Statutory liquid asset portfolio	**1 738**	5 584	(69)
	60 232	57 297	5

Notes

[1] Restated, refer to note 1.22 in our full financial statements for reporting changes.

[2] Includes items such as interest on factored debtors' books.

[3] Includes items such as overnight interest on contracts for difference as well as inter-segment eliminations between "interest and similar income", "interest expense and similar charges", "gains and losses from banking and trading activities" and "gains and losses from investment activities".

	2013 (Audited) Rm	2012[1] (Audited) Rm	Change %
7.2 Interest expense and similar charges			
Interest expense and similar charges are paid on:			
Borrowed funds	**1 358**	1 400	(3)
Debt securities in issue	**5 850**	8 410	(30)
Deposits due to customers	**21 568**	19 207	12
Call deposits	**2 813**	2 881	(2)
Cheque account deposits	**3 120**	3 288	(5)
Credit card deposits	**8**	9	(11)
Fixed deposits	**8 566**	6 992	23
Foreign currency deposits	**424**	114	>100
Notice deposits	**2 916**	2 471	18
Other deposits due to customers	**1 103**	1 053	5
Savings and transmission deposits	**2 618**	2 399	9
Deposits from banks	**590**	656	(10)
Call deposits	**315**	528	(40)
Fixed deposits	**274**	103	>100
Other deposits from banks	**1**	25	(96)
Fair value adjustments on hedging instruments	**500**	(999)	>100
Interest incurred on finance leases	**19**	51	(63)
Other interest expense[2]	**(2 004)**	(730)	>(100)
	27 881	27 995	—

Notes

[1] Restated, refer to note 1.22 in our full financial statements for reporting changes.

[2] Includes items such as inter-segment eliminations between "interest and similar income", "interest expense and similar charges", "gains and losses from banking and trading activities" and "gains and losses from investment activities".

Condensed notes to the consolidated financial results

for the reporting period ended 31 December

8. Non-interest income

	2013 (Audited) Rm	2012[1] (Audited) Rm	Change %
8.1 Fee and commission income			
Asset management and other related fees	**160**	158	1
Consulting and administration fees	**661**	566	17
Credit-related fees and commissions	**15 145**	14 439	5
Cheque accounts	**3 598**	3 589	—
Credit cards[2]	**1 226**	655	87
Electronic banking	**4 129**	4 093	1
Other credit-related fees and commissions[3]	**3 889**	3 614	8
Savings accounts	**2 303**	2 488	(7)
Insurance commission received	**1 315**	1 147	15
Investment banking fees	**255**	252	1
Merchant income	**2 197**	2 034	8
Other fee and commission income	**203**	258	(21)
Pension fund payment services	**—**	122	(100)
Trust and other fiduciary service fees	**1 412**	1 120	26
Portfolio and other management fees	**1 144**	870	32
Trust and estate income	**268**	250	7
	21 348	20 096	6
8.2 Fee and commission expense			
Cheque processing fees	**(150)**	(161)	7
Insurance commission paid	**(1 001)**	(945)	(6)
Other fee and commission expenses	**(1 298)**	(1 198)	(8)
Transaction-based legal fees	**(115)**	(209)	45
Trust and other fiduciary service fees	**(88)**	(73)	(21)
Valuation fees	**(142)**	(127)	(12)
	(2 794)	(2 713)	(3)
Net fee and commission income	**18 554**	17 383	7

Notes

[1] Restated, refer to note 1.22 in our full financial statements for reporting changes.

[2] Includes acquiring and issuing fees.

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

Condensed notes to the consolidated financial results

for the reporting period ended 31 December

	2013 (Audited) Rm	2012[1] (Audited) Rm	Change %
8.3 Gains and losses from banking and trading activities			
Net gains on investments	**312**	93	>100
Debt instruments designated at fair value through profit or loss	**181**	179	1
Equity instruments designated at fair value through profit or loss	**141**	(76)	>100
Available-for-sale unwind from reserves	**(10)**	(10)	—
Net trading result	**3 854**	4 382	(12)
Net trading income excluding the impact of hedge accounting	**4 092**	4 360	(6)
Ineffective portion of hedges	**(238)**	22	>(100)
Cash flow hedges	**(234)**	45	>(100)
Fair value hedges	**(4)**	(23)	83
Other gains	**195**	60	>100
	4 361	4 535	(4)
Net trading income excluding the impact of hedge accounting	**4 092**	4 360	(6)
Gains/(losses) on financial instruments designated at fair value through profit or loss	**1 126**	(857)	>100
Net gains on financial assets designated at fair value through profit or loss	**125**	1 129	(89)
Net gains/(losses) on financial liabilities designated at fair value through profit or loss	**1 001**	(1 986)	>100
Gains on financial instruments held for trading	**2 966**	5 217	(43)
Other gains	**195**	60	>100
Gains/(losses) on financial instruments designated at fair value through profit or loss	**135**	(3)	>100
Gains on financial instruments held for trading	**60**	63	(5)

Note

[1] Restated, refer to note 1.22 in our full financial statements for reporting changes.

	2013 (Audited) Rm	2012[1] (Audited) Rm	Change %
8.4 Gains and losses from investment activities			
Available-for-sale unwind from reserves	**4**	2	100
Net gains on investments from insurance activities	**2 803**	1 686	66
Policyholder – insurance contracts	**337**	329	3
Policyholder – investment contracts	**2 181**	1 086	>100
Shareholder funds	**285**	271	5
Other gains	**24**	47	(49)
	2 831	1 735	63
Gains on investments from insurance activities	**2 803**	1 686	66
Gains on financial instruments designated at fair value through profit or loss	**2 805**	1 687	66
Losses on financial instruments held for trading	**(2)**	(1)	(100)

Note

[1] Restated, refer to note 1.22 in our full financial statements for reporting changes.

Condensed notes to the consolidated financial results

for the reporting period ended 31 December

9. Operating expenditure

	2013 (Audited) Rm	2012[1] (Audited) Rm	Change %
9.1 Operating expenses			
Amortisation of intangible assets	**470**	327	44
Auditors' remuneration	**259**	203	28
Cash transportation	**715**	710	1
Depreciation	**1 641**	1 593	3
Equipment costs	**391**	382	2
Information technology[2]	**2 078**	2 201	(6)
Investment properties charges – change in fair value	**33**	408	(92)
Marketing costs	**1 355**	1 137	19
Operating lease expenses on properties	**1 309**	1 010	30
Other operating expenses[3]	**2 913**	2 404	21
Printing and stationery	**310**	280	11
Professional fees[2]	**1 578**	937	68
Property costs	**1 692**	1 950	(13)
Staff costs	**17 593**	15 787	11
Bonuses	**1 679**	1 210	39
Other staff costs[4]	**1 203**	844	43
Salaries and current service costs on post-retirement benefits	**13 942**	13 008	7
Share-based payments	**428**	469	(9)
Training costs	**341**	256	33
Telephone and postage	**1 083**	1 000	8
	33 420	30 329	10

Notes

[1] Restated, refer to note 1.22 in our full financial statements for reporting changes.

[2] "Information technology" and "professional fees" include research and development costs totalling **R246 million** (2012: R113 million).

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

[4] Includes recruitment costs, membership fees to professional bodies, staff parking, redundancy fees relating to Rest of Africa, study assistance, staff relocation and refreshment costs.

	2013 (Audited) Rm	2012[1] (Audited) Rm	Change %
9.2 Other impairments			
Financial instruments	**28**	7	>100
Other	**5**	125	(96)
Computer software development costs	**—**	95	(100)
Property and equipment	**—**	11	(100)
Goodwill	**—**	18	(100)
Investments in associates and joint ventures	**2**	—	100
Repossessed properties	**3**	1	>100
	33	132	(75)

Note

[1] Restated, refer to note 1.22 in our full financial statements for reporting changes.

Condensed notes to the consolidated financial results

for the reporting period ended 31 December

10. Headline earnings

Headline earnings	2013 (Audited) Gross Rm	2013 (Audited) Net[2] Rm	2012[1] (Audited) Gross Rm	2012[1] (Audited) Net[2] Rm	Net[2] change %
Headline earnings is determined as follows:					
Profit attributable to ordinary equity holders:		11 981		9 999	20
Total headline earnings adjustment:		(138)		420	>(100)
IFRS 3 – Goodwill impairment	—	—	18	18	>(100)
IFRS 5 – Gains and losses on disposal of non-current assets held for sale	(171)	(138)	—	—	>(100)
IAS 16 and IAS 36 – Loss/(profit) on disposal and impairment of property and equipment	5	4	(79)	(62)	>100
IAS 27 – Loss on disposal of subsidiary	8	8	—	—	100
IAS 28 and IFRS 11 – Headline earnings component of share of post-tax results of associates and joint ventures	—	—	(1)	(1)	100
IAS 36 – Impairment of investments in associates and joint ventures	2	2	—	—	100
IAS 36 and IAS 38 – Loss on disposal and impairment of intangible assets	1	—	98	70	(100)
IAS 39 – Release of available-for-sale reserves	10	7	10	7	—
IAS 39 – Disposal and impairment of available-for-sale assets	6	4	—	—	>100
IAS 40 – Change in fair value of investment properties	(29)	(25)	408	388	>(100)
		11 843		10 419	14

Notes

[1] Restated, refer to note 1.22 in our full financial statements for reporting changes.

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

11. Dividends per share

	2013 (Audited) Rm	2012 (Audited) Rm	Change %
Dividends declared to ordinary equity holders			
Interim dividend (30 July 2013: **350 cents**) (27 July 2012: 315 cents)	2 514	2 262	11
Dividend paid on treasury shares – Interim	(2)	(3)	33
Special dividend (30 July 2013: **708 cents**)[2]	5 085	—	100
Dividend paid on treasury shares – Special	(10)	—	(100)
Final dividend (11 February 2014: **470 cents**) (12 February 2013: 369 cents)	3 984	2 650	50
Dividend paid on treasury shares – Final	n/a[1]	(5)	100
	11 571	4 904	>100
Dividends declared to non-controlling preference equity holders			
Interim dividend (30 July 2013: **2 999,4521 cents**) (27 July 2012: 3 134,6575 cents)	148	155	(5)
Final dividend (11 February 2014: **2 979,3151 cents**) (12 February 2013: 2 950,5479 cents)	147	146	1
	295	301	(2)
Dividends paid to ordinary equity holders			
Final dividend (12 February 2013: **369 cents**) (10 February 2012: 392 cents)	2 650	2 815	(6)
Dividend paid on treasury shares – Final	(5)	(5)	—
Interim dividend (30 July 2013: **350 cents**) (27 July 2013: 315 cents)	2 967	2 262	31
Dividend paid on treasury shares – Interim	(2)	(3)	33
Special dividend (30 July 2013: **708 cents**)	6 002	—	100
Dividend paid on treasury shares – Special	(10)	—	(100)
	11 602	5 069	>100
Dividends paid to non-controlling preference equity holders			
Final dividend (12 February 2013: **2 950,5479 cents**) (10 February 2012: 2 827,2329 cents)	146	140	4
Interim dividend (30 July 2013: **2 999,4521 cents**) (27 July 2013: 3 134,6575 cents)	148	155	(5)
	294	295	—

Notes

[1] The dividend paid on treasury shares is calculated on payment date.

[2] Dividend amount is calculated on the number of shares in issue, including the shares issued on 31 July 2013 for consideration on the acquisition of Barclays Africa Limited.

Condensed notes to the consolidated financial results

for the reporting period ended 31 December

12. Acquisitions and disposals of businesses and other similar transactions

Acquisition during the current reporting period

In 2012, Absa Group Limited announced its intention to conclude the strategic combination of Barclays' Africa operations with the existing Absa Group operations.

Through the transaction, Absa Group Limited acquired 100% of the issued ordinary share capital of Barclays Africa Limited, which was settled by the issuance of 129 540 636 Absa Group Limited ordinary shares. This increased Barclays Bank PLC's shareholding in the Group from 55,5% to 62,3%. This transaction concluded on 31 July 2013 and was accompanied by the name change of Absa Group Limited to Barclays Africa Group Limited.

The transaction is a business combination of entities under common control as defined in International Financial Reporting Standard 3: *Business Combinations* (IFRS 3). The Group elected, in accordance with IFRS 3 guidance and the Group's and Barclays Group's accounting policies, to account for the transaction in terms of predecessor accounting principles.

Accordingly, the Group's comparative financial results have been restated as if Barclays Africa Limited was always part of the Group's structure.

Disposals during the current reporting period

Barclays Africa Group through a wholly-owned subsidiary Absa Trading and Investment Solutions Proprietary Limited (ATIS) disposed of its 73,37% limited partnership interest in Absa Capital Private Equity Fund I (ACPE Fund I) to a syndicate led by HarbourVest Partners L.P. (HarbourVest), comprising funds managed by HarbourVest and Coller Capital Limited.

ACPE Fund I is a fully invested South African private equity fund established in 2008. The fund has exposure to the general industrials sector in sub-Saharan Africa. As a consequence of the sale, two materially insignificant wholly owned subsidiaries of Barclays Africa Group and the Investment Adviser to the General Partner of ACPE Fund I, have been spun off to become a new independent South African private equity fund manager, Rockwood Private Equity. As of 31 December 2012, the reported carrying value of BAGL's interest in ACPE Fund I was R2,3 billion.

During the current reporting period, the Group disposed of 100% of its investment in its wholly owned subsidiary CMB Nominees Proprietary Limited effective 2 December 2013. This occurred as part of the disposal of the Custody and Trustee business, a division of Corporate, Investment Bank and Wealth. The total cash consideration received on disposal of the business was R300 million.

