# Barclays Africa Group Limited

## Financial results

## For the reporting period ended 31 December 2017

# Report overview

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

This financial results booklet for the reporting period ended 31 December 2017 is one of the publications released at the time of the Barclays Africa Group Limited's (Barclays Africa Group or the Group) financial results announcement made on 1 March 2018. It is supplemented with additional disclosures, including the Group's JSE SENS announcement and the annual financial results presentation. The full set of documents is available on www.barclaysafrica.com.

1. On 1 March 2016, Barclays PLC announced its intention to sell down its 62,3% interest in the Group. As part of its divestment Barclays PLC contributed £765m to the Group, mainly in recognition of the investments required for the Group to separate from Barclays PLC. Investments will be made primarily in rebranding, technology and separation-related projects and it is expected that it will neutralise the capital and cash flow impact of separation investments on the Group over time. The separation process will increase the capital base of the Group in the near term and generate endowment revenue thereon, with increased costs over time as the separation investments are concluded. The Group has therefore included normalised results that better reflect the underlying performance of the Group.
2. The requirements of IFRS 9 – Financial Instruments (IFRS 9) relating to the presentation of gains and losses on financial liabilities designated at fair value were adopted during the current reporting period. As a result, the effects of changes in those liabilities' credit risk are presented in other comprehensive income with the remaining effect presented in profit or loss. In accordance with the transitional requirements of IFRS 9, comparatives have not been restated. Refer to page 45 for additional information.
3. The Group's segmental disclosure has changed to align with how the banking operations are now run along geographic rather than divisional lines. Refer to page 50 for additional information.
4. The following business portfolio changes resulted in the restatement of financial results for the comparative period. None of the restatements has impacted the overall financial position or net earnings of the Group.
   - The Group refined its cost allocation methodology, resulting in the restatement of operating expenses between and within segments.
   - Commercial Property Finance (CPF) customers with loan balances exceeding R40m were moved from Retail and Business Banking (RBB) to Corporate and Investment Banking (CIB) to reflect the Group's customer segmentation and coverage model.

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

Financial results for the reporting period ended 31 December 2017

Date of publication: 1 March 2018

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

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## Icons used with this report

Positive | Negative | Remains the same | Increase/decrease

## Dividend per share

| | |
|---|---|
| Final | 595 cents |
| Interim | 475 cents |

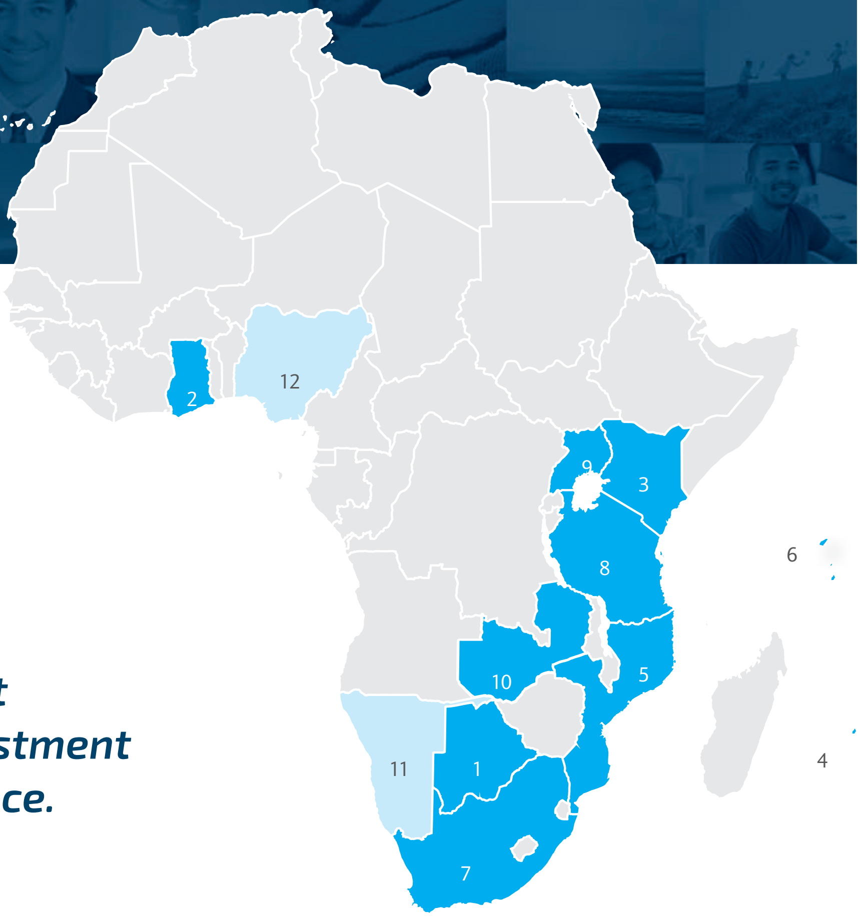
## Key dates

| | |
|---|---|
| Financial year-end: | 31 December 2017 |
| Dividend payment: | 16 April 2018 |
| Annual general meeting: | 15 May 2018 |

## Shareholder communications

# Contents

# About Barclays Africa




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

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

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

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

1 Botswana
2 Ghana
3 Kenya
4 Mauritius
5 Mozambique
6 Seychelles
7 South Africa
8 Tanzania BBT[2]
8 Tanzania NBC[3]
9 Uganda
10 Zambia

Barclays Africa representative offices
11 Namibia
12 Nigeria

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

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

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

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

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

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

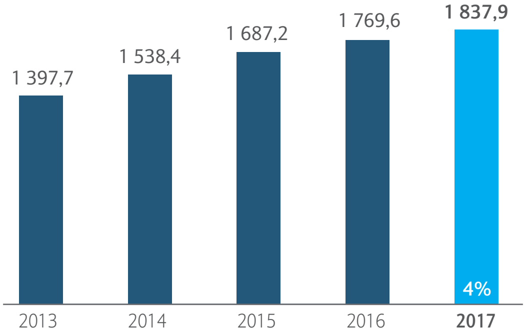

# Normalised Group performance

# Normalised Group performance overview

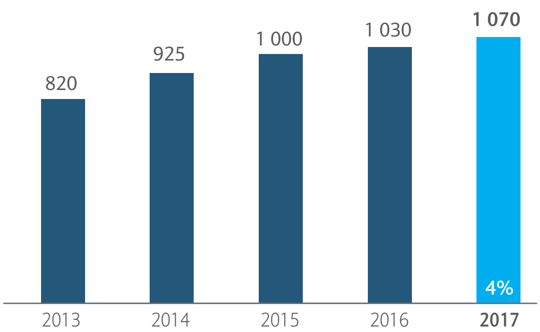
for the reporting period ended 31 December