Other similar transactions: additional interest in a subsidiary

During March 2013, the Group acquired additional shares in NBC for a purchase consideration of R368 million, after a rights issue by NBC, whereby the non-controlling interest did not take up any shares in terms of the rights issue. This increased the Group's effective shareholding in NBC. The Group now holds 65,89% of the share equity in NBC. The carrying amount of the non-controlling shareholders' interest in NBC on the date of acquisition was R354 million. A clawback option for the period of 12 months was granted to the non-controlling shareholders who were unable to subscribe for the shares at the date of the rights issue. The option grants the non-controlling shareholders the right to purchase their *pro rata* portion of the shares from the Group at the original issue price plus interest at a market-related rate.

13. Related parties

Barclays Bank PLC owns **62,3%** (2012: 55,5%) of the ordinary shares in the Group. The remaining **37,7%** (2012: 44,5%) of the shares are widely held on the Johannesburg Stock Exchange Limited (JSE).

The following are defined as related parties of the Group:

- Key management personnel (refer to notes 13.1 and 13.2)
- The parent company (refer to note 13.3)
- Fellow subsidiaries, associates and joint ventures of the parent company (refer to note 13.4)
- Subsidiaries and consolidated structured entities
- Associates, joint ventures and retirement benefit funds
- An entity controlled/jointly controlled or significantly influenced by any individual referred to above
- Post-employment benefit plans for the benefit of employees or any entity that is a related party of the Group
- Children and/or dependants and spouses or partners of the individuals referred to above.

Condensed notes to the consolidated financial results

for the reporting period ended 31 December

13.1 Balances and transactions with key management personnel

Transactions with key management personnel

IAS 24 *Related Party Disclosures* (IAS 24), requires the identification of key management personnel, who are individuals responsible for planning, directing and controlling the activities of the entity, including directors. Key management personnel are defined as executive and non-executive directors and members of the Executive Committee (Exco). Entities controlled by key management personnel are also considered to be related parties. A number of banking and insurance transactions are entered into with key management personnel in the normal course of business, under terms that are no more favourable than those arranged with third parties. These include loans, deposits and foreign currency transactions. The related-party transactions, outstanding balances at the reporting date and related expenses and income with related parties for the reporting period are as follows:

	2013 (Audited) Rm	2012 (Audited) Rm	Change %
Balances			
Loans	**45**	455	(90)
Deposits	**12**	15	(20)
Guarantees issued by the Group	**84**	103	(18)
Other investments	**34**	40	(15)
Transactions			
Interest income	**4**	45	(91)
Interest expense	**1**	1	—
Insurance premiums paid	**0,17**	0,41	(59)
Insurance claims	—	0,08	(100)

Loans include mortgages, asset finance transactions, overdraft and other credit facilities. Loans to key management personnel are provided on the same terms and conditions as loans to employees of the Group, including interest rates and collateral requirements.

Loans to key management personnel of **Rnil** (2012: Rnil) were written off as irrecoverable. Loans to entities controlled by key management personnel of **Rnil** (2012: Rnil) were written off as irrecoverable.

	2013 (Audited) Rm	2012 (Audited) Rm	Change %
13.2 Key management personnel compensation			
Directors			
Post-employment benefit contributions	**1**	1	—
Salaries and other short-term benefits	**42**	30	40
Share-based payments	**25**	32	(22)
Termination benefits	—	12	(100)
	68	75	(9)
Other key management personnel			
Post-employment benefit contributions	**3**	2	50
Salaries and other short-term benefits	**77**	65	18
Share-based payments	**48**	47	2
	128	114	12

Condensed notes to the consolidated financial results

for the reporting period ended 31 December

	2013 (Audited) Rm	2012[1] (Audited) Rm	Change %
13.3 Balances and transactions with parent company[2]			
Balances			
Loans and advances to banks	**39 223**	35 537	10
Derivative assets	**19 040**	14 310	33
Nominal value of derivative assets	**1 042 021**	1 399 103	(26)
Other assets	**1 556**	668	>100
Investment securities	**534**	584	(9)
Deposits from banks	**(22 404)**	(12 244)	(83)
Derivative liabilities	**(17 232)**	(13 846)	(24)
Nominal value of derivative liabilities	**(1 183 511)**	(1 213 065)	2
Other liabilities	**(187)**	(15)	>(100)
Borrowed funds	**(69)**	—	(100)
Transactions			
Interest and similar income	**(343)**	(204)	(68)
Interest expense and similar charges	**65**	87	(26)
Net fee and commission income	**6**	(18)	>100
Gains and losses from banking and trading activities	**274**	(158)	>100
Other operating income	**(71)**	(37)	(91)
Operating expenditure	**48**	(55)	>100
Dividends paid	**7 469**	2 819	>100

Trade balances must be settled in accordance with market conventions applicable to the underlying transaction. Non-trade balances must be settled by the close of the month immediately following the month in which the transaction occurred. Further, settlement must be made in the currency required by the ultimate parent company. In exceptional cases it may be impractical or inefficient to settle balances monthly. In such cases, the unsettled balances must be explicitly agreed to on a monthly basis in writing and full settlement must be made at least quarterly.

There were no bad debt expenses and provisions for bad debts that related to balances and transactions with the parent company.

Notes

[1] Restated, refer to note 1.22 in our full financial statements for reporting changes.

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

	2013 (Audited) Rm	2012[1] (Audited) Rm	Change %
13.4 Balances and transactions with fellow subsidiaries, associates and joint ventures of the parent company[2,3]			
Balances			
Loans and advances to banks	**863**	391	>100
Derivative assets	**0**	10	(100)
Nominal value of derivative assets	**2 650**	426	>100
Other assets	**284**	87	>100
Deposits from banks	**(1 753)**	(539)	>(100)
Derivative liabilities	**(18)**	—	(100)
Nominal value of derivative liabilities	**(2 132)**	—	(100)
Other liabilities	**(313)**	(86)	(100)
Transactions			
Interest and similar income	**(1)**	0	(100)
Net fee and commission income	**(30)**	(7)	>(100)
Other operating income	**56**	126	(56)
Operating expenditure	**2**	(3)	>100

Trade balances must be settled in accordance with market conventions applicable to the underlying transaction. Non-trade balances must be settled by the close of the month immediately following the month in which the transaction occurred. Further, settlement must be made in the currency required by the fellow subsidiary, associate or joint venture receiving the settlement. In exceptional cases it may be impractical or inefficient to settle balances monthly. In such cases, the unsettled balances must be explicitly agreed to on a monthly basis in writing and full settlement must be made at least quarterly.

There were no bad debt expenses and provisions for bad debts that related to balances and transactions with the fellow subsidiaries, associates and joint ventures of the parent company.

Notes

[1] Restated, refer to note 1.22 in our full financial statements for reporting changes.

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

[3] Fellow subsidiaries, associates and joint ventures are those entities of Barclays Bank PLC.

Condensed notes to the consolidated financial results

for the reporting period ended 31 December

14. Assets under management and administration

	2013 (Audited) Rm	2012 (Audited) Rm	Change %
Alternative asset management and exchange-traded funds	**72 840**	41 957	74
Deceased estates[1]	**2 559**	2 012	27
Other assets under management and administration	**14 383**	12 995	11
Participation bond schemes	**—**	2 184	(100)
Portfolio management	**46 203**	44 222	4
Private equity	**—**	819	(100)
Trusts[1]	**4 472**	3 783	18
Unit trusts	**123 318**	138 978	(11)
	263 775	246 950	7

Note

[1] Unaudited

15. Financial guarantee contracts

	2013 (Audited) Rm	2012 (Audited) Rm	Change %
Financial guarantee contracts[1]	**243**	146	66

Note

[1] Financial guarantee contracts represent contracts where the Group undertakes to make specified payments to a counterparty, should the counterparty suffer a loss as a result of a specified debtor failing to make payment when due in accordance with the terms of a debt instrument. This amount represents the maximum exposure, which is not necessarily the measurement recognised in the statement of financial position in accordance with International Financial Reporting Standards (IFRS).

16. Commitments

	2013 (Audited) Rm	2012 (Audited) Rm	Change %
Authorised capital expenditure			
Contracted but not provided for[1]	**745**	578	29
Operating lease payments due[2]			
No later than one year	**847**	936	(10)
Later than one year but no later than five years	**1 521**	1 948	(22)
Later than five years	**296**	365	(19)
	2 664	3 249	(18)
Sponsorship payments due[3]			
No later than one year	**272**	289	(6)
Later than one year but no later than five years	**541**	884	(39)
	813	1 173	(31)

Notes

[1] The Group has capital commitments in respect of computer equipment and property development. Management is confident that future net revenue and funding will be sufficient to cover these commitments.

[2] The operating lease commitments comprise a number of separate operating leases in relation to property and equipment, none of which is individually significant to the Group. Leases are negotiated for an average term of three to five years and rentals are renegotiated annually.

[3] The Group has sponsorship commitments in respect of sports, arts and culture.

17. Contingencies

	2013 (Audited) Rm	2012[1] (Audited) Rm	Change %
Guarantees[2]	**21 215**	19 348	10
Irrevocable debt facilities[3]	**49 609**	48 107	3
Irrevocable equity facilities[3]	**400**	543	(26)
Letters of credit	**6 402**	7 080	(10)
Other contingencies	**5 674**	4 328	31
	83 300	79 406	5

Notes

[1] Restated, refer to note 1.22 in our full financial statements for reporting changes.

[2] Guarantees include performance and payment guarantee contracts.

[3] Irrevocable facilities are commitments to extend credit where the Group does not have the right to terminate the facilities by written notice. Commitments generally have fixed expiry dates. Since commitments may expire without being drawn upon, the total contract amounts do not necessarily represent future cash requirements.

Condensed notes to the consolidated financial results

for the reporting period ended 31 December

18. Segment reporting

	2013 (Audited) Rm	2012[1] (Audited) Rm	Change %
18.1 Headline earnings contribution by segment			
RBB	**7 999**	5 668	41
Retail Banking South Africa	**4 941**	3 626	36
Home Loans	**876**	(992)	>100
Vehicle and Asset Finance	**1 127**	847	33
Card	**1 980**	1 888	5
Personal Loans	**385**	587	(34)
Retail Bank	**573**	1 296	(56)
Business Banking South Africa	**1 710**	1 042	64
RBB Rest of Africa	**1 348**	1 000	35
CIBW	**3 017**	3 146	(4)
CIBW South Africa	**2 561**	2 682	(5)
CIBW Rest of Africa	**456**	464	(2)
Head office, inter-segment eliminations and other	**(543)**	340	>(100)
Total banking	**10 473**	9 154	14
Financial Services	**1 370**	1 265	8
Headline earnings	**11 843**	10 419	14

Note

[1] Restated, refer to note 1.22 in our full financial statements for reporting changes.

	2013 (Audited) Rm	2012[1] (Audited) Rm	Change %
18.2 Total revenue[2] by segment			
RBB	**43 968**	40 205	9
Retail Banking South Africa	**27 295**	25 451	7
Home Loans	**3 815**	4 210	(9)
Vehicle and Asset Finance	**3 206**	3 055	5
Card	**7 656**	5 313	44
Personal Loans	**1 892**	2 010	(6)
Retail Bank	**10 726**	10 863	(1)
Business Banking South Africa	**8 377**	8 030	4
RBB Rest of Africa	**8 296**	6 724	23
CIBW	**11 648**	10 491	11
CIBW South Africa	**8 759**	8 043	9
CIBW Rest of Africa	**2 889**	2 448	18
Head office, inter-segment eliminations and other	**(578)**	249	>(100)
Total banking	**55 039**	50 945	8
Financial Services	**4 368**	4 031	8
Total revenue	**59 406**	54 976	8

Notes

[1] Restated, refer to note 1.22 in our full financial statements for reporting changes.

[2] Revenue includes net interest income and non-interest income.

Condensed notes to the consolidated financial results

for the reporting period ended 31 December

	2013 (Audited) Rm	2012[1] (Audited) Rm	Change %
18.3 Internal total revenue[2] by segment			
RBB	**(8 536)**	(9 272)	8
Retail Banking South Africa	**(10 801)**	(10 778)	—
Home Loans	**(11 482)**	(12 082)	5
Vehicle and Asset Finance	**(3 675)**	(3 453)	(6)
Card	**(1 291)**	(860)	(50)
Personal Loans	**(504)**	(523)	4
Retail Bank	**6 151**	6 140	—
Business Banking South Africa	**1 776**	1 406	26
RBB Rest of Africa	**489**	100	>100
CIBW	**11 187**	10 379	8
CIBW South Africa	**11 223**	10 453	7
CIBW Rest of Africa	**(36)**	(74)	51
Head office, inter-segment eliminations and other	**(2 173)**	(669)	>(100)
Total banking	**478**	438	9
Financial Services	**(478)**	(438)	(9)
Total internal revenue	**—**	—	—

Notes

[1] Restated, refer to note 1.22 in our full financial statements for reporting changes.

[2] Revenue includes net interest income and non-interest income.

	2013 (Audited) Rm	2012[1] (Audited) Rm	Change %
18.4 Total assets by segment			
RBB	**742 110**	668 793	11
Retail Banking South Africa	**531 517**	516 692	3
Home Loans	**221 876**	227 138	(2)
Vehicle and Asset Finance	**80 590**	72 391	11
Card	**47 312**	43 659	8
Personal Loans	**13 436**	13 318	1
Retail Bank	**168 303**	160 186	5
Business Banking South Africa	**98 423**	86 972	13
RBB Rest of Africa	**112 170**	65 129	72
CIBW	**542 366**	502 413	8
CIBW South Africa	**492 369**	469 616	5
CIBW Rest of Africa	**49 997**	32 797	52
Head office, inter-segment eliminations and other	**(357 998)**	(303 755)	(18)
Total banking	**926 478**	867 451	7
Financial Services	**33 121**	30 920	7
Total assets	**959 599**	898 371	7

Note

[1] Restated, refer to note 1.22 in our full financial statements for reporting changes.