- Normalised headline earnings increased by 4% (CCY +7%) to R15 558m as impairments were 20% lower from a high base in 2016.
- Return on equity of 16,4% on a normalised basis declined slightly from 16,6% and has been supported by improving returns in Rest of Africa Banking.
- Headline earnings growth in CIB South Africa and Rest of Africa Banking, increased by 16% and 7% (CCY +24%), respectively.
- Credit loss ratio reduced from 1,08% to 0,87% across the major business units. Judgmental macroeconomic provisions have increased by 2% to R1,4bn and lower performing loans coverage (reduced from 0,79% to 0,70%) reflects improved portfolio credit behavior.
- The Group's Common Equity Tier 1 (CET1) ratio of 12,1% remains above internal targets. The Group's liquidity coverage ratio of 107,5% is well above the minimum regulatory requirement.
- RBB South Africa's headline earnings increased by 1%.
- Income increased by 1% partially reflecting weaker exchange rates in markets outside South Africa (CCY +3%), regulatory changes and non-recurring items in the 2016 base.
- Normalised pre-provision profits were 3% lower (CCY -1%) as operating costs grew 3% faster than income. The normalised cost-to-income ratio increased from 55,2% to 56,8%.
- WIMI headline earnings reduced by 8% mainly from large short-term claims, the unwinding of a deferred tax asset raised in 2016 and a material credit impairment in Wealth.

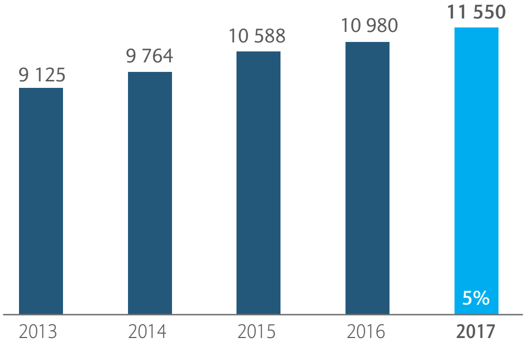
## Headline earnings per ordinary share (cents and change %)



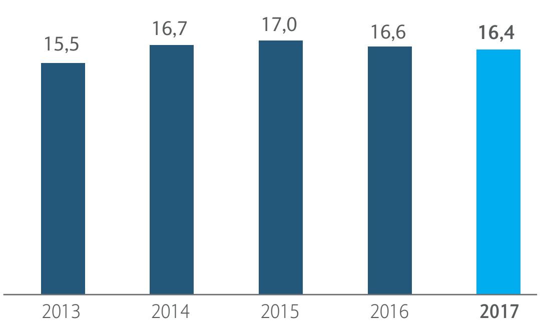

## Dividend per ordinary share (cents and change %)[1]




## Net asset value (NAV) per ordinary share (cents and change %)




## Return on equity (RoE) (%)




Note

[1] Dividend per ordinary share relates to income for the reporting period.

# Normalised Group performance overview

## Normalised financial results as a consequence of Barclays PLC separation

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

Barclays PLC currently holds 14,9% in the Group.

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

The separation process will have an impact on the Group's financial results for the next few years, most notably by increasing the capital base in the near-term and generating endowment revenue thereon, with increased costs over time as the separation investments are concluded. International Financial Reporting Standards (IFRS) require that the Barclays PLC contribution be recognised directly in equity, while the subsequent investment expenditure (including the depreciation or amortisation of capitalised assets), will be recognised in profit or loss. The aforementioned will result in a disconnect between underlying business performance and the IFRS financial results during the separation period. Normalised financial results will therefore be disclosed while the underlying business performance is materially different from the IFRS financial results. Refer to page 126 for the IFRS results.

The following table presents the items which have been excluded from the normalised financial results:

**Barclays PLC contribution** (including the endowment benefit)

**Hedging** linked to separation activities

**Technology** and **brand separation projects**

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

**Transitional service payments to Barclays PLC**

**Employee cost and benefits** linked to separation activities

**Separation project execution and support costs**

# Normalised Group performance overview

for the reporting period ended 31 December

## Reconciliation of IFRS to normalised results

| | IFRS Group performance 2017 | Barclays separation effects 2017 | Total Group normalised performance 2017 |
|---|---|---|---|
| **Statement of comprehensive income (Rm)** | | | |
| Net interest income | 42 644 | 325 | 42 319 |
| Non-interest income | 30 661 | 80 | 30 581 |
| **Total income** | 73 305 | 405 | 72 900 |
| Impairment losses on loans and advances | (7 022) | — | (7 022) |
| Operating expenses | (43 304) | (1 901) | (41 403) |
| Other expenses | (2 270) | (394) | (1 876) |
| Share of post-tax results of associates and joint ventures | 170 | — | 170 |
| **Operating profit before income tax** | 20 879 | (1 890) | 22 769 |
| Tax expenses | (5 857) | 408 | (6 265) |
| **Profit for the reporting period** | 15 022 | (1 482) | 16 504 |
| **Profit attributable to:** | | | |
| Ordinary equity holders | 13 823 | (1 482) | 15 305 |
| Non-controlling interest – ordinary shares | 789 | — | 789 |
| Non-controlling interest – preference shares | 362 | — | 362 |
| Non-controlling interest – additional Tier 1 | 48 | — | 48 |
| | 15 022 | (1 482) | 16 504 |
| **Headline earnings** | 14 313 | (1 245) | 15 558 |
| **Operating performance (%)** | | | |
| Net interest margin on average interest-bearing assets | 4,96 | n/a | 4,95 |
| Credit loss ratio on gross loans and advances to customers and banks | 0,87 | n/a | 0,87 |
| Non-interest income as % of total income | 41,8 | n/a | 41,9 |
| Income growth | 1 | n/a | 1 |
| Operating expenses growth | 8 | n/a | 4 |
| Cost-to-income ratio | 59,1 | n/a | 56,8 |
| Effective tax rate | 28,1 | n/a | 27,5 |
| **Statement of financial position (Rm)** | | | |
| Loans and advances to customers | 749 772 | — | 749 772 |
| Loans and advances to banks | 55 426 | — | 55 426 |
| Investment securities | 111 409 | — | 111 409 |
| Other assets | 249 372 | 912 | 248 460 |
| **Total assets** | 1 165 979 | 912 | 1 165 067 |
| Deposits due to customers | 689 867 | — | 689 867 |
| Debt securities in issue | 137 948 | — | 137 948 |
| Other liabilities | 219 104 | (9 840)[1] | 229 944 |
| **Total liabilities** | 1 046 919 | (9 840) | 1 056 759 |
| Equity | 119 060 | 10 752[2] | 108 308 |
| **Total equity and liabilities** | 1 165 979 | 912 | 1 165 067 |
| **Key performance ratios (%)** | | | |
| RoA | 1,27 | n/a | 1,38 |
| RoE | 14,2 | n/a | 16,4 |
| Capital adequacy | 16,1 | n/a | 14,9 |
| Common Equity Tier 1 | 13,5 | n/a | 12,1 |
| **Share statistics (cents)** | | | |
| Diluted headline earnings per ordinary share | 1 716,5 | n/a | 1 837,7 |

Notes

[1] This represents the contribution of R12,1bn that was received from Barclays PLC, net of amounts already spent on separation activities. The cash received is held centrally by Treasury and is presented as an intersegmental asset in 'Other liabilities'. The amount is presented in 'Loan from Barclays separation segment' in the Condensed consolidated normalised statement of financial position (refer to page 17).