Condensed notes to the consolidated financial results

for the reporting period ended 31 December

18.5 Total liabilities by segment

	2013 (Audited) Rm	2012[1] (Audited) Rm	Change %
RBB	**720 344**	652 357	10
Retail Banking South Africa	**524 116**	510 884	3
Home Loans	**220 712**	227 919	(3)
Vehicle and Asset Finance	**78 718**	70 850	11
Card	**44 499**	41 099	8
Personal Loans	**13 051**	12 731	3
Retail Bank	**167 136**	158 285	6
Business Banking South Africa	**96 558**	85 976	12
RBB Rest of Africa	**99 670**	55 497	80
CIBW	**534 559**	494 656	8
CIBW South Africa	**487 211**	464 706	5
CIBW Rest of Africa	**47 348**	29 950	58
Head office, inter-segment eliminations and other	**(408 743)**	(359 309)	(14)
Total banking	**846 160**	787 704	7
Financial Services	**28 238**	26 222	8
Total liabilities	**874 398**	813 926	7

Note

[1] Restated, refer to note 1.22 in our full financial statements for reporting changes.

Condensed notes to the consolidated financial results

for the reporting period ended 31 December

19. Fair value of assets and liabilities not held at fair value

The table below summarises the carrying amounts and fair values of those assets and liabilities not held at fair value:

	2013 (Audited) Carrying value Rm	2013 (Audited) Fair value Rm	2012[1] (Audited) Carrying value Rm	2012[1] (Audited) Fair value Rm
Financial assets				
Balances with other central banks	7 350	7 350	6 061	6 061
Balances with the SARB	12 417	12 417	12 339	12 339
Coins and bank notes	12 652	12 652	11 085	11 085
Money market assets	1 939	1 939	36	36
Cash, cash balances and balances with central banks	34 358	34 358	29 521	29 521
Loans and advances to banks	73 831	73 831	52 864	52 864
Other assets	13 486	13 486	15 324	15 324
Retail Banking South Africa	352 764	352 602	345 698	353 021
Cheque accounts	2 015	2 015	1 907	1 907
Credit cards	34 071	34 071	31 350	31 350
Instalment credit agreements	63 600	63 297	57 305	58 758
Loans to associates and joint ventures	10 287	10 287	8 393	8 393
Mortgages	226 706	226 771	230 880	236 750
Personal and term loans	16 085	16 161	15 863	15 863
Business Banking South Africa	60 971	61 141	62 390	63 295
Cheque accounts	17 075	17 075	17 997	17 997
Commercial property finance	30 682	30 852	31 016	31 921
Instalment credit agreements	984	984	1 441	1 441
Loans to associates and joint ventures	559	559	627	627
Term loans	11 671	11 671	11 309	11 309
RBB Rest of Africa	37 884	37 884	30 322	30 322
CIBW	143 053	137 249	115 270	115 270
CIBW South Africa	121 683	115 879	101 223	101 223
CIBW Rest of Africa	21 370	21 370	14 047	14 047
Head office, inter-segment eliminations, Financial Services and other	119	119	640	640
Loans and advances to customers – net of impairment losses	594 791	588 995	554 320	562 548
Investment securities	726	726	471	471
Total assets	717 192	711 396	652 500	660 728
Financial liabilities				
Deposits from banks	59 744	56 532	30 292	30 295
Other liabilities	15 765	15 297	16 935	16 935
Call deposits	52 843	52 843	56 667	56 667
Cheque account deposits	174 606	174 606	170 854	170 854
Credit card deposits	1 914	1 914	1 937	1 937
Fixed deposits	151 797	151 837	130 588	131 028
Foreign currency deposits	17 456	17 456	12 253	12 253
Notice deposits	56 348	56 350	55 728	55 935
Other deposits	10 822	10 822	8 008	8 008
Savings and transmission deposits	104 362	104 362	87 977	87 977
Deposits due to customers	570 148	570 190	524 012	524 659
Debt securities in issue	94 286	94 324	103 606	103 606
Borrowed funds	16 525	17 069	17 999	19 284
Total liabilities	756 468	753 412	692 844	694 779

Note

[1] Restated, refer to note 1.22 in our full financial statements for reporting changes.

Condensed notes to the consolidated financial results

for the reporting period ended 31 December

20. Fair value hierarchy disclosures

20.1 Valuation methodology

The table below shows the Group's assets and liabilities that are recognised and subsequently measured at fair value and are analysed by valuation techniques. The classification of assets and liabilities is based on the lowest level input that is significant to the fair value measurement in its entirety.

	2013 (Audited)			
Recurring fair value measurements	**Valuations with reference to observable prices Level 1[1] Rm**	**Valuations based on observable inputs Level 2[1] Rm**	**Valuations based on un-observable inputs Level 3[2] Rm**	**Total Rm**
Financial assets				
Cash, cash balances and balances with central banks	7 976	7 796	—	15 772
Statutory liquid asset portfolio	62 055	—	—	62 055
Loans and advances to banks	—	6 140	—	6 140
Trading and hedging portfolio assets	36 263	52 011	1 037	89 311
Debt instruments	24 049	530	873	25 452
Derivative assets	—	46 796	164	46 960
Commodity derivatives	—	253	—	253
Credit derivatives	—	258	11	269
Equity derivatives	—	760	—	760
Foreign exchange derivatives	—	7 053	39	7 092
Interest rate derivatives	—	38 472	114	38 586
Equity instruments	12 176	77	—	12 253
Money market assets	38	4 608	—	4 646
Other assets	—	1	16	17
Loans and advances to customers	—	4 069	6 477	10 546
Investment securities	21 232	7 156	3 969	32 357
Total financial assets	127 526	77 173	11 499	216 198
Financial liabilities				
Deposits from banks	—	9 320	—	9 320
Trading and hedging portfolio liabilities	3 741	49 578	549	53 868
Derivative liabilities	—	49 578	549	50 127
Commodity derivatives	—	161	—	161
Credit derivatives	—	478	45	523
Equity derivatives	—	1 607	306	1 913
Foreign exchange derivatives	—	7 755	57	7 812
Interest rate derivatives	—	39 577	141	39 718
Short positions	3 741	—	—	3 741
Other liabilities	—	36	—	36
Deposits due to customers	—	10 725	7 138	17 863
Debt securities in issue	—	3 508	35	3 543
Liabilities under investment contracts	—	19 773	—	19 773
Borrowed funds	—	—	—	—
Total financial liabilities	3 741	92 940	7 722	104 403
Non-financial assets				
Investment properties	—	—	1 089	1 089
Trading and hedging portfolio assets				
Commodities	1 080	—	—	1 080
Non-recurring fair value measurements				
Non-current assets held for sale	2 424	1 297	1 093	4 814
Non-current liabilities held for sale	975	175	501	1 651

Note

[1] The nature of the valuation techniques is summarised in note 20.2.

[2] The nature of the valuation techniques is summarised in note 20.3.

Condensed notes to the consolidated financial results

for the reporting period ended 31 December

20.1 Valuation methodology

Recurring fair value measurements	Group 2012[1] (Audited) Valuations with reference to observable prices Level 1[2] Rm	Valuations based on observable inputs Level 2[2] Rm	Valuations based on unobservable inputs Level 3[3] Rm	Total Rm
Financial assets				
Cash, cash balances and balances with central banks	7 391	7 123	—	14 514
Statutory liquid asset portfolio	63 017	3	—	63 020
Loans and advances to banks	—	9 647	—	9 647
Trading and hedging portfolio assets	30 236	61 078	952	92 266
Debt instruments	23 742	—	873	24 615
Derivative assets	16	52 161	79	52 256
Commodity derivatives	1	604	—	605
Credit derivatives	—	152	43	195
Equity derivatives	15	966	5	986
Foreign exchange derivatives	—	5 823	1	5 824
Interest rate derivatives	—	44 616	30	44 646
Equity instruments	6 473	141	—	6 614
Money market assets	5	8 776	—	8 781
Other assets	—	1	16	17
Loans and advances to customers	—	5 523	6 419	11 942
Investment securities	11 103	12 866	6 473	30 442
Total financial assets	111 747	96 241	13 860	221 848
Financial liabilities				
Deposits from banks	82	11 050	—	11 132
Trading and hedging portfolio liabilities	4 965	50 550	74	55 589
Derivative liabilities	43	50 550	74	50 667
Commodity derivatives	5	169	—	174
Credit derivatives	—	188	24	212
Equity derivatives	—	1 756	26	1 782
Foreign exchange derivatives	38	5 591	—	5 629
Interest rate derivatives	—	42 846	24	42 870
Short positions	4 922	—	—	4 922
Other liabilities	—	1	16	17
Deposits due to customers	—	11 417	7 672	19 089
Debt securities in issue	—	3 011	187	3 198
Liabilities under investment contracts	—	18 768	—	18 768
Borrowed funds	778	—	—	778
Total financial liabilities	5 825	94 797	7 949	108 571
Non-financial assets				
Investment properties	—	—	1 220	1 220
Trading and hedging portfolio assets				
Commodities	514	—	—	514
Non-recurring fair value measurements				
Non-current assets held for sale	2 226	379	1 447	4 052
Non-current liabilities held for sale	—	1 274	206	1 480

Notes

[1] Restated, refer to note 1.22 in our full financial statements for reporting changes.

[2] The nature of the valuation techniques is summarised in note 20.2.

[3] The nature of the valuation techniques is summarised in note 20.3.

Condensed notes to the consolidated financial results

for the reporting period ended 31 December

20.1.1 Fair value measurement and valuation processes

Financial assets and financial liabilities

The Group has an established control framework with respect to the measurement of fair values. The framework includes a Valuation Committee and an Independent Valuation Control (IVC) team, which is independent of front office management.

The Valuation Committee is responsible for overseeing the valuation control process and will therefore consider the appropriateness of valuation techniques and inputs for fair value measurement.

The IVC team independently verifies the results of trading and investment operations and all significant fair value measurements. The team sources independent data from various external sources as well as internal risk areas when performing independent price verification for all fair value positions. IVC assesses and documents the inputs obtained from independent sources to measure fair value to support conclusions that such valuations are in accordance with IFRS and internal valuation policies.

The Valuation Committee, which comprises representatives from senior management, will formally approve valuation policies and any changes to valuation methodologies. Significant valuation issues are reported to the Group Audit and Compliance Committee.

Investment properties

Where possible the fair value of the Group's investment property has been determined on the basis of a valuation carried out on the respective dates by independent valuators not related to the business. Where the Group's internal valuations are different to that of the external valuers, detailed procedures are performed to substantiate any differences. The IVC team independently verifies the procedures performed by front office and considers the appropriateness of any differences to external valuations. The fair value was determined based on the most appropriate methodology applicable to the relevant investment property. Methodologies include the market comparable approach that reflects recent transaction prices for similar properties, discounted cash flows and income capitalisation methodologies. In estimating the fair value of the properties, the highest and best use of the properties is taken into account.

20.1.2 Significant transfers between levels

During the reporting period, trading portfolio assets to the value of R237 million as well as trading portfolio liabilities of R165 million were transferred from Level 2 to Level 3. The transfers relate to equity securities for which there are no longer a quoted price in an active market and for which the significant inputs to determine the fair value have become unobservable.

20.2 Valuation techniques using observable inputs

Level 1

Assets and liabilities valued with reference to unadjusted quoted prices for identical assets or liabilities in active markets where the quoted price is readily available and the price represents actual and regularly occurring market transactions on an arm's-length basis.

Level 2

Assets and liabilities valued using inputs other than quoted prices as described above for Level 1 but which are observable for the asset or liability, either directly or indirectly.

Condensed notes to the consolidated financial results

for the reporting period ended 31 December

20.3 Valuation techniques using unobservable inputs

Level 3

Assets and liabilities valued using inputs that are not based on observable market data (unobservable data) such as an entity's own assumptions about assumptions of market participants in pricing the asset or liability.

20.4 Fair value adjustments

The main valuation adjustments required to arrive at a fair value are described below:

Bid-offer valuation adjustments

For assets and liabilities where the Group is not a market maker, mid-prices are adjusted to bid and offer prices respectively. Bid-offer adjustments reflect expected close out strategy and, for derivatives, the fact that they are managed on a portfolio basis. The methodology for determining the bid-offer adjustment for a derivative portfolio will generally involve netting between long and short positions and the bucketing of risk by strike and term in accordance with hedging strategy. Bid-offer levels are derived from market sources, such as broker data. For those assets and liabilities where the Group is a market maker and has the ability to transact at, or better than, mid-price (which is the case for certain equity, bond and vanilla derivative markets), the mid-price is used, since the bid-offer spread does not represent a transaction cost.

Uncollateralised derivative adjustments

A fair value adjustment is incorporated into uncollateralised derivative valuations to reflect the impact on fair value of counterparty credit risk, the Group's own credit quality, as well as the cost of funding across all asset classes.

Model valuation adjustments

Valuation models are reviewed under the Group's model governance framework. This process identifies the assumptions used and any model limitations (for example, if the model does not incorporate volatility skew). Where necessary, fair value adjustments will be applied to take these factors into account. Model valuation adjustments are dependent on the size of the portfolio, complexity of the model, whether the model is market standard and to what extent it incorporates all known risk factors. All models and model valuation adjustments are subject to review on at least an annual basis.

20.5 Third-party credit enhancements

There were no significant liabilities measured at fair value and issued with inseparable third-party credit enhancements.