[2] The 12,1bn contribution received from PLC 2017 has been recorded as equity. A reconciliation of the remaining balance is provided on page 145).

# Normalised salient features

for the reporting period ended 31 December

| | 2017 | 2016 | Change % |
|---|---|---|---|
| **Statement of comprehensive income (Rm)** | | | |
| Income | **72 900** | 72 394 | 1 |
| Operating expenses | **41 403** | 39 956 | 4 |
| Profit attributable to ordinary equity holders | **15 305** | 14 708 | 4 |
| Headline earnings | **15 558** | 14 980 | 4 |
| **Statement of financial position** | | | |
| Loans and advances to customers (Rm) | **749 772** | 720 309 | 4 |
| Total assets (Rm) | **1 165 067** | 1 101 023 | 6 |
| Deposits due to customers (Rm) | **689 867** | 674 865 | 2 |
| Loans to deposits and debt securities ratio (%) | **90,6** | 88,4 | |
| **Financial performance (%)** | | | |
| Return on equity (RoE) | **16,4** | 16,6 | |
| Return on average assets (RoA) | **1,38** | 1,34 | |
| Return on risk-weighted assets (RoRWA) | **2,16** | 2,14 | |
| Non-performing loans (NPL) ratio on gross loans and advances | **3,75** | 3,94 | |
| **Operating performance (%)** | | | |
| Net interest margin on average interest-bearing assets | **4,95** | 4,95 | |
| Credit loss ratio on gross loans and advances to customers and banks | **0,87** | 1,08 | |
| Non-interest income as percentage of total income | **41,9** | 42,0 | |
| Cost-to-income ratio | **56,8** | 55,2 | |
| Jaws | **(3)** | 2 | |
| Effective tax rate | **27,5** | 26,9 | |
| **Share statistics (million)** | | | |
| Number of ordinary shares in issue | **847,8** | 847,8 | |
| Number of ordinary shares in issue (excluding treasury shares) | **845,6** | 846,7 | |
| Weighted average number of ordinary shares in issue | **846,5** | 846,5 | |
| Diluted weighted average number of ordinary shares in issue | **846,6** | 846,6 | |
| **Share statistics (cents)** | | | |
| Headline earnings per ordinary share | **1 837,9** | 1 769,6 | 4 |
| Diluted headline earnings per ordinary share | **1 837,7** | 1 769,4 | 4 |
| Basic earnings per ordinary share | **1 808,0** | 1 737,5 | 4 |
| Diluted basic earning per ordinary share | **1 807,8** | 1 737,3 | 4 |
| Dividend per ordinary share relating to income for the reporting period | **1 070** | 1 030 | 4 |
| Dividend cover (times) | **1,7** | 1,7 | — |
| NAV per ordinary share | **11 550** | 10 980 | 5 |
| Tangible NAV per ordinary share | **11 007** | 10 501 | 5 |
| **Capital adequacy (%)** | | | |
| Barclays Africa Group Limited | **14,9** | 14,8 | |
| Absa Bank Limited | **15,0** | 15,1 | |
| **Common Equity Tier 1 (%)** | | | |
| Barclays Africa Group Limited | **12,1** | 12,1 | |
| Absa Bank Limited | **11,6** | 11,6 | |

# Normalised salient features by segment

for the reporting period ended 31 December

| | 2017 | 2016[1] | Change % |
|---|---|---|---|
| **Headline earnings (Rm)** | | | |
| South Africa Banking | **12 200** | 11 678 | 4 |
| RBB South Africa | **8 874** | 8 822 | 1 |
| CIB South Africa | **3 326** | 2 856 | 16 |
| Rest of Africa Banking | **2 954** | 2 756 | 7 |
| WIMI | **1 156** | 1 258 | (8) |
| Head Office, Treasury and other operations in South Africa | **(752)** | (712) | 6 |
| **Return on average risk-weighted assets (%)** | | | |
| South Africa Banking | **2,40** | 2,38 | |
| RBB South Africa | **2,76** | 2,81 | |
| CIB South Africa | **1,77** | 1,61 | |
| Rest of Africa Banking | **1,77** | 1,64 | |
| **Return on regulatory capital (%)** | | | |
| South Africa Banking | **20,8** | 20,9 | |
| RBB South Africa | **23,5** | 24,4 | |
| CIB South Africa | **15,9** | 14,4 | |
| Rest of Africa Banking[2] | **16,6** | 15,1 | |
| WIMI[3] | **20,1** | 21,7 | |
| **Credit loss ratio (%)** | | | |
| South Africa Banking | **0,80** | 1,03 | |
| RBB South Africa | **1,10** | 1,33 | |
| CIB South Africa | **0,24** | 0,44 | |
| Rest of Africa Banking | **1,34** | 1,62 | |
| WIMI | **1,58** | 0,13 | |
| **Loans and advances to customers (Rm)** | | | |
| South Africa Banking | **665 959** | 636 154 | 5 |
| RBB South Africa | **446 894** | 434 139 | 3 |
| CIB South Africa | **219 065** | 202 015 | 8 |
| Rest of Africa Banking | **77 863** | 77 877 | (0) |
| WIMI | **5 004** | 5 660 | (12) |
| Head Office, Treasury and other operations in South Africa | **946** | 618 | 53 |
| **Deposits due to customers (Rm)** | | | |
| South Africa Banking | **477 980** | 460 080 | 4 |
| RBB South Africa | **300 946** | 286 297 | 5 |
| CIB South Africa | **177 034** | 173 783 | 2 |
| Rest of Africa Banking | **108 636** | 111 993 | (3) |
| WIMI | **5 150** | 5 144 | 0 |
| Head Office, Treasury and other operations in South Africa | **98 101** | 97 648 | 0 |

Notes

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

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

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

# Profit and dividend announcement

## Salient features

- Barclays Africa Group disclosed IFRS financial results and a normalised view, which adjusts for the financial consequences of separating from Barclays PLC.
- Normalised diluted HEPS grew 4% to 1 837,7 cents, while diluted IFRS HEPS including R1,9bn of separation costs decreased 4% to 1 716,5 cents.
- Declared a 4% higher full year DPS of 1070 cents.
- South Africa Banking headline earnings grew 4% to R12,2bn, Rest of Africa Banking rose 7% to R3,0bn and WIMI decreased 8% to R1,2bn.
- Normalised RoE declined slightly to 16,4% and RoA improved to 1,38%.
- Normalised revenue grew 1% to R72,9bn and operating expenses rose 4% to R41,4bn.
- On a constant currency basis normalised revenue grew 3% and diluted HEPS increased 7%.
- Normalised pre-provision profit declined 3% to R31,5bn.
- Credit impairments fell 20% to R7,0bn, resulting in a 0,87% credit loss ratio from 1,08%.
- Barclays Africa Group Limited's normalised Common Equity Tier 1 (CET1) ratio of 12,1% remains above regulatory requirements and our board target range.
- Normalised NAV per share rose 5% to 11 550 cents.

## Normalised reporting

With the process of separating from Barclays PLC well under way, including receipt of the R12,1bn settlement contribution in June 2017, Barclays Africa Group Limited (BAGL) has reported both IFRS compliant financial results and a normalised view. The latter adjusts for the consequences of the separation and better reflects the Group's underlying performance. The Group will present normalised results for future periods where the financial impact of separation is considered material. Normalisation will adjust for the following items: endowment income on Barclays PLC's R12.1bn separation contribution (2017: R325m); hedging revenue linked to separation activities (2017: R80m); operating expenses (2017: R1 901m) and other expenses (2017: R394m), plus the tax impact of the aforementioned (2017: R408m). In total, these adjustments added R1 245m to normalised Group headline earnings during the period. Since normalisation occurs at a group level, it does not affect divisional disclosures.

## Overview of results

On a normalised basis, BAGL's headline earnings grew 4% to R15 558m from R14 980m and diluted HEPS rose 4% to 1 837,7 cents from 1 769,4 cents. The Group's normalised RoE was 16,4% from 16,6% and its return on assets increased to 1,38% from 1,34%. Revenue grew 1% to R72,9bn, with net interest income and non-interest income rising 1%. Revenue growth improved to 3% in the second half. The Group's net interest margin (on average interest-bearing assets) was flat at 4,95%. Loans and advances to customers grew 4% to R750bn, while deposits due to customers rose 2% to R690bn. With operating expenses growing 4%, the normalised cost-to-income ratio increased to 56,8% from 55,2%, and pre-provision profit decreased 3% to R31,5bn. The stronger rand reduced Group revenue by 2% and headline earnings by 3%. In constant currency, pre-provision profit declined 1%, and grew 2% in the second half. Credit impairments fell 20% to R7,0bn, resulting in a 0,87% credit loss ratio from 1,08%. The ratio of NPLs to gross loans and advances improved to 3,7% from 3,9%, and portfolio provisions decreased to 70 basis points (bps) of performing loans from 79 bps, although macroeconomic overlays increased 2% to R1,4bn. The Group's NAV per share increased 5% to 11 550 cents on a normalised basis and it declared a 4% higher full year DPS of 1 070 cents.

Excluding normalisation, BAGL's IFRS headline earnings declined 4% to R14 313m from R14 980m and diluted HEPS decreased 4% to 1 716,5 cents. The Group's RoE fell to 14,2%, largely due to the additional capital, and its return on assets declined to 1,27% from 1,34%. Net interest income increased 2% and non-interest income increased by 1%, resulting in 1% higher total revenue. Operating expenses grew 8%, increasing the cost to income ratio to 59,1% from 55,2% and pre-provision profit decreased 8% to R30,0bn. The Group's NAV per share rose 19% to 13 018 cents, given Barclays PLC's separation contribution in equity.

South Africa Banking headline earnings grew 4% to R12 200m. Within this, RBB SA headline earnings rose 1% to R8 874m due to 16% lower credit impairments and improved second half revenue growth. Retail Banking headline earnings were flat at R6 546m, while Business Banking grew 1% to R2 328m. CIB rose 16%, given 5% higher pre-provision profits and 44% lower credit impairments. Corporate rose 8% to R1 143m and Investment Banking increased 22% to R2 183m. Rest of Africa Banking headline earnings grew 7% to R2 954m, or 24% in constant currency. RBB Rest of Africa declined 6%, despite rising 19% in constant currency, while CIB Rest of Africa grew 8% and 21% in constant currency. WIMI's headline earnings decreased 8% to R1 156m, reflecting higher catastrophe event claims, unwinding of a Life deferred tax asset raised in 2016 and a single client credit impairment in Wealth.

## Operating environment

The global expansion has been broad-based across economies and sectors. US growth was the positive surprise in the second half, but the Euro area, Japan and China all grew at or above consensus. Global inflation remained muted, allowing for gradual normalisation of monetary policy in advanced economies.

South Africa's economic growth remained low for a fifth consecutive year, with real GDP rising 0,9% after recovering from recession in early 2017. The rebound in agriculture contributed to the improvement following two years of drought. However, household and business confidence remained weak due to economic and political uncertainty. The Reserve Bank reduced interest rates 25 bps in July, South Africa's first rate cut in five years.

## Operating environment *(continued)*

Economic growth improved somewhat in a number of our key rest of Africa countries, supported by commodity price recovery and ongoing infrastructure investment. We expect real GDP to have grown 5,4% across our markets in 2017, although it varied across our portfolio. Fiscal challenges remain a key constraint in several markets, more notably Ghana, Mozambique and Zambia. Rates were reduced in all our countries besides Kenya, with sizeable cuts in Ghana, Zambia and Tanzania.

## Group performance

### *Statement of financial position*

Total assets increased 6% to R1 165bn at 31 December 2017 on a normalised basis, due to 37% higher trading portfolio assets and 11% growth in loans and advances to banks.

#### *Loans and advances to customers*

Net loans and advances to customers increased 4% to R750bn, or 5% on a constant currency basis. South African Banking loans rose 5% to R666bn. Retail Banking South Africa's loans grew 2% to R383bn, reflecting 8% growth in Vehicle and Asset Finance (VAF) and 6% higher Personal Loans, while Card and Payments declined 1% and Home Loans remained flat. Business Banking South Africa's loans rose 7% to R63bn. CIB South Africa's loans grew 8% to R219bn, including 16% growth in Corporate and 4% in the Investment Bank. Rest of Africa Banking loans were flat at R78bn, despite increasing 9% in constant currency.

#### *Funding*

The Group's liquidity position remains strong, with liquid assets and other sources of liquidity growing 11% to R213bn, which equates to 31% of customer deposits. The Group's three-month average liquidity coverage ratio for the fourth quarter of 2017 was 107,5%, comfortably above the minimum hurdle of 80% during 2017. The Group's deposits due to customers grew 2% to R690bn or 4% in constant currency. Loans to deposit and debt securities ratio increased to 90,6%. Deposits due to customers constituted 77% of total funding. Retail Banking South Africa increased deposits 6% to R187bn and Business Banking rose 4% to R114bn, while CIB's grew 2% to R177bn. Rest of Africa Banking deposits decreased 3% to R109bn, despite growing 6% in constant currency.