Condensed notes to the consolidated financial results

for the reporting period ended 31 December

20.6 Movements on assets and liabilities subsequently measured at fair value using valuations based on unobservable inputs (Level 3)

A reconciliation of the opening balances to closing balances for all movements on Level 3 assets and liabilities is set out below:

	2013 (Audited)					
	Trading and hedging portfolio assets Rm	Other assets Rm	Loans and advances to customers Rm	Investment securities Rm	Investment properties Rm	Total assets at fair value Rm
Opening balance at the beginning of the reporting period	952	16	6 419	6 473	1 220	15 080
Movement in other comprehensive income	—	—	—	20	—	20
Net interest income	55	—	346	(461)	—	(60)
Other income	—	—	—	—	58	58
Gains and losses from banking and trading activities	(165)	—	203	92	—	130
Gains and losses from investment activities	—	—	(99)	8	21	(70)
Purchases	13	—	767	1 475	5	2 260
Sales	—	—	(45)	(3 165)	(6)	(3 216)
Issues	—	—	—	5	—	5
Settlements	—	—	(987)	(579)	—	(1 566)
Transferred to/(from) assets	(55)	—	(127)	48	(209)	(343)
Movement in/(out) of Level 3[1]	237	—	—	53	—	290
Closing balance at the end of the reporting period	1 037	16	6 477	3 969	1 089	12 588

	2012[2] (Audited)					
	Trading and hedging portfolio assets Rm	Other assets Rm	Loans and advances to customers Rm	Investment securities Rm	Investment properties Rm	Total assets at fair value Rm
Opening balance at the beginning of the reporting period	1 156	16	6 832	6 186	2 839	17 029
Movement in other comprehensive income	—	—	—	—	—	—
Net interest income	—	—	11	33	—	44
Gains and losses from banking and trading activities	54	—	742	471	—	1 267
Gains and losses from investment activities	—	—	—	(216)	—	(216)
Other income	—	—	—	—	(400)	(400)
Purchases	30	—	632	117	202	981
Sales	(40)	—	(869)	(10)	(43)	(962)
Issues	37	—	154	—	—	191
Settlements	(108)	—	(1 083)	(108)	—	(1 299)
Transferred to/(from) assets	—	—	—	—	(1 378)	(1 378)
Movement in/(out) of Level 3	(177)	—	—	—	—	(177)
Closing balance at the end of the reporting period	952	16	6 419	6 473	1 220	15 080

Notes

[1] Refer to note 20.1.2.

[2] Restated, refer to note 1.22 in our full financial statements for reporting changes.

Condensed notes to the consolidated financial results

for the reporting period ended 31 December

20.6 Movements on assets and liabilities subsequently measured at fair value using valuations based on unobservable inputs (Level 3) (continued)

	2013 (Audited)				
	Trading and hedging portfolio liabilities Rm	Other liabilities Rm	Deposits due to customers Rm	Debt securities in issue Rm	Total liabilities at fair value Rm
Opening balance at the beginning of the reporting period	74	16	7 672	187	7 949
Movement in other comprehensive income	—	—	—	—	—
Net interest income	—	—	9	—	9
Other income	—		—	—	—
Gains and losses from banking and trading activities	306	—	153	(152)	307
Gains and losses from investment activities	—	—	(1)	—	(1)
Purchases	7	—	27	—	34
Sales	(3)	—	427	—	424
Issues	—	—	—	—	—
Settlements	—	(16)	(1 149)	—	(1 165)
Transferred to/(from) liabilities	—	—	—	—	—
Movement in/(out) of Level 3[1]	165	—	—	—	165
Closing balance at the end of the reporting period	549	—	7 138	35	7 722

	2012[2] (Audited)				
	Trading and hedging portfolio liabilities Rm	Other liabilities Rm	Deposits due to customers Rm	Debt securities in issue Rm	Total liabilities at fair value Rm
Opening balance at the beginning of the reporting period	184	16	7 612	209	8 021
Movement in other comprehensive income	—	—	—	—	—
Net interest income	—	—	—	—	—
Gains and losses from banking and trading activities	—	—	735	7	742
Gains and losses from investment activities	—	—	—	—	—
Other comprehensive income	—	—	—	—	—
Purchases	28	—	—	—	28
Sales	—	—	920	—	920
Issues	3	—	(1 595)	(29)	(1 621)
Settlements	(6)	—	—	—	(6)
Transferred to/(from) liabilities	15	—	—	—	15
Movement in/(out) of Level 3	(150)	—	—	—	(150)
Closing balance at the end of the reporting period	74	16	7 672	187	7 949

Note

[1] Refer to note 20.1.2.

[2] Restated, refer to note 1.22 in our full financial statements for reporting changes.

Condensed notes to the consolidated financial results

for the reporting period ended 31 December

20.7 Unrealised gains and losses on Level 3 positions

The total unrealised gains and losses for the reporting period on Level 3 positions held at the reporting date are set out below:

	2013 (Audited)						
	Trading and hedging portfolio assets Rm	Other assets Rm	Loans and advances to customers Rm	Investment securities Rm	Investment properties Rm	Non-current assets held for sale Rm	Total assets at fair value Rm
Gains and losses from banking and trading activities	**337**	**—**	**(136)**	**—**	**—**	**—**	**201**

	2012[1] (Audited)						
	Trading and hedging portfolio assets Rm	Other assets Rm	Loans and advances to customers Rm	Investment securities Rm	Investment properties Rm	Non-current assets held for sale Rm	Total assets at fair value Rm
Net interest income	—	—	29	7	—	—	36
Gains and losses from banking and trading activities	30	—	437	584	—	—	1 051
Gains and losses from investment activities	—	—	—	(215)	—	—	(215)
	30	—	466	376	—	—	872

	2013 (Audited)				
	Trading and hedging portfolio liabilities Rm	Other liabilities Rm	Deposits due to customers Rm	Debt securities in issue Rm	Total liabilities at fair value Rm
Gains and losses from banking and trading activities	**(311)**	**—**	**1**	**—**	**(310)**

	2012[1] (Audited)				
	Trading and hedging portfolio liabilities Rm	Other liabilities Rm	Deposits due to customers Rm	Debt securities in issue Rm	Total liabilities at fair value Rm
Gains and losses from banking and trading activities	(1)	—	(735)	—	(736)

Note

[1] Restated, refer to note 1.22 in our full financial statements for reporting changes.

Condensed notes to the consolidated financial results

for the reporting period ended 31 December

20.8 Unrecognised losses or gains as a result of the use of valuation models using unobservable inputs

The amount that has yet to be recognised in the statement of comprehensive income that relates to the difference between the transaction price (the fair value at initial recognition) and the amount that would have arisen had valuation models using unobservable inputs been used on initial recognition, less amounts subsequently recognised, is as follows:

	2013 (Audited) Rm	2012[1] (Audited) Rm
Opening balance at the beginning of the reporting period	**(93)**	(51)
New transactions	**17**	38
Amounts recognised in the profit or loss component of the statement of comprehensive income during the reporting period	**(9)**	(80)
Closing balance at the end of the reporting period	**(85)**	(93)

20.9 Sensitivity analysis of valuations using unobservable inputs

As part of the Group's risk management processes, stress tests are applied on the significant unobservable parameters to generate a range of potentially possible alternative valuations. The assets and liabilities that most impact this sensitivity analysis are those with the more illiquid and/or structured portfolios. The stresses are applied independently and do not take account of any cross-correlation between separate asset classes that would reduce the overall effect on the valuations.

A significant parameter has been deemed to be one which may result in a charge to the profit or loss section of the statement of comprehensive income, or a change in the fair value asset or liability of more than 10% or the underlying value of the affected item. This is demonstrated by the following sensitivity analysis, which includes reasonable ranges of possible outcomes:

	2013 (Audited)			
	Potential effect recorded in profit or loss		Potential effect recorded directly in equity	
	Favourable Rm	Unfavourable Rm	Favourable Rm	Unfavourable Rm
Trading and hedging portfolio assets	**43**	**43**	—	—
Other assets	**2**	**2**	—	—
Loans and advances to customers	**1 202**	**159**	—	—
Investment securities	**355**	**355**	—	—
Investment properties	**2**	**2**	—	—
Trading and hedging portfolio liabilities	**13**	**5**	—	—
Other liabilities	—	—	—	—
Deposits due to customers	**224**	**223**	—	—
Debt securities in issue	—	—	—	—
	1 841	**789**	—	—

	2012[1] (Audited)			
	Potential effect recorded in profit or loss		Potential effect recorded directly in equity	
	Favourable Rm	Unfavourable Rm	Favourable Rm	Unfavourable Rm
Trading and hedging portfolio assets	126	113	—	—
Loans and advances to customers	264	326	—	—
Investment securities	1 527	1 735	5	4
Trading and hedging portfolio liabilities	51	51	—	—
Other liabilities	5	2	—	—
Deposits due to customers	122	122	—	—
Debt securities in issue	59	59	—	—
	2 154	2 408	5	4

Note

[1] Restated, refer to note 1.22 in our full financial statements for reporting changes.

Condensed notes to the consolidated financial results

for the reporting period ended 31 December

20.10 Sensitivity analysis of valuations using unobservable inputs

The following table reflects how the unobservable parameters were changed in order to evaluate the sensitivities of Level 3 assets and liabilities:

Instrument	Parameter	Positive/(negative) variance in parameters
Credit derivatives	Credit spreads	100/(100) bps
Equity derivatives	Volatilities	10/(10)%
Foreign currency options	Volatilities	10/(10)%
Foreign currency swaps and foreign interest rate products	Basis risk and yield curve	100/(100) bps
Loans and advances designated at fair value through profit or loss	Credit spreads	100/(100) bps
Investment securities (private equity, property equity, investments and other)	Future earnings and marketability discounts Comparator multiples Discount rates	15/(15)%
Structured notes and deposits designated at fair value through profit or loss	Yield curve	100/(100) bps
Investment properties	Selling price per unit Selling price escalations per year Rental income per unit Rental escalations per year Expense ratios Vacancy rates Income capitalisation rates Risk-adjusted rates	15/(15)%

20.11 Measurement of financial instruments at Level 2

The table below sets out information about the valuation techniques used at the end of the reporting period in measuring financial instruments categorised as Level 2 in the fair value hierarchy.

Category of asset/liability	Valuation techniques applied	Significant observable inputs	Fair value of asset/liability Rm
Cash, cash balances and balances with central bank	Discounted cash flow	Underlying price of market-traded instruments and interest rates	7 796
Loans and advances to banks	Discounted cash flow	Interest rate curves, money market curves	6 140
Trading and hedging portfolio assets			
Debt instruments	Discount cash flow	Underlying price of market-traded instruments and interest rates	530
Derivative assets			46 796
Commodity derivatives	Discounted cash flow model, option pricing models, future pricing model, ETF model	Spot price (physical or futures), interest rates, volatility	253
Credit derivatives	Discounted cash flow model, credit default swap model (hazard rate model)	Interest rate, recovery rate, credit spread, quanto ratio	258
Equity derivatives	Discounted cash flow model, option pricing models, future pricing model	Spot price, interest rate, volatility, dividend stream	760
Foreign exchange derivatives	Discounted cash flow model, option pricing models	Spot price, interest rate, volatility	7 053
Interest rate derivatives	Discounted cash flow model, option pricing models	Interest rate curves, repo curves, money market curves, volatility	38 472
Equity instruments	Net asset value	Underlying price of market-traded instruments	77
Money market assets	Discounted cash flow	Money market rates and interest rates	4 608
Loans and advances to customers	Discounted cash flow	Interest rate curves, money market curves	4 069

Condensed notes to the consolidated financial results

for the reporting period ended 31 December

20.11 Measurement of financial instruments at Level 2 (continued)

Category of asset/liability	Valuation techniques applied	Significant observable inputs	Fair value of asset/ liability Rm
Investment securities	Listed equity – is valued at the last market bid price. Unlisted equity is valued at par. Other items are valued utilising discounted cash flow models	The underlying price of the market traded instrument	7 156
Deposits from banks	Discounted cash flow	Interest rate curves and money market curves	9 320
Trading and hedging portfolio liabilities			
Derivative liabilities			49 578
Commodity derivatives	Discounted cash flow model, option pricing models, future pricing model, ETF model	Spot price (physical or futures), interest rates, volatility	161
Credit derivatives	Discounted cash flow model, credit default swap model (hazard rate model)	Interest rate, recovery rate, credit spread, quanto ratio	478
Equity derivatives	Discounted cash flow model, option pricing models, futures pricing model	Spot price, interest rate, volatility, dividend stream	1 607
Foreign exchange derivatives	Discounted cash flow model, option pricing models	Spot price, interest rate, volatility	7 755
Interest rate derivatives	Discounted cash flow model, option pricing models	Interest rate curves, repo curves, money market curves, volatility	39 577
Other liabilities	Discounted cash flow	The underlying price of the market-traded instrument, as well as interest rate curves and money market curves	36
Deposits due to customers	Discounted cash flow	Interest rate curves and money market curves	10 725
Debt securities in issue	Discounted cash flow	The underlying price of the market-traded instrument and interest rate curves	3 508
Liabilities under investment contracts	Discounted cash flow	The underlying price of the market-traded instrument and interest rate curves	19 773

Condensed notes to the consolidated financial results

for the reporting period ended 31 December

20.12 Measurement of financial instruments at Level 3

The table below sets out information about significant unobservable inputs used at the end of the reporting period in measuring financial instruments categorised as Level 3 in the fair value hierarchy.