#### *Net asset value*

The Group's normalised NAV rose 5% to R98bn and its NAV per share grew 5% to 11 550 cents. During the year it generated retained earnings of R15,1bn, from which it paid R8,8bn in ordinary dividends. Its foreign currency translation reserve reduced to R0,4bn from R2,4bn.

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

Group risk-weighted assets (RWAs) increased 5% to R737bn at 31 December 2017, mainly due to increased credit risk RWAs. The Group remains well capitalised, comfortably above minimum regulatory capital requirements. The Group's normalised CET1 and total capital adequacy ratios were 12,1% and 14,9% respectively (from 12,1% and 14,8%). The Group generated 2,2% of CET1 capital internally during the period. The day 1 impact from implementing IFRS 9 accounting is expected to reduce the Group's CET1 ratio by no more than 35 bps, which will be phased in over three years. Declaring a 4% higher full year DPS of 1 070 cents on a dividend cover of 1,7 times took into account the difficult and volatile macroeconomy, the Group's strong capital position, internal capital generation, strategy and growth plans.

### *Statement of comprehensive income*

The commentary below refers to normalised financial results.

#### *Net interest income*

Net interest income increased 1% to R42 319m from R42 003m, while average interest-bearing assets grew 1%. The Group's net interest margin (to average interest-bearing assets) was unchanged at 4,95%. Net interest income grew 3% on a constant currency basis.

Loan pricing reduced the Group's margin by 2 bps, primarily due to the impact of lower National Credit Act (NCA) caps on unsecured retail portfolios in South Africa. Loan composition reduced the margin by 3 bps, given a higher proportion of CIB loans. The Group's deposit margin increased 1 basis point, largely due to improved pricing and mix in Corporate. The structural hedge released R258m to the income statement, in line with its 2016 contribution. Despite July's interest rate cut in South Africa, the capital and deposit endowment benefit increased 3 bps, as these balances grew faster than interest-bearing assets. Rest of Africa reduced the Group margin by 2 bps mainly reflecting regulatory caps in Kenya and its lower weighting in the overall composition due to the stronger Rand.

South Africa Banking's net interest margin narrowed to 3,37% from 3,47% and Rest of Africa Banking's decreased to 7,18% from 7,25%.

#### *Non-interest income*

Non-interest income grew 1% to R30 581m from R30 391m to account for 42% of total revenue. On a constant currency basis, the growth was 2%.

Net fee and commission income grew 5% to R21 711m, which represented 71% of total non-interest income. Electronic banking fees and commissions increased 3% to R5 185m and cheque accounts fees rose 14% to R4 943m. Credit card fees and commissions increased 1% to R2 624m and savings accounts decreased 10% to R2 062m. Card merchant income grew 8% to R1 890m. Investment, markets execution and investment banking fees increased 42% to R568m.

Net trading excluding hedge accounting declined 11% to R4 855m, reflecting lower South Africa trading revenue and the impact of the strong Rand.

# Profit and dividend announcement

## Group performance *(continued)*

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

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

Within other operating income, there was a non-headline foreign currency translation reserve gain of R320m in the first half of 2016, which did not recur.

South Africa Banking's non-interest income grew 4% to R21 366m, 70% of the Group total. Retail Banking South Africa increased 6% to R13 519m, as Transactional and Deposits grew 7% and Card and Payments 3%, including 11% growth in acquiring volumes. Business Banking's non-interest income increased 4% to R3 663m, with 9% higher growth excluding equities. CIB South Africa declined 1% to R4 184m, with Corporate up 10% and the Investment Bank down 6% due to lower Markets revenue.

Rest of Africa Banking's non-interest income declined 7% to R4 853m due entirely to the strong Rand, as constant currency growth was 3%. CIB Rest of Africa declined 6% to R2 297m, but increased 5% in constant currency. RBB Rest of Africa fell 8% to R2 550m, which was 1% higher in constant currency.

WIMI's non-interest revenue grew 6% to R5 128m, reflecting 6% higher Life Insurance net premium income and policyholder and reserving adjustments recognised in 2016 which did not recur.

### *Impairment losses on loans and advances*

Credit impairments decreased 20% to R7 022m from R8 751m, which improved the Group's credit loss ratio to 0,87% from 1,08% of gross customer and bank loans and advances. Credit impairments included collection costs of R289m.

Group NPLs decreased 1% to R30 891m, or 3,75% of gross loans and advances from 3,94%. Total NPL coverage declined to 43,1% from 44,2%. Total balance sheet provisions decreased 4% to R18 874m partially reflecting the write-off of an exposure in CIB South Africa during 2016. Portfolio provisions declined 7% to R5 560m, constituting 0,70% of total performing loans from 0,79%, largely due to lower model-driven impairments. Macroeconomic overlays grew 2% to R1,4bn.

South Africa Banking credit impairments decreased 20% to R5 605m, resulting in a 0,80% credit loss ratio from 1,03%. Retail Banking credit impairments declined 12% to R4 764m, reducing its credit loss ratio to 1,20% from 1,39%, due to the improved quality of new loans, better collection strategies and reduced store card sales. Home Loans' charge fell 25% to R689m, a 0,30% credit loss ratio from 0,40%. Vehicle and Asset Finance's credit impairments declined 19% to R847m, improving its credit loss ratio to 0,87% from 1,14%. Card and Payments credit impairments decreased 18% to R1 924m, resulting in a 4,53% credit loss ratio from 5,41%. Personal Loans' charge rose 12% to R1 112m, reflecting stricter write-off criteria, which increased its credit loss ratio to 6,09% from 5,68%.

Business Banking South Africa credit impairments fell 53% to R274m, reflecting lower early arrears and improved collections. Its credit loss ratio decreased to 0,43% from 0,98%.

CIB South Africa credit impairments decreased 44% to R567m from R1 020m, due to a large single name exposure in 2016. Its credit loss ratio normalised to 0,24% from a high base of 0,44%.

Rest of Africa Banking credit impairments fell 26%, or 18% in constant currency, to R1 289m from R1 732m. Its credit loss ratio improved to 1,34% from 1,62%. RBB Rest of Africa's charge fell 30%, or 23% in constant currency, to R950m reflecting increased focus on collections. CIB Rest of Africa's credit impairments decreased 11%, or 3% in constant currency, due to an adjustment to emergence periods and some specific exposures in the base.

### *Operating expenses*

Group operating expenses grew 4% to R41 403m from R39 956m, resulting in a 56,8% cost-to-income ratio from 55,2%. In constant currency operating expenses increased 6%.