Category of asset/ liability	Valuation techniques applied	Significant unobservable inputs	Range of estimates utilised for the unobservable inputs	Fair value measurement sensitivity to the unobservable inputs	Fair value of asset/ liability Rm
Loans and advances to customers	Discounted cash flow, and dividend yield models	Credit ratings	Credit spreads vary between 1,35% and 7,5%	The sensitivity of the fair value measurement is dependent on the unobservable inputs. Significant changes to the unobservable inputs in isolation will have either a positive or negative impact on the fair value.	6 477
Investment securities	Discounted cash flows, third-party valuations, earnings before interest tax depreciation and amortisation (EBITDA) multiples, income capitalisation valuations, net asset value models	Weighted average cost of capital, EBITDA multiples, liquidity discounts, minority discounts, capitalisation rates	Discount rates between 9,7% and 18%, multiples between 5,5 and 6,1	The sensitivity of the fair value measurement is dependent on the unobservable inputs. Significant changes to the unobservable inputs in isolation will have either a positive or negative impact on value.	3 969
Trading and hedging portfolio assets					
Debt instruments	Discounted cash flows	Credit spreads used in the calculation of the counterparty credit risk adjustment	0,9% to 3,5%	The sensitivity of the fair value measurement is dependent on the unobservable inputs. Significant changes to the unobservable inputs in isolation will have either a positive or negative impact on the fair value.	873
Derivative assets					164
Credit derivatives	Discounted cash flow model, credit default swap model (hazard rate model)	Illiquid credit curves, recovery rates, quanto ratio	0% to 3,5%	The sensitivity of the fair value measurement is dependent on the unobservable inputs. Significant changes to the unobservable inputs in isolation will have either a positive or negative impact on the fair value.	11
Equity derivatives	Discounted cash flow model, option pricing models, future pricing model	Volatility, dividend streams >three years	16,9% to 37,2%	The sensitivity of the fair value measurement is dependent on the unobservable inputs. Significant changes to the unobservable inputs in isolation will have either a positive or negative impact on the fair value.	—

Condensed notes to the consolidated financial results

for the reporting period ended 31 December

20.12 Measurement of financial instruments at Level 3

Category of asset/ liability	Valuation techniques applied	Significant unobservable inputs	Range of estimates utilised for the unobservable inputs	Fair value measurement sensitivity to the unobservable inputs	Fair value of asset/ liability Rm
Foreign exchange derivatives	Discounted cash flow model, option pricing models	African basis curves >1 year	(2,5%) to 1,7%	The sensitivity of the fair value measurement is dependent on the unobservable inputs. Significant changes to the unobservable inputs in isolation will have either a positive or negative impact on the fair value.	39
Interest rate derivatives	Discounted cash flow model, option pricing models	Interest rates (ZAR-SWAP-SPREAD curves, ZAR-REAL <1 year, ZAR-MM-FundingSpr >5 years, repo curves >1 year)	(1,5%) to 8,3%	The sensitivity of the fair value measurement is dependent on the unobservable inputs. Significant changes to the unobservable inputs in isolation will have either a positive or negative impact on the fair value.	114
Deposits due to customers	Discounted cash flow	ZAR MM funding spread 5 years	0,85% to 1,2%	The sensitivity of the fair value measurement is dependent on the unobservable inputs. Significant changes to the unobservable inputs in isolation will have either a positive or negative impact on the fair value.	7 138
Debt securities in issue	Discounted cash flow	Credit spread	10 to 20 bps	The sensitivity of the fair value measurement is dependent on the unobservable inputs. Significant changes to the unobservable inputs in isolation will have either a positive or negative impact on the fair value.	35
Trading and hedging portfolio liabilities					
Derivative liabilities					549
Credit derivatives	Discounted cash flow model, credit default swap model (hazard rate model)	Illiquid credit curves, recovery rates, quanto ratio	0% to 3,5%	The sensitivity of the fair value measurement is dependent on the unobservable inputs. Significant changes to the unobservable inputs in isolation will have either a positive or negative impact on the fair value.	45

Condensed notes to the consolidated financial results

for the reporting period ended 31 December

20.12 Measurement of financial instruments at Level 3 (continued)

Category of asset/ liability	Valuation techniques applied	Significant unobservable inputs	Range of estimates utilised for the unobservable inputs	Fair value measurement sensitivity to the unobservable inputs	Fair value of asset/ liability Rm
Equity derivatives	Discounted cash flow model, option pricing models, future pricing model	Volatility, dividend streams >3 years	16,9% to 37,2%	The sensitivity of the fair value measurement is dependent on the unobservable inputs. Significant changes to the unobservable inputs in isolation will have either a positive or negative impact on the fair value.	306
Foreign exchange derivatives	Discounted cash flow model, option pricing models	African basis curves 1 year	(2,5%) to 1,7%	The sensitivity of the fair value measurement is dependent on the unobservable inputs. Significant changes to the unobservable inputs in isolation will have either a positive or negative impact on the fair value.	57
Interest rate derivatives	Discounted cash flow model, option pricing models	Interest rates (ZAR-SWAP-SPREAD curves, ZAR-REAL <1 year, ZAR-MM-FundingSpr >5 years, repo curves >1 year)	(1,5%) to 8,3%	The sensitivity of the fair value measurement is dependent on the unobservable inputs. Significant changes to the unobservable inputs in isolation will have either a positive or negative impact on the fair value.	141

20.13 Measurement of non-financial assets and liabilities at Level 3

The table below sets out information about significant unobservable inputs used at the end of the reporting period in measuring non-financial assets and liabilities categorised as Level 3 in the fair value hierarchy.

Category of asset/ liability	Valuation techniques applied	Significant unobservable inputs	Range of estimates utilised for the unobservable inputs	Fair value measurement sensitivity to the unobservable inputs	Fair value of asset/ liability Rm
Investment properties	Discounted cash flow	Estimates of periods in which rental units will be disposed of	2 to 7 years	The sensitivity of the fair value measurement is dependent on the unobservable inputs. Significant changes to the unobservable inputs in isolation will have either a positive or negative impact on the fair value.	1 089
		Selling price escalations per year	0% to 6%		
		Rental escalations per year	0% to 10%		
		Expense ratios	22% to 75%		
		Vacancy rates	2% to 15%		
		Income capitalisation rate	10% to 12%		
		Risk adjusted discount rates	14% to 16%		

Condensed notes to the consolidated financial results

for the reporting period ended 31 December

21. Offsetting financial assets and financial liabilities

In accordance with IAS 32 Financial Instruments: Presentation (IAS 32), the Group reports financial assets and financial liabilities on a net basis on the statement of financial position only if there is a legally enforceable right to set off the recognised amounts and there is intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. Where relevant, the Group reports derivative financial instruments and reverse repurchase and repurchase agreements and other similar secured lending and borrowing agreements on a net basis.

The following table shows the impact of netting arrangements on the statement of financial position for recognised financial assets and liabilities that are reported net on the statement of financial position and those derivative financial instruments and reverse repurchase and repurchase agreements and other similar lending and borrowing agreements that are subject to enforceable master netting arrangements or similar agreements which did not qualify for presentation on a net basis. The table also shows potential netting not recognised on the statement of financial position that results from arrangements that do not meet all the IAS 32 netting criteria, because there is no intention to net settle or realise simultaneously and related financial collateral that mitigates credit risk.

The net amounts presented are not intended to represent the Group's actual credit exposure as a variety of credit mitigation strategies are employed in addition to netting and collateral arrangements.

	2013 (Audited)							
	Amounts subject to enforceable netting arrangements							
	Effects of netting on statement of financial position			Related amounts not set off				
	Gross amounts Rm	Amounts set off[1] Rm	Net amounts reported on the statement of financial position[2] Rm	Offsetting financial instruments Rm	Financial collateral[3] Rm	Net amount Rm	Amounts not subject to enforceable netting arrange-ments[4] Rm	Total per statement of financial position[5] Rm
Derivative financial assets	46 278	(1 667)	44 611	(37 580)	(3 981)	3 050	2 372	46 983
Reverse repurchase agreements and other similar secured lending	36 515	(14 419)	22 096	—	(22 096)	—	745	22 841
Total assets	82 793	(16 086)	66 707	(37 580)	(26 077)	3 050	3 117	69 824
Derivative financial liabilities	(46 835)	550	(46 285)	37 580	256	(8 449)	(3 842)	(50 127)
Repurchase agreements and other similar secured borrowing	(18 263)	—	(18 263)	—	18 263	—	(312)	(18 575)
Total liabilities	(65 098)	550	(64 548)	37 580	18 519	(8 449)	(4 154)	(68 702)

Notes

[1] Amounts offset for derivative financial liabilities includes cash collateral netted of **R1 117 million** (2012: R2 332 million). Amounts offset for reverse repurchase agreements relates to a short sale financial liability of **R14 419 million** (2012: R11 424 million). No other significant recognised financial assets and liabilities were offset on the statement of financial position.

[2] Net amounts reported on the statement of financial position comprises exposure that has been netted on the statement of financial position in compliance with IAS 32 (net exposure) and exposures that are subject to legally enforceable netting arrangements, but have not been netted on the statement of financial position.

[3] Financial collateral excludes over collateralisation amounts, which are measured at fair value and are in excess of the net statement of financial position exposure.

[4] In certain jurisdictions a contractual right of set-off is subject to uncertainty under laws of the jurisdiction and therefore netting is not applied and the amounts are classed as not subject to legally enforceable netting arrangements.

[5] Total per statement of financial position is the sum of "net amounts reported in the statement of financial position" which are subject to enforceable netting arrangements and "amounts not subject to enforceable netting arrangements".

Condensed notes to the consolidated financial results

for the reporting period ended 31 December

	2012[1] (Audited)							
	Amounts subject to enforceable netting arrangements							
	Effects of netting on statement of financial position			Related amounts not set off				
	Gross amounts Rm	Amounts set off[2] Rm	Net amounts reported on the statement of financial position[3] Rm	Offsetting financial instruments Rm	Financial collateral[4] Rm	Net amount Rm	Amounts not subject to enforceable netting arrange-ments[5] Rm	Total per statement of financial position[6] Rm
Derivative financial assets	53 962	(3 997)	49 965	(43 678)	(3 152)	3 135	2 332	52 297
Reverse repurchase agreements and other similar secured lending	30 054	(11 424)	18 630	—	(18 630)	—	89	18 719
Total assets	84 016	(15 421)	68 595	(43 678)	(21 782)	3 135	2 421	71 016
Derivative financial liabilities	(49 153)	1 666	(47 487)	43 678	169	(3 640)	(3 180)	(50 667)
Repurchase agreements and other similar secured borrowing	(15 207)	—	(15 207)	—	15 207	—	—	(15 207)
Total liabilities	(64 360)	1 666	(62 694)	43 678	15 376	(3 640)	(3 180)	(65 874)

Offsetting and collateral arrangements

Derivative assets and liabilities

Credit risk is mitigated where possible through netting arrangements, such as the International Swaps and Derivative Association (ISDA) Master Agreement or derivative exchange or clearing counterparty agreements, whereby all outstanding transactions with the same counterparty can be offset and close-out netting applied across all outstanding transactions covered by the agreements if an event of default or other predetermined events occur. Financial collateral (cash and non-cash) is also obtained, often daily, for the net exposure between counterparties where possible to further mitigate credit risk.

Repurchase and reverse repurchase agreements and other similar secured lending and borrowing

Credit risk is mitigated where possible through netting arrangements such as global master repurchase agreements and global master securities lending agreements whereby all outstanding transactions with the same counterparty can be offset and close-out netting applied across all outstanding transactions covered by the agreements if an event of default or other predetermined events occur. Financial collateral is obtained and typically comprises highly liquid securities which are legally transferred and can be liquidated in the event of counterparty default.

Notes

[1] Restated, refer to note 1.22 in our full financial statements for reporting changes. Recent developments in considering the impact of the amended IAS 32 offsetting requirements resulted in a change to the approach followed for variation margin on SAFEX and Yield-X futures and options. The various margins on these contracts are considered a daily settlement of a derivative exposure as opposed to collateral that is offset against the derivative value. As a result, these contracts are excluded from the scope of the offsetting requirements in IAS 32 and the IFRS 7 offsetting disclosures.
The change in approach has been applied retrospectively and only impacts the disclosure provided in the above note.

[2] Amounts offset for derivative financial liabilities includes cash collateral netted of R2 332 million. Amounts offset for reverse repurchase agreements relates to a short sale financial liability of R11 424 million. No other significant recognised financial assets and liabilities were offset in the statement of financial position.

[3] Net amounts reported on the statement of financial position comprises exposure that has been netted on the statement of financial position in compliance with IAS 32 (net exposure) and exposures that are subject to legally enforceable netting arrangements but have not been netted on the statement of financial position.

[4] Financial collateral excludes over collateralisation amounts, which are measured at fair value and are in excess of the net statement of financial position exposure.

[5] In certain jurisdictions a contractual right of set-off is subject to uncertainty under laws of the jurisdiction and therefore netting is not applied and the amounts are classed as not subject to legally enforceable netting arrangements.

[6] Total per statement of financial position is the sum of "net amounts reported on the statement of financial position" which are subject to enforceable netting arrangements and "amounts not subject to enforceable netting arrangements".

Condensed notes to the consolidated financial results

for the reporting period ended 31 December

22. Basis of preparation and auditors' report

Basis of presentation

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

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

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

Accounting policies

The accounting policies applied in preparing the audited consolidated annual financial statements are the same as those in place for the reporting period ended 31 December 2012. The new and amended standards that became effective for the first time during the reporting period are specified in note 1.22 of the accounting policies contained in the most recent annual consolidated financial statements. These changes can be summarised as:

- implementation of new IFRS standards specifically IFRS 10 *Consolidated Financial Statements* (IFRS 10) and IAS 19 *Employee Benefits* (amended 2011) (IAS 19R); and
- certain changes in internal accounting policies.

Change in accounting estimates

During the current year, the Group revised the estimated useful lives of computer equipment from three to five years to four to six years. This revision was done as a result of the requirement of IAS 16 to reassess the useful lives of property, plant and equipment on an annual basis. This change in useful lives has brought the Group's estimated useful lives of computer equipment in line with the Barclays Bank PLC's estimated useful lives for computer equipment. The change in accounting estimate has been accounted for prospectively in accordance with IAS 8.

Auditors' report

Ernst & Young Inc. and PricewaterhouseCoopers Inc., Barclays Africa Group Limited's independent auditors, have audited the consolidated annual financial statements of Barclays Africa Group Limited from which management prepared the condensed consolidated financial results. The auditors have expressed an unqualified audit opinion on the consolidated annual financial statements. The condensed consolidated financial results comprise the condensed consolidated statement of financial position at 31 December 2013, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the year then ended and selected explanatory notes, excluding items not indicated as audited. The audit report of the consolidated annual financial statements is available for inspection at Barclays Africa Group Limited's registered office.