Staff costs grew 5% and accounted for 56% of total expenses. Salaries rose 5% or 7% in constant currency, while total incentives grew 4%. Headcount increased 1%, largely due to technology hires in South Africa, while rest of Africa declined 4%.

Non-staff costs grew 2%. Professional fees fell 2% to R1 699m, while telephone and postage declined 7% and printing and stationary decreased 9%. Operating leases on properties decreased 4% to R1 606m and property costs rose 1% to R1 731m. Marketing costs grew 8% to R1 709m, reflecting retail product campaigns and the Shared Growth initiative. Total IT-related spend grew 8% to R7 362m and constituted 18% of Group expenses. Amortisation of intangible assets rose 1% to R650m, while cash transportation increased 13% to R1 089m. The 19% growth in depreciation reflects investment in technology and optimisation of the corporate property portfolio and branch network.

South Africa Banking costs grew 6% to R30 102m. RBB South Africa increased 7%, reflecting continued investment in frontline staff, marketing campaigns and retail product launches, plus digital and channels. CIB South Africa expenses grew 2%, reflecting efficiency initiatives.

Rest of Africa Banking expenses decreased 2% due to the strong Rand. Its costs increased 7% in constant currency, with CIB growing 12% and RBB rising 5%. Operating expenses increased in the second half, given incremental IT costs after Barclays PLC's sell down. Excluding these, costs were contained below inflation, allowing Rest of Africa Banking to maintain a stable cost-to-income ratio of 57,6%.

WIMI's costs grew 3% to R3 631m, with continuing line costs increasing 4%.

Other expenses decreased 12% to R1 876m, reflecting 53% lower 'Other impairments' to R322m and 9% higher indirect taxation of R1 554m.

### *Taxation*

The Group's taxation expense increased 7% to R6 265m, slightly above the 5% growth in pre-tax profit, resulting in a 27,5% effective tax rate from 26,9%. The increase largely reflects 56% growth in non-tax deductible expenses.

## Segment performance

The segmental disclosure has changed to reflect the Group's leadership structure and the way in which businesses are run along geographic rather than divisional lines.

### *South Africa Banking*

Headline earnings grew 4% to R12 200m, due to 20% lower credit impairments, as pre-provision profits declined 2% to R23 243m. Revenue grew 2% to R53 345m, with non-interest income increasing 4%. Costs grew 6% to R30 102m, resulting in a 56,4% cost-to-income ratio from 54,4%. Its credit loss ratio fell to 0,80% from 1,03%, as all three divisions improved. South Africa Banking generated a return on regulatory capital (RoRC) of 20,8% and constituted 75% of total normalised headline earnings excluding the Group centre.

#### *RBB South Africa*

Headline earnings increased marginally to R8 874m, largely due to 16% lower credit impairments. Non-interest income grew 5%, while net interest income was flat due to margin compression. Operating expenses rose 7%, reflecting continued investment in systems and frontline staff. RBB South Africa accounted for 54% of normalised headline earnings excluding the Group centre and generated a 23,5% RoRC.

#### *Retail Banking South Africa*

Headline earnings were flat at R6 546m, as pre-provision profits declined 3%, which was offset by 12% lower credit impairments. However, headline earnings grew 12% in the second half, as new loan production and revenue improved. Although Transactional and Deposits' non-interest income grew 7%, higher credit impairments and 9% cost growth resulted in earnings falling 8% to R2 470m. Home Loans' earnings rose 5% to R1 715m, reflecting cost containment, strong non-interest income growth and 25% lower credit impairments. Card and Payments earnings grew 3% to R1 601m, largely due to lower credit impairments and growth in acquiring revenue. Vehicle and Asset Finance earnings grew 20% to R963m, on 19% lower credit impairments and solid non-interest income and loan growth. Lower costs drove the 3% rise in Personal Loans earnings to R436m. Retail Banking South Africa accounted for 40% of normalised headline earnings excluding the Group centre and generated a 23,1% RoRC.

#### *Business Banking South Africa*

Headline earnings increased 1% to R2 328m, as credit impairments dropped 53%. Revenue growth improved in the second half, but pre-provision profits declined as costs grew 11% given continued investment in frontline staff and systems. Non-interest income rose 9% excluding Equities. Business Banking South Africa generated 14% of overall normalised headline earnings excluding the Group centre and produced a 27,7% RoRC.

#### *CIB South Africa*

Headline earnings increased 16% to R3 326m, largely due to a 44% reduction in credit impairments off a high base. Pre-provision profits grew 5% as 3% revenue growth exceeded 2% higher costs. Corporate earnings grew 8% to R1 143m as 9% revenue growth produced 15% higher pre-provision profits. Investment Bank earnings increased 22% to R2 183m, largely due to 60% lower credit impairments and reduced costs. CIB South Africa contributed 20% of total normalised headline earnings excluding the Group centre and generated a 15,9% RoRC.

### *Rest of Africa Banking*

Headline earnings grew 7%, or 24% in constant currency, to R2 954m, due to positive constant currency operating Jaws and 26% lower credit impairments. Pre-provision profits increased 9% in constant currency. Revenue fell 3% to R15 617m, masking 8% growth in constant currency. While costs fell 2% to R9 000m, it rose 7% in constant currency, resulting in a 57,6% cost-to-income ratio. Credit impairments fell 26% to R1 289m, resulting in a 1,34% credit loss ratio from 1,62%. Rest of Africa Banking accounted for 18% of total normalised headline earnings excluding the Group centre and generated a 16,6% RoE.

#### *RBB Rest of Africa*

Headline earnings fell 6% to R670m, despite increasing 19% in constant currency. Constant currency revenue growth of 2% reflected margin compression from regulatory changes in Kenya. Costs grew 5% in constant currency, resulting in a 72,4% cost-to-income ratio. Credit impairments decreased 23% in constant currency, improving its credit loss ratio to 2,22% from 2,92%. RBB Rest of Africa contributed 4% of total normalised headline earnings excluding the Group centre.

#### *CIB Rest of Africa*

Headline earnings grew 8% to R2 348m, or 21% in constant currency. Revenue increased 7% to exceed 3% higher costs. These grew 18% and 12% in constant currency respectively to produce a 36,5% cost-to-income ratio. Pre-provision profits increased 9%. Credit impairments fell 3% in constant currency. Corporate earnings grew 18% or 32% in constant currency to R1,7bn. Rand strength reduced Investment Bank's earnings, which declined 10% to R0,7bn, despite rising 2% in constant currency. CIB Rest of Africa contributed 14% of total normalised headline earnings excluding the Group centre.

### *Wealth, Investment Management and Insurance*

Headline earnings decreased 8% to R1 156m, South Africa earnings decreased 17% to R1 137m and Rest of Africa returned to profitability, with earnings of R19m. Gross operating income grew 2% to R6 171m and costs rose 3% to R3 279m. Life insurance earnings fell 9% due to the unwinding of a deferred tax asset raised in the prior year. Embedded value of new business increased 10% from growth in risk policies written. Despite strong 16% growth in assets under management to R335bn the Investment cluster earnings were impacted by margin compression resulting in 2% growth in earnings. Wealth Management earnings declined to a R49m loss due to a credit impairment on a single client. Short-term insurance earnings grew 2%, despite experiencing significantly higher catastrophe event claims. Excluding these events, its underwriting margin in South Africa improved to 8,7%. WIMI's RoE was 20,1% and it generated 7% of total earnings excluding the Group centre.

# Profit and dividend announcement

## Prospects

In South Africa we expect a modest improvement in real GDP growth to 1,4% in 2018, with upside potential from fixed investment, a rebound in confidence and strong global growth, although fiscal consolidation remains a concern and there is downside risk for credit ratings. We believe the South African Reserve Bank will keep interest rates on hold for some time.

Our latest forecast indicates slightly better GDP growth of 5,8% in our markets in Rest of Africa, with further monetary policy easing in a number of countries. At current exchange rates, the Rand could weigh on our Rest of Africa reported growth again in 2018.

Given these assumptions, and excluding major political, macroeconomic or regulatory developments, we expect our loan and deposit growth to improve in 2018. We again see stronger loan growth from Rest of Africa in constant currency and CIB than Retail South Africa. Our net interest margin is likely to decline slightly this year, due to rate cuts in the rest of Africa, regulatory costs and mix effects. Costs will remain well controlled and our operating Jaws should improve from last year's. While IFRS 9 could increase volatility, we expect a stable credit loss ratio. Our CET1 ratio is likely to remain above Board targets, which will allow us to maintain our current dividend cover. Lastly, our normalised RoE should improve slightly in 2018.

## 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 South African Institute of Chartered Accountants' Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the JSE Listings Requirements and the requirements of the Companies Act. The principal accounting policies applied are set out in the Group's most recent audited annual consolidated financial statements.

The information disclosed in the condensed consolidated financial results is derived from information contained in the audited annual consolidated financial statements 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, which are available on request.

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

## Accounting policies

The accounting policies applied in preparing the condensed consolidated annual financial results are the same as those in place for the reporting period ended 31 December 2016 except for the adoption of the own credit exemption of IFRS 9 Financial Instruments (IFRS 9), changes to the Group's operating segments and business portfolios between operating segments which have been presented in the report overview on the inside front cover.

## Auditor's report

Ernst & Young Inc. and KPMG 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 as at 31 December 2017, condensed consolidated statement of comprehensive income, condensed statement of changes in equity and condensed consolidated statement of cash flows for the period then ended and selected explanatory notes, excluding items not indicated as audited. The audit report of the consolidated annual financial statements is available for inspection at Barclays Africa Group Limited's registered office.

## Events after the reporting period

The directors are not aware of any events (as defined per IAS 10 Events after the Reporting Period (IAS 10)) after the reporting date of 31 December 2017 and the date of authorisation of these consolidated financial statements.

On behalf of the Board

**W E Lucas-Bull**
*Group Chairman*

**M Ramos**
*Chief Executive Officer*

Johannesburg

1 March 2018

# Profit and dividend announcement

## Declaration of final ordinary dividend number 63

Shareholders are advised that an ordinary dividend of 595 cents per ordinary share was declared on 1 March 2018, for the period ended 31 December 2017. The ordinary dividend is payable to shareholders recorded in the Register of Members of the Company at the close of business on 13 April 2018. The directors of Barclays Africa Group Limited confirm that the Group will satisfy the solvency and liquidity tests immediately after completion of the dividend distribution.

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

- The dividend has been declared out of income reserves.
- The local dividend tax rate is twenty per cent (20%).
- The gross local dividend amount is 595 cents per ordinary share for shareholders exempt from the dividend tax.
- The net local dividend amount is 476 cents per ordinary share for shareholders liable to pay the dividend tax.
- Barclays Africa Group Limited currently has 847 750 679 ordinary shares in issue (includes 14 912 864 treasury shares[1]).
- Barclays Africa Group Limited's income tax reference number is 9150116714.

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

| | |
|---|---|
| Last day to trade cum dividend | Tuesday, 10 April 2018 |
| Shares commence trading ex dividend | Wednesday, 11 April 2018 |
| Record date | Friday, 13 April 2018 |
| Payment date | Monday, 16 April 2018 |

Share certificates may not be dematerialised or rematerialised between Wednesday, 11 April 2018 and Friday, 13 April 2018, both dates inclusive. On Monday, 16 April 2018, the dividend will be electronically transferred to the bank accounts of certificated shareholders. The accounts of those shareholders who have dematerialised their shares (which are held by their participant or broker) will be credited on Monday, 16 April 2018.

On behalf of the Board

**N R Drutman**
*Group Company Secretary*

Johannesburg
1 March 2018

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

**Note**
[1] Includes 13 089 157 shares of BAGL shares to be used in the furtherance of the Group's objective of establishing a BBBEE structure.

# Condensed consolidated normalised statement of comprehensive income

for the reporting period ended 31 December

| | Note | 2017 Rm | 2016 Rm | Change % |
|---|---|---|---|---|
| Net interest income | 2 | **42 319** | 42 003 | 1 |
| Interest and similar income | | **85 918** | 85 114 | 1 |
| Interest expense and similar charges | | **(43 599)** | (43 111) | 1 |
| Non-interest income | 3 | **30 581** | 30 391 | 1 |
| Net fee and commission income | | **21 711** | 20 723 | 5 |
| Fee and commission income | 3.1 | **24 724** | 23 972 | 3 |
| Fee and commission expense | 3.1 | **(3 013)** | (3 249) | (7) |
| Net insurance premium income | 3.2 | **6 598** | 6 986 | (6) |
| Net claims and benefits incurred on insurance contracts | 3.3 | **(3 334)** | (3 691) | (10) |
| Changes in investment and insurance contract liabilities | 3.4 | **(2 113)** | (493) | >100 |
| Gains and losses from banking and trading activities | 3.5 | **5 172** | 5 691 | (9) |
| Gains and losses from investment activities | 3.6 | **1 905** | 51 | >100 |
| Other operating income | 3.7 | **642** | 1 124 | (43) |
| **Total income** | | **72 900** | 72 394 | 1 |
| Impairment losses on loans and advances | 4 | **(7 022)** | (8 751) | (20) |
| **Operating income before operating expenditure** | | **65 878** | 63 643 | 4 |
| Operating expenditure | 5 | **(41 403)** | (39 956) | 4 |
| Other expenses | | **(1 876)** | (2 120) | (12) |
| Other impairments | | **(322)** | (690) | (53) |
| Indirect taxation | 6 | **(1 554)** | (1 430) | 9 |
| Share of post-tax results of associates and joint ventures | | **170** | 115 | 48 |
| **Operating profit before income tax** | | **22 769** | 21 682 | 5 |
| Taxation expense | 7 | **(6 265)** | (5 835) | 7 |
| **Profit for the reporting period** | | **16 504** | 15 847 | 4 |
| **Profit attributable to:** | | | | |
| Ordinary equity holders | | **15 305** | 14 708 | 4 |
| Non-controlling interest – ordinary shares | | **789** | 788 | 0 |
| Non-controlling interest – preference shares | | **362** | 351 | 3 |
| Non-controlling interest – Tier 1 capital | | **48** | — | 100 |
| | | **16 504** | 15 847 | 4 |
| **Earnings per share:** | | | | |
| Basic earnings per share (cents) | 1 | **1 808,0** | 1 737,5 | 4 |
| Diluted basic earnings per share (cents) | 1 | **1 807,8** | 1 737,3 | 4 |