The condensed consolidated financial results are extracted from audited information, but is not itself audited. The directors take full responsibility for the preparation of the condensed consolidated financial results and the financial information has been correctly extracted from the underlying consolidated annual financial statements.

Share information

Share performance (cents)

Share performance on the JSE Limited[3]	2013	2012[4]	Change %
Number of shares in issue[5]	**847 750 679**	718 210 043	18
Market prices (cents per share):			
closing	**13 225**	16 400	(19)
high	**17 315**	16 620	4
low	**12 500**	13 220	(5)
average	**14 838**	14 732	1
Closing price/NAV per share (excluding preference shares) (%)	**1,45**	1,76	
Price-to-earnings (P/E) ratio (closing price/headline earnings per share) (%)	**9,5**	13,4	
Volume of shares traded (million)	**441,0**	438,0	1
Value of shares traded (Rm)	**65 560,1**	64 345,3	2
Market capitalisation (Rm)	**112 115,0**	117 786,4	(5)

Notes

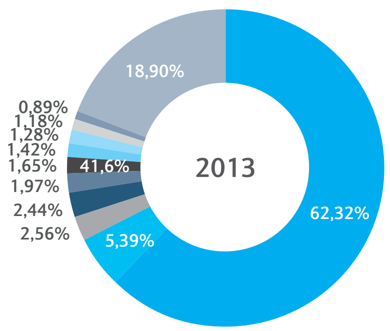
[1] The Bank's Index outperformed Barclays Africa Group's share price by 27,97% during the reporting period (2012: 18,45%). Total return was used to calculate the relative performance (calculated using the dividend yield for the reporting period).

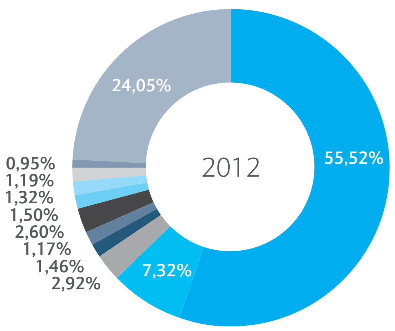
[2] Barclays Africa Group's annual total return for the reporting period was a negative return of **10,7%** (2012: a positive return of 21,3%).

[3] JSE.

[4] Share performance metrics have not been restated for the Barclays Africa acquisition, which was based on the principles of accounting for business combinations under common control.

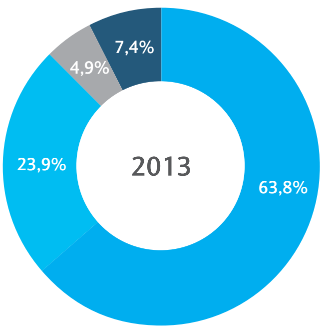
[5] Includes **437 896** (2012: 547 750) treasury shares held by Group entities.

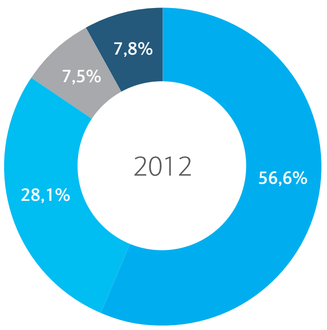




Major ordinary shareholders (top 10)

- Barclays Bank PLC (UK)
- Public Investment Corporation (SA)
- Sanlam Investment Management (SA)
- Old Mutual Asset Managers (SA)
- Prudential Portfolio Managers (SA)
- Investec Asset Management (SA, UK)
- Allan Gray Investment Council (SA)
- STANLIB Asset Management (SA)
- The Vanguard Group Incorporated (US, AU)
- GIC Private Limited (SG)
- Other





Geographical split

- United Kingdom (UK)
- South Africa (SA)
- United States and Canada (US, CA)
- Other countries

Public and non-public shareholders

	2013 Number of shareholders	2013 Number of shares held	2013 %	2012 Number of shareholders	2012 Number of shares held	2012 %
Public shareholders	35 880	318 736 637	37,6	36 266	318 556 172	44,4
Non-public shareholders						
Barclays Bank PLC	3	528 315 581	62,3	2	398 774 945	55,5
Related holdings	2	683 836	0,1	2	547 750	0,1
Directors' and associates' beneficial holdings	7	14 625	0,0	14	331 176	0,0
• Direct		8 000			320 176	
• Indirect		6 625			11 000	
Directors' and associates' non-beneficial holdings						
• Direct		—			—	
• Indirect		—			—	
Total	35 892	847 750 679	100,0	36 284	718 210 043	100,0

Directors' interests in the ordinary shares of the Company

	Direct number of shares		Indirect number of shares		Total direct and indirect number of shares	
	Beneficial		Beneficial		Beneficial	
	2013	2012	2013	2012	2013	2012
Present directors						
WE Lucas-Bull (Group Chairman)	1 000	n/a	4 625	n/a	5 625	n/a
C Beggs	2 000	2 000	—	—	2 000	2 000
YZ Cuba	1 000	1 000	—	—	1 000	1 000
MJ Husain	1 000	1 000	—	—	1 000	1 000
R Le Blanc	1 000	1 000	—	—	1 000	1 000
TS Munday	1 000	1 000	2 000	2 000	3 000	3 000
SG Pretorius	1 000	1 000	—	—	1 000	1 000
Past directors						
SA Fakie	n/a	1 000	—	—	n/a	1 000
G Griffin	n/a	—	n/a	8 000	n/a	8 000
AP Jenkins	n/a	1 000	n/a	—	n/a	1 000
TM Mokgosi-Mwantembe	n/a	1 000	n/a	—	n/a	1 000
EC Mondlane, Jr	n/a	1 000	n/a	—	n/a	1 000
BJ Willemse	n/a	—	n/a	1 000	n/a	1 000
LL von Zeuner	n/a	308 176	n/a	—	n/a	308 176
	8 000	319 176	6 625	11 000	14 625	330 176

There was no movement in shareholding between the reporting date and the date of approval of the financial statements.

No directors hold any non-beneficial interests in the Company's ordinary shares.

Notice of annual general meeting

A member of the Company entitled to attend and vote at the below mentioned meeting is entitled to appoint a proxy or proxies to attend, speak and vote in his/her stead. A proxy need not be a member of the Company. Meeting attendees will be required to provide satisfactory identification before being allowed to participate in the meeting.

Barclays Africa Group Limited
(Formerly known as Absa Group Limited)
(Incorporated in the Republic of South Africa)
Registration number: 1986/003934/06
("the Company")
JSE share code: BGA
ISIN: ZAE000174124

Record date: 25 April 2014

Notice is hereby given that the 28th (twenty-eighth) annual general meeting (AGM) of ordinary shareholders will be held in Room 8.02, Barclays Towers West, 15 Troye Street, Johannesburg on Tuesday, 6 May 2014 at 11:00, for the purposes of considering and, if deemed fit, passing the ordinary and special resolutions below.

AGENDA

1. Ordinary resolution number 1 – Annual financial statements

To consider and endorse the Company's audited annual financial statements, including the reports of the directors, audit committee and auditors, for the year ended 31 December 2013.

Percentage of voting rights required to pass this resolution: 50% + 1 vote.

2. Ordinary resolution number 2 – Re-appointment of the auditors

"Resolved to reappoint PricewaterhouseCoopers Inc. (with Mr John Bennett as designated auditor) and Ernst & Young Inc. (with Mr Emilio Pera as designated auditor) as the auditors of the Company until the conclusion of the next AGM."

Percentage of voting rights required to pass this resolution: 50% + 1 vote.

Motivation for ordinary resolution number 2

Shareholders are requested to consider and, if deemed appropriate, to re-appoint PricewaterhouseCoopers Inc. (with Mr John Bennett as designated auditor) and Ernst & Young Inc. (with Mr Emilio Pera as designated auditor) as the auditors of the Company to hold office until the conclusion of the next AGM. The Group Audit and Compliance Committee has re-commended and the Board has endorsed the above reappointments.

3. Ordinary resolution number 3 – Re-election of MJ Husain

"Resolved that **MJ Husain**, who is required to retire as a director of the Company at this AGM and who is eligible for re-election and who has offered himself for re-election, is hereby re-appointed as a director of the Company with immediate effect."

Percentage of voting rights required to pass this resolution: 50% + 1 vote.

4. Ordinary resolution number 4 – Re-election of PB Matlare

"Resolved that **PB Matlare**, who is required to retire as a director of the Company at this AGM and who is eligible for re-election and who has offered himself for re-election, is hereby re-appointed as a director of the Company with immediate effect."

Percentage of voting rights required to pass this resolution: 50% + 1 vote.

5. Ordinary resolution number 5 – Re-election of SG Pretorius

"Resolved that **SG Pretorius**, who is required to retire as a director of the Company at this AGM and who is eligible for re-election and who has offered himself for re-election, is hereby re-appointed as a director of the Company with immediate effect."

Percentage of voting rights required to pass this resolution: 50% + 1 vote.

6. Ordinary resolution number 6 – Re-election of DWP Hodnett

"Resolved that **DWP Hodnett**, who is required to retire as a director of the Company at this AGM and who is eligible for re-election and who has offered himself for re-election, is hereby re-appointed as a director of the Company with immediate effect."

Percentage of voting rights required to pass this resolution: 50% + 1 vote.

The profiles of the directors standing for re-election as outlined in ordinary resolutions 3 to 6 above appear on pages 85 to 87 of the Integrated Report.

7. Ordinary resolution number 7 – Confirmation of appointment of a director: MS Merson

"Resolved that the appointment of **MS Merson** as a director of the Company with effect 1 January 2014 is hereby confirmed."

Mr Merson's profile appears on page 86 of the Integrated Report.

Percentage of voting rights required to pass this resolution: 50% + 1 vote.

Motivation for ordinary resolution number 7
In terms of the Company's Memorandum of Incorporation, the appointment by the Board of directors of any persons as directors of the Company during the year after the last AGM requires confirmation by shareholders at the first AGM of the Company following the appointment of such persons. Mr Merson was appointed as director of the Company subsequent to the last AGM. The Board recommends to shareholders that his appointment be confirmed.

8. Ordinary resolution number 8 – Election of the Group Audit and Compliance Committee

To elect, each by way of separate vote, Mr C Beggs, Mr TS Munday and Mr MJ Husain as members of the Audit Committee of the Company. They have been nominated in terms of section 94(2) of the Companies Act, No 71 of 2008, as amended (the Companies Act), by the Board.

The Board has reviewed the proposed composition of the Group Audit and Compliance Committee against the requirements of the Companies Act and the Banks Act, and the Regulations under both Acts, and has confirmed that if all the individuals referred to above are elected, the committee will comply with the relevant requirements and have the necessary knowledge, skills and experience to enable it to perform its duties in terms of the Acts.

Ordinary resolution number 8a
Election of Mr C Beggs as a member of the Company's Group Audit and Compliance Committee.

Ordinary resolution number 8b
Election of Mr TS Munday as a member of the Company's Group Audit and Compliance Committee.

Ordinary resolution number 8c
Election of Mr MJ Husain as a member of the Company's Group Audit and Compliance Committee.

Percentage of voting rights required to pass this resolution: 50% + 1 vote.

9. Ordinary resolution number 9 – Placing of the authorised but unissued ordinary share capital under the control of the directors

"Resolved that the authorised but unissued ordinary shares of the Company (other than those specifically identified and authorised for issue in terms of any other authority by shareholders) are hereby placed under the control of the directors, subject to any applicable legislation and the JSE Listings Requirements and any other stock exchange upon which ordinary shares in the capital of the Company may be quoted or listed from time to time. The directors are hereby authorised (other than those specifically identified and authorised for issue in terms of any other authority by shareholders) to allot and issue those ordinary shares on any such terms and conditions as they deem fit, subject to the proviso that the aggregate number of ordinary shares able to be allotted and issued in terms of this resolution shall be limited to the lower of 5% (five percent) of the number of ordinary shares in issue as at 31 December 2013 or the maximum number of authorised but unissued ordinary shares from time to time."

The maximum number of shares that can be allotted and issued in terms of the above is the lower of 5% (five percent) of the number of ordinary shares in issue as at 31 December 2013, being 42 387 534 (forty-two million three hundred and eighty-seven thousand five hundred and thirty-four) ordinary shares of the 847 750 679 (eight hundred and forty-seven million seven hundred and fifty thousand six hundred and seventy-nine) ordinary shares in issue as at 31 December 2013 or the maximum number of authorised but unissued ordinary shares from time to time.

Percentage of voting rights required to pass this resolution: 50% + 1 vote.

Motivation for ordinary resolution number 9
In terms of the Company's Memorandum of Incorporation, the members of the Company have to approve the placement of the unissued ordinary shares under the control of the directors.

Unless renewed, the existing authority granted by the members at the previous AGM on 2 May 2013 expires at the forthcoming AGM. The authority will be subject to the Companies Act, the Banks Act and the JSE Listings Requirements. The aggregate number of ordinary shares able to be allotted and issued in terms of this resolution shall be limited to the lower of 5% (five percent) of the number of ordinary shares in issue as at 31 December 2013 or the maximum number of authorised but unissued ordinary shares from time to time.

The directors have decided to seek annual renewal of this authority, in accordance with best practice. The directors have no current plans to make use of this authority, but are seeking its renewal to ensure that the Company has maximum flexibility in managing the Group's capital resources.

10. Ordinary resolution number 10 – Non-binding advisory vote on the Company's remuneration policy

"To endorse, on a non-binding advisory basis, the Company's remuneration policy (excluding the remuneration of the non-executive directors for their services as directors and members of Board committees)."

Percentage of voting rights required to pass this resolution: 50% + 1 vote.

Motivation for the non-binding advisory vote on the Company's remuneration policy
King III recommends that the remuneration policy be tabled to shareholders for a non-binding vote at each AGM. The remuneration policy is set out as part of the Remuneration review on pages 90 to 92 of the Integrated Report.

11. Special resolution number 1 – Remuneration of non-executive directors

"Resolved to approve the proposed remuneration to be payable to non-executive directors for the period 1 May 2014 to and including the last day of the month preceding the date of the next AGM thereafter, as set out in the table below:

Barclays Africa Group Category	Note	Proposed remuneration for the 12-month period from 1 May 2014 to 30 April 2015 R	Remuneration for the 12-month period from 1 May 2013 to 30 April 2014 R	Increase %
Board Chairman	1	**4 770 000**	4 500 000	6
Board member	2, 3	**439 900**	415 000	6
Group Audit and Compliance Committee (GACC) member	4	**247 500**	225 000	10
Group Risk and Capital Management Committee (GRCMC) member	4	**243 000**	225 000	8
Group Remuneration and Human Resources Committee (GRHRC) member	4	**135 000**	125 000	8
Directors' Affairs Committee (DAC) member		**90 100**	85 000	6
Concentration Risk Committee (CoRC) member	5, 6	**79 500** **2 040 per facility reviewed**	40 000 1 925 per facility reviewed	Structural Adjustment
Social and Ethics Committee (SEC) member	5	**99 000**	90 000	10
Disclosure Committee (DC) member	5	**71 550**	67 500	6
IT Committee (ITC) member	5	**79 500**	75 000	6
Board Finance Committee (BFC) member		**17 596 per meeting**	16 600 per meeting	6
Special board meeting		**30 210 per meeting**	28 500 per meeting	6
Special (ad hoc) Board committee meetings and subcommittee meetings		**18 550 per meeting**	17 500 per meeting	6
Ad hoc work		**4 134 per hour**	3 900 per hour	6

Notes

1. The Group Chairman's fee covers chairmanship and membership of all Board committees and subcommittees.
2. Executive directors of the Company do not receive fees as members of the Company Board.
3. Fees paid to members of the Board domiciled outside South Africa, will be converted to Pound Sterling at the prevailing exchange rate as at 1 May 2014. In addition, at the Group Chairman's discretion, ad hoc fees for travel time may be paid to these non-South African directors.
4. The GACC, GRCMC and GRHRC Chairmen receive fees equal to two and a half times (2,5x) the fee payable to a GACC, GRCMC and GRHRC member.
5. The Chairmen of Board committees and subcommittees other than the GACC, GRCMC and GRHRC receive fees equal to twice the fee payable to members of these committees.
6. Given the change in scope in the CoRC to include four full meetings a year with additional technical responsibilities, the fees are now aligned to those of the IT Committee.

Full particulars of all remuneration and benefits for the past year, as well as the process followed by the Group Remuneration and Human Resources Committee in recommending such Board remuneration and benefits, are contained on pages 105 to 106 of the Integrated Report."

Percentage of voting rights required to pass this resolution: 75%.

Motivation for special resolution number 1

Shareholders are requested to consider and, if deemed appropriate, sanction the proposed remuneration payable to non-executive directors for the period 1 May 2014 to 30 April 2015 as set out above.

The reason for the passing of the special resolution is to comply with the provisions of the Companies Act.

The effect of the special resolution is that, if approved by the shareholders at the AGM, the fees payable to non-executive directors until the next AGM will be as set out in the table above.

12. Special resolution number 2 – General repurchases

"Resolved that the Company or any subsidiary of the Company may, subject to the Companies Act, the Company's Memorandum of Incorporation and the JSE Listings Requirements and any other stock exchange upon which the securities in the capital of the Company may be quoted or listed from time to time, repurchase ordinary shares issued by the Company, provided that this authority shall be valid only until the date of the next AGM of the Company or for 15 (fifteen) months from the date of the resolution, whichever is the earlier, and may be varied by a special resolution at any general meeting of the Company at any time prior to the AGM."

Pursuant to the above and as required in terms of the JSE Listings Requirements, the following additional information is submitted:

It is recorded that the Company or any subsidiary of the Company may only make a general repurchase of ordinary shares if:

- the repurchase of ordinary shares is effected through the order book operated by the JSE trading system and is done without any prior understanding or arrangement between the Company or the relevant subsidiary and the counterparty;
- the Company or the relevant subsidiary is authorised thereto by its Memorandum of Incorporation;
- the Company or the relevant subsidiary is authorised thereto by its shareholders in terms of a special resolution of the Company or the relevant subsidiary in general meeting, which authorisation shall be valid only until the date of the next AGM or for 15 (fifteen) months from the date of the resolution, whichever is the shorter;
- repurchases are made at a price no greater than 10% (ten percent) above the volume weighted average of the market value for the ordinary shares for the 5 (five) business days immediately preceding the date on which the repurchase is effected;
- at any point in time, the Company or the relevant subsidiary may only appoint one agent to effect any repurchases on the Company's behalf;
- the Company or the relevant subsidiary does not repurchase securities during a prohibited period defined in terms of the JSE Listings Requirements, unless it has a repurchase programme where the dates and quantities of securities to be traded during the relevant period are fixed (not subject to any variation) and full details of the programme have been disclosed in an announcement on SENS prior to the commencement of the prohibited period;
- a paid press announcement, containing full details of such repurchases is published as soon as the Company has repurchased ordinary shares constituting, on a cumulative basis, 3% (three percent) of the number of securities in issue prior to the repurchases and for each 3% (three percent), on a cumulative basis, thereafter; and
- the general repurchase of any ordinary shares (notwithstanding the 20% (twenty percent) limit in the JSE Listings Requirements) is limited to a maximum of 10% (ten percent) of the Company's issued ordinary share capital in any one financial year.

In terms of the general authority given under this special resolution, any acquisition of ordinary shares shall be subject to:

- the Companies Act;
- the JSE Listings Requirements and any other applicable stock exchange rules, as may be amended from time to time;
- the sanction of any other relevant authority whose approval is required in law; and
- a resolution by the Board that they authorised the repurchase, that the Company passed the solvency and liquidity test and that since the test was done there have been no material changes to the financial position of the Group.

After having considered the effect of any repurchases of ordinary shares pursuant to this general authority, the directors of the Company, in terms of the Companies Act and the JSE Listings Requirements, confirm that they will not undertake such repurchase of ordinary shares unless:

- the Company and the Group would be able to repay their debts in the ordinary course of business for the period of 12 (twelve) months after the date of the notice of the AGM;
- the assets of the Company and the Group, fairly valued in accordance with International Financial Reporting Standards and the Company's accounting policies used in the latest audited Group financial statements, will be in excess of the liabilities of the Company and the Group for the period of 12 (twelve) months after the date of the notice of the AGM;
- the Company and the Group will have adequate capital and reserves for ordinary business purposes for the period of 12 (twelve) months after the date of the notice of the AGM; and
- the working capital of the Company and the Group will be adequate for ordinary business purposes for the period of 12 (twelve) months after the date of the notice of the AGM.

The Company undertakes that it will not enter the market to repurchase the Company's securities, in terms of this general authority, until such time as the Company's sponsor has provided written confirmation to the JSE regarding the adequacy of the Company's working capital in accordance with Schedule 25 of the JSE Listings Requirements.

The maximum number of shares that can be repurchased under this authority amounts to 84 775 067 (eighty-four million seven hundred and seventy-five thousand and sixty-seven) ordinary shares (10% (ten percent) of 847 750 679 (eight hundred and forty-seven million seven hundred and fifty thousand six hundred and seventy-nine) ordinary shares in issue as at 31 December 2013.

For the purposes of considering the special resolution and in compliance with paragraph 11.26 of the JSE Listings Requirements, certain information is either listed below or has been included in the Integrated Report:

- Directors and management – refer to pages 13 to 15 and 85 to 87 of the Integrated Report.
- Major shareholders – refer to page 151 of the Integrated Report.
- No material changes in the financial or trading position of the Company and its subsidiaries since 31 December 2013.
- Directors' interests in securities – refer to page 152 of the Integrated Report.
- Share capital of the Company – refer to page 112 of the Integrated Report.
- The directors, whose names are set out on page 75 of the Integrated Report, collectively and individually accept full responsibility for the accuracy of the information contained in this notice and accompanying documents and certify that, to the best of their knowledge and belief, there are no other facts, the omission of which would make any statement false or misleading and that they have made all reasonable enquiries in this regard and further that this notice contains all information required by law and the JSE Listings Requirements.
- There are no legal or arbitration proceedings (including any such proceedings that are pending or threatened of which the Company is aware), which may or have had a material effect on the Company's financial position over the past 12 (twelve) months preceding the date of this notice of AGM.

Percentage of voting rights required to pass this resolution: 75%.

Motivation for special resolution number 2

The Company's Memorandum of Incorporation contains a provision allowing the Company or any subsidiary of the Company to repurchase securities issued by the Company. This is subject to the approval of the members in terms of the Company's Memorandum of Incorporation, the Companies Act, the Banks Act and the JSE Listings Requirements. The existing general authority, granted by members at the previous AGM on 2 May 2013, is due to expire, unless renewed.

The directors are of the opinion that it would be in the best interests of the Company to extend such general authority and thereby allow the Company or any subsidiary of the Company to be in a position to repurchase the securities issued by the Company through the order book of the JSE, should the market conditions and price justify such action.

The proposed general authority would enable the Company or any subsidiary of the Company to repurchase up to a maximum of 84 775 067 (eighty-four million seven hundred and seventy-five thousand and sixty-seven) ordinary shares (10% (ten percent) of 847 750 679 (eight hundred and forty-seven million seven hundred and fifty thousand six hundred and seventy-nine) ordinary shares in issue as at 31 December 2013, with a stated upper limit on the price payable, which reflects the JSE Listings Requirements.

The reason for the passing of the special resolution is to enable the Company or any of its subsidiaries, by way of a general authority from shareholders, to repurchase ordinary shares issued by the Company.

The effect of the special resolution will be to permit the Company or any of its subsidiaries to repurchase such ordinary shares in terms of the Companies Act. This authority will only be used if circumstances are appropriate.

13. Special resolution number 3 – Financial assistance to a related or inter-related company/corporation

"Resolved that: the Company be and is hereby authorised, in terms of a general authority contemplated in section 45(3)(a)(ii) of the Companies Act for a period of two years from the date of this resolution, to provide direct or indirect financial assistance (as defined in section 45(1) of the Companies Act) (Financial Assistance) to the following categories of persons (Categories of Persons):

(a) related or inter-related company or corporation; and/or

(b) member of a related or inter-related corporation;

subject to, in relation to each grant of Financial Assistance to the Categories of Persons of such Financial Assistance, the board of directors of the Company being satisfied that:

(i) pursuant to section 45(3)(b)(i) of the Companies Act, immediately after providing the Financial Assistance, the Company would satisfy the solvency and liquidity test (as defined in section 4(1) of the Companies Act);

(ii) pursuant to section 45(3)(b)(ii) of the Companies Act, the terms under which the Financial Assistance is proposed to be given are fair and reasonable to the Company; and

(iii) any conditions or restrictions in respect of the granting of the Financial Assistance set out in the Company's Memorandum of Incorporation have been complied with."

Percentage of voting rights required to pass this resolution: 75%.

Motivation for special resolution number 3

The reason is that section 45 of the Companies Act regulates the provision of Financial Assistance by the Company to certain categories of persons. The term Financial Assistance has been defined in the Companies Act in wide terms and includes lending money, guaranteeing a loan or obligation and securing any debt or obligation but excludes lending money in the ordinary course of business by a company whose primary business is the lending of money. The Companies Act stipulates that the Board of directors of the Company may provide Financial Assistance as contemplated in section 45 of the Companies Act to the categories of persons, provided that the shareholders of the Company passed a special resolution within the previous two years which approves such Financial Assistance generally for such categories of persons.

The effect is that this will allow the Board of the Company, always subject to applicable law, in particular the solvency and liquidity requirements as set out in the Companies Act, to provide Financial Assistance to the said categories of persons.

14. Special resolution number 4 – Amendment to the Company's Memorandum of Incorporation

"Resolved that the Company's Memorandum of Incorporation be and is hereby amended as follows:

(a) By the deletion of the word 'cheque' in clause 19.10 of the Memorandum of Incorporation which reads:

"Any dividend or cash distribution may be paid by cheque, electronic transfer or otherwise as the Directors may from time to time determine, and may be sent by post to the last registered address of the Holder entitled thereto or in the case of a joint holding, of the Holder first named in the register in respect of such holding, or may be sent to any other address specified for such purpose by such Holder or first named Holder, as the case may be."

(b) By the deletion of the entire clause 33.4 and replacing it with a new clause 33.4 to read as follows:

"Notwithstanding the provisions of clause 33.2, it is the intention of the Company to utilise Electronic Communication as its preferred method of giving notice, documents, records or statements or notices of availability of the aforegoing. The Company shall not be bound to use any other method of giving notice, documents, records or statements or notices of availability of the aforegoing, contemplated in the Regulations in respect of which provision is made for deemed delivery. However, if the Company does use such a method, the notice, document, record or statement or notice of availability of the aforegoing shall be deemed to be delivered on the day determined in accordance with the Regulations. In any other case, when a given number of days' notice or notice extending over any period is required to be given (which are not Business Days which shall be calculated in accordance with clause 2 (Calculation of Business Days)), the provisions of clause 2 (Calculation of Business Days) shall also be applied."

Percentage of voting rights required to pass this resolution: 75%.

Motivation for special resolution number 4

The reason for the first amendment (a) above is to remove cheques as a mode of delivery of dividends and other cash distributions, following the recent rise in attempted fraud of dividend cheques.

The reason for the second amendment (b) above is to provide shareholders with a reliable way of receiving notices and other shareholder communication, while still affording them with the option to elect to receive printed communication.

The effect is that this will allow the Company to pay dividends and cash distributions by means of electronic transfer only and to allow the Company to distribute all notices via electronic communication, unless specifically requested in printed form by the shareholder.

Proxy and voting procedures

Members who have not dematerialised their shares or who have dematerialised their shares with "own name" registration are entitled to attend or vote at the AGM and are entitled to appoint a proxy to attend, speak and vote in their stead. The person so appointed need not be a member of the Company.

Certificated members or dematerialised members with "own name" registration who are unable to attend the AGM but wish to be represented thereat must complete the form of proxy on page 163 of the Integrated Report.

In order to be effective, the form of proxy should be delivered to the transfer secretaries, Computershare Investor Services Proprietary Limited at 70 Marshall Street, Johannesburg, 2001 or be posted to PO Box 61051, Marshalltown, 2107 so as to reach this address no later than 11:00 on Wednesday, 30 April 2014.

Members who have dematerialised their shares, other than those members who have dematerialised their shares with "own name" registration, should contact their participant (formerly Central Securities Depository Participant) or their stockbroker:

- to furnish their participant or stockbroker with their voting instructions; or
- in the event that they wish to attend the meeting, to obtain the necessary letter of representation.

Meeting attendees will be required to provide satisfactory identification before being allowed to participate in the meeting.

By order of the Board

Nadine Drutman
Group Company Secretary
Johannesburg
20 March 2014

Appendix to the notice of annual general meeting

IMPORTANT NOTES ABOUT THE ANNUAL GENERAL MEETING (AGM)

Date	Tuesday, 6 May 2014 at 11:00.
Venue	Room 8.02, Barclays Towers West, 15 Troye Street, Johannesburg.
Time	The AGM will start promptly at 11:00. Shareholders wishing to attend are advised to be in the room no later than 10:45. Reception staff at the Barclays Towers West complex will direct shareholders to the AGM venue. Refreshments will be served after the AGM.
Admission	Shareholders, representatives of shareholders and proxies attending the AGM are requested to register at the registration desk in the reception area at the venue. Proof of identity is required for registration purposes.
Security	Secure parking is provided at the venue by prior arrangement. Attendees are requested not to bring cameras, laptop computers or tape recorders. Cellular telephones should be switched off for the duration of the proceedings.

Other important notes

1. General

Shareholders wishing to attend the AGM must ensure beforehand with the Company's transfer secretaries that their shares are in fact registered in their name. Should this not be the case and the shares are registered in any other name or in the name of a nominee company, it is incumbent on shareholders attending the meeting to make the necessary arrangements with that party in whose name the shares are registered to be able to attend and vote in their personal capacity. The form of proxy contains detailed instructions in this regard.

2. Certificated shareholders and dematerialised shareholders with "own name" registration

If you are the registered holder of certificated Barclays Africa Group Limited ordinary shares or hold dematerialised Barclays Africa Group Limited ordinary shares in your own name and you are unable to attend the AGM but wish to be represented at the AGM or, if you wish to participate via electronic communication, you must complete and return the attached form of proxy in accordance with the instructions contained therein so as to be received by the transfer secretaries, Computershare Investor Services Proprietary Limited, at 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107) by no later than 11:00 on Wednesday, 30 April 2014.

Shareholders wishing to participate in the AGM via electronic communication are required to deliver written notice to the registered office of the Company, at 7th Floor, Barclays Towers West, 15 Troye Street, Johannesburg (marked for the attention of Nadine Drutman, the Group Company Secretary) by no later than 11:00 on Wednesday, 30 April 2014, that they wish to participate via electronic communication at the AGM. In order for the notice to be valid, it must contain:

(a) if the shareholder is an individual, a certified copy of his/her identity document and/or passport;

(b) if the shareholder is not an individual, a certified copy of a resolution by the relevant entity and a certified copy of the identity documents and/or passports of the persons who passed the relevant resolution. The relevant resolution must set out who from the relevant entity is authorised to represent the relevant entity at the AGM via electronic communication; and

(c) a valid email address and/or facsimile number.

By no later than 11:00 on Wednesday, 30 April 2014 the Company shall use its reasonable endeavours to notify a shareholder at its contact address/number who has delivered a valid notice of the relevant details through which the shareholder can participate via electronic communication.

Shareholders participating in the AGM notice via electronic communication, will not be able to vote at the AGM and will be required to submit a form of proxy in order to vote.

3. Dematerialised shareholders

If you are the holder of dematerialised Barclays Africa Group ordinary shares, but not the holder of dematerialised ordinary shares in your own name, you must timeously provide your participant or stockbroker with your voting instructions for the AGM in terms of the custody agreement entered into with your participant or stockbroker. If, however, you wish to attend the AGM in person, then you must request your participant or stockbroker timeously to provide you with the necessary letter of representation to attend and vote your shares.

4. Proxies

Shareholders must ensure that their form of proxy reach the transfer secretaries as indicated in note 2 above by no later than 11:00 on Wednesday, 30 April 2014.

5. Enquiries

Any shareholder having difficulties or queries with regard to the AGM or the above may contact the Group Company Secretary, Nadine Drutman, on +27 11 350 5347.

6. Results of the AGM

The results of the meeting will be posted on SENS as soon as practicably possible after the AGM.

Audit, assurance and verification of our information

The Barclays Africa Group's Integrated Report is our primary reporting vehicle and our online disclosures provide our stakeholders with additional information including full-year risk report, consolidated and separate financial statements, our citizenship report, environmental review and broad-based black economic empowerment review. Additional sustainability information can be accessed via the Global Reporting Initiative (GRI) index.

	2013 Integrated Report	Annual financial statements	Sustainability reporting
Contents	Refer to the contents on page 1	The full annual financial statements of the Group for 2013, including the directors' report and GACC report.	Citizenship report, environmental review, broad-based black economic empowerment review and GRI index
Audience	All stakeholder groups, with an emphasis on shareholders and investors	All stakeholder groups, with an emphasis on shareholders and investors.	All stakeholder groups
Distribution	Printed and posted to shareholders. Also available online at www.reports.barclaysafrica.com.	Available online at www.reports.barclaysafrica.com.	Available online at www.reports.barclaysafrica.com

Financial audit

PwC and EY have audited the consolidated and separate financial statements of Barclays Africa Group Limited, set out on pages 13 to 212, which comprise the statements of financial position as at 31 December 2013, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information and those sections marked as 'audited' in the remuneration review, but excludes the sections marked as 'unaudited' in notes 52, 59 and 64.

Independent assurance

Within this report selected indicators (marked with an LA) have been assured on a limited assurance basis by PwC and EY. This information is set out in the balanced scorecard review of this report. The full assurance statement including the scope of work and conclusions can be found at www.reporting.barclaysafrica.com. PwC and EY have provided limited assurance over selected sustainability information contained in the 2013 Integrated Report in which they express an unmodified conclusion on the selected sustainability information.

Broad-based black economic empowerment verification

In line with the requirements of the dti Codes of Good Practice, our broad-based black economic empowerment performance is independently verified by a registered agency, NERA.

Administration and contact details

Barclays Africa Group Limited

Authorised financial services and registered credit provider (NCRCP7)
Registration number: 1986/003934/06
Incorporated in the Republic of South Africa
JSE share code: BGA
ISIN: ZAE000174124

Registered office

7th Floor, Barclays Towers West
15 Troye Street, Johannesburg, 2001
PO Box 7735, Johannesburg, 2000
Telephone: +27 (11) 350 4000

Website address

www.barclaysafrica.com

Board of directors

Group independent non-executive directors

C Beggs, YZ Cuba, MJ Husain, PB Matlare, TS Munday (Lead Independent Director), SG Pretorius

Group non-executive directors

PA Clackson[1], WE Lucas-Bull (Group Chairman), MS Merson[1], AV Vaswani[2],

Group executive directors

DWP Hodnett (Deputy Chief Executive Officer and Financial Director), M Ramos (Chief Executive Officer)

Transfer secretary

South Africa

Computershare Investor Services Proprietary Limited
Questions@computershare.co.za
Telephone: +27 (11) 370 5000

ADR depositary

BNY Mellon
Telephone: +1 212 815 2248

Auditors

PricewaterhouseCoopers Inc.
Ernst & Young Inc.

Notes

[1] British
[2] Singaporean

Sponsors

Lead independent sponsor

J.P. Morgan Equities South Africa Proprietary Limited
Telephone: +27 (11) 507 0300

Joint sponsor

Absa Bank Limited (acting through its Corporate and Investment Banking division)
Telephone: +27 (11) 895 6843

Other contacts

Group Investor Relations

AM Hartdegen
Telephone: +27 (11) 350 2598
Email: investorrelations@barclaysafrica.com

Group Company Secretary

NR Drutman
Telephone: +27 (11) 350 5347
Email: groupsec@barclaysafrica.com

Group Media relations

B Kennedy
Telephone: +27 (11) 846 5221

Shareholder diary

Financial year-end	31 December 2013
Annual general meeting[1]	6 May 2014
Announcement of the interim results[1]	30 July 2014

Dividend final	Declaration date	Last day to trade	Ex dividend date	Record date	Payment date
December 2013	11 February 2014	28 March 2014	31 March 2014	4 April 2014	7 April 2014
Interim[1]	30 July 2014	5 September 2014	8 September 2014	12 September 2014	15 September 2014

Note

[1] Subject to change.

Form of proxy

Annual general meeting
Barclays Africa Group Limited
Registration number: 1986/003934/06
JSE code : BGA
ISIN code: ZAE0000174124
("Barclays Africa Group" or "the Company")
Record date: 25 April 2014

NUMBER OF SHARES

TO BE COMPLETED ONLY BY CERTIFICATED SHAREHOLDERS AND DEMATERIALISED SHAREHOLDERS WITH "OWN NAME" REGISTRATION

I/We ____

(name(s) in block letters)

of ____

(address in block letters)

being a member of the Company, entitled to vote and holding ______________________ shares do hereby appoint

____ or failing him or/her

the chairperson of the annual general meeting (AGM) as my/our proxy to attend and speak and vote for me/us (and consent that all resolutions to be passed be conducted by way of a poll) and on my/our behalf at the AGM of members of the Company to be held in Boardroom 8.02, Barclays Towers West, 15 Troye Street, Johannesburg on Tuesday, 6 May 2014 at 11:00 and at any adjournment thereof, as follows:

	In favour of	Against	Abstain
1. To consider the Company's audited financial statements			
2 To reappoint the Company's auditors			
3. Re-election of MJ Husain			
4. Re-election of PB Matlare			
5. Re-election of SG Pretorius			
6. Re-election of DWP Hodnett			
7. To confirm the appointment of a new director appointed after the last AGM: MS Merson			
8. Election of the members of the Audit and Compliance Committee			
8a. Election of C Beggs			
8b. Election of TS Munday			
8c. Election of MJ Husain			
9. Resolution to place unissued shares under the control of the directors			
10. Non-binding advisory vote on the Company's remuneration policy			
11. Special resolution to sanction the proposed remuneration of the non-executive directors, payable from 1 May 2014			
12. Special resolution regarding the authority for a general repurchase of ordinary shares of the Company			
13. Special resolution to provide Financial Assistance – section 45			
14. Special resolution to amend the Memorandum of Incorporation			

Please indicate with an "X" in the appropriate spaces provided above how you wish your vote to be cast. If no indication is given, the proxy will be entitled to vote or abstain as he/she deems fit.

A member of the Company entitled to attend and vote at the above mentioned meeting is entitled to appoint a proxy or proxies to attend, speak and vote in his/her stead. A proxy need not be a member of the Company. Meeting participants will be required to provide satisfactory identification before being allowed to participate in the meeting.

Signed at ______________________ on ______________________ 2014

Full name(s) ____

(in block letters)

Signature(s) ____

Assisted by (guardian) ______________________ Date ______________________ 2014

If signing in a representative capacity, see note 4 on page 164.

Notes to the form of proxy

1. If two or more proxies attend the AGM, then that person attending the AGM whose name appears first on the form of proxy and whose name is not deleted shall be regarded as the validly appointed proxy.
2. The Chairman of the AGM may reject or accept a form of proxy which is completed and/or received other than in accordance with these notes.
3. Any alteration to this form of proxy, other than a deletion of alternatives, must be initialled by the signatories.
4. Documentary evidence establishing the authority of a person signing the form of proxy in a representative or other legal capacity must be attached to this form, unless previously recorded by the Company or the transfer secretaries or waived by the Chairman of the meeting.
5. A minor must be assisted by his/her parent or legal guardian, unless the relevant documents establishing his/her legal capacity are produced or have been registered by the transfer secretaries.
6. In order to be effective, the form of proxy must be delivered to the transfer secretaries, Computershare Investor Services Proprietary Limited, at 70 Marshall Street, Johannesburg, 2001 or be posted to PO Box 61051, Marshalltown, 2107, so as to reach this address by not later than 11:00 on Wednesday, 30 April 2014.
7. The delivery of a duly completed form of proxy shall not preclude any member or his/her duly authorised representative from attending the AGM and speaking and voting thereat instead of his/her proxy.
8. Where there are joint holders of shares:

   8.1 any one holder may sign the form of proxy; and

   8.2 the vote of the senior shareholder (for that purpose seniority will be determined by the order in which the names of the shareholders appear in the Company's register) who tenders a vote (whether in person or by proxy) will be accepted to the exclusion of the vote(s) of the other joint shareholders.
9. Shareholders holding dematerialised shares (without "own name" registration) who wish to attend the AGM must contact their participant or stockbroker, who will furnish them with the necessary letter of representation to attend the AGM. Alternatively, such shareholders must instruct their participant or stockbroker as to how they wish to vote in this regard. This has to be done in terms of the agreement entered into between such shareholders and their participant or stockbroker.