# Condensed consolidated normalised statement of comprehensive income

for the reporting period ended 31 December

| | 2017 Rm | 2016 Rm | Change % |
|---|---|---|---|
| **Profit for the reporting period** | **16 504** | 15 847 | 4 |
| **Other comprehensive income** | | | |
| **Items that will not be reclassified to profit or loss** | **(179)** | (220) | (19) |
| Fair value losses arising from changes in own credit risk on liabilities measured at fair value through profit or loss | **(147)** | — | 100 |
| Movement in retirement benefit fund assets and liabilities | **(32)** | (220) | (85) |
| Decrease in retirement benefit surplus | **(91)** | (120) | (24) |
| Decrease/(increase) in retirement benefit deficit | **44** | (141) | <(100) |
| Deferred tax | **15** | 41 | (63) |
| **Items that are or may be subsequently reclassified to profit or loss** | **(1 327)** | (2 942) | (55) |
| Movement in foreign currency translation reserve | **(2 219)** | (4 529) | (51) |
| Differences in translation of foreign operations | **(2 271)** | (4 209) | (46) |
| Fair value gains/(losses) | **52** | ( 320) | <(100) |
| Movement in cash flow hedging reserve | **794** | 1 726 | (54) |
| Fair value gains | **1 465** | 2 721 | (46) |
| Amount removed from other comprehensive income and recognised in the profit or loss | **(365)** | (321) | 14 |
| Deferred tax | **(306)** | (674) | (55) |
| Movement in available-for-sale reserve | **98** | (139) | <(100) |
| Fair value gains/(losses) | **154** | (197) | <(100) |
| Release to profit or loss | **67** | (3) | <(100) |
| Deferred tax | **(123)** | 61 | <(100) |
| **Total comprehensive income for the reporting period** | **14 998** | 12 685 | 18 |
| **Total comprehensive income attributable to:** | | | |
| Ordinary equity holders | **14 072** | 11 931 | 18 |
| Non-controlling interest – ordinary shares | **516** | 403 | 28 |
| Non-controlling interest – preference shares | **362** | 351 | 3 |
| Non-controlling interest – Tier 1 capital | **48** | — | 100 |
| | **14 998** | 12 685 | 18 |

# Condensed consolidated normalised statement of financial position

as at 31 December

| | Note | 2017 Rm | 2016 Rm | Change % |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash, cash balances and balances with central banks | | **48 669** | 50 006 | (3) |
| Investment securities | | **111 409** | 114 315 | (3) |
| Loans and advances to banks | | **55 426** | 49 789 | 11 |
| Trading portfolio assets | | **132 183** | 96 236 | 37 |
| Hedging portfolio assets | | **2 673** | 1 745 | 53 |
| Other assets | | **20 959** | 25 542 | (18) |
| Current tax assets | | **314** | 894 | (65) |
| Non-current assets held for sale | | **1 308** | 823 | 59 |
| Loans and advances to customers | 8 | **749 772** | 720 309 | 4 |
| Reinsurance assets | | **892** | 985 | (9) |
| Investments linked to investment contracts | | **18 936** | 18 816 | 1 |
| Investments in associates and joint ventures | | **1 235** | 1 065 | 16 |
| Investment property | | **231** | 478 | (52) |
| Property and equipment | | **15 178** | 14 643 | 4 |
| Goodwill and intangible assets | | **4 591** | 4 049 | 13 |
| Deferred tax assets | | **1 291** | 1 328 | (3) |
| **Total assets** | | **1 165 067** | 1 101 023 | 6 |
| **Liabilities** | | | | |
| Deposits from banks | | **67 390** | 53 192 | 27 |
| Trading portfolio liabilities | | **64 047** | 47 429 | 35 |
| Hedging portfolio liabilities | | **1 123** | 2 064 | (46) |
| Other liabilities | | **31 317** | 27 696 | 13 |
| Provisions | | **2 945** | 3 005 | (2) |
| Current tax liabilities | | **352** | 244 | 44 |
| Non-current liabilities held for sale | | **48** | 9 | >100 |
| Deposits due to customers | 9 | **689 867** | 674 865 | 2 |
| Debt securities in issue | 10 | **137 948** | 139 714 | (1) |
| Loan from Barclays separation segment[1] | | **9 950** | — | 100 |
| Liabilities under investment contracts | | **30 585** | 29 198 | 5 |
| Policyholder liabilities under insurance contracts | | **4 617** | 4 469 | 3 |
| Borrowed funds | 11 | **15 895** | 15 673 | 1 |
| Deferred tax liabilities | | **675** | 1 185 | (43) |
| **Total liabilities** | | **1 056 759** | 998 743 | 6 |
| **Equity** | | | | |
| Capital and reserves | | | | |
| Attributable to ordinary equity holders: | | | | |
| Share capital | 11 | **1 691** | 1 693 | (0) |
| Share premium | 11 | **3 949** | 4 467 | (12) |
| Retained earnings | | **87 784** | 81 604 | 8 |
| Other reserves | | **4 240** | 5 293 | (20) |
| | | **97 664** | 93 057 | 5 |
| Non-controlling interest – ordinary shares | | **4 500** | 4 579 | (2) |
| Non-controlling interest – preference shares | | **4 644** | 4 644 | — |
| Non-controlling interest – Tier 1 capital | | **1 500** | — | 100 |
| **Total equity** | | **108 308** | 102 280 | 6 |
| **Total liabilities and equity** | | **1 165 067** | 1 101 023 | 6 |

**Note**

[1] Includes the contribution of R12,1bn that was received from Barclays PLC, net of amounts already spent on separation activities. The cash received is held centrally by Treasury.

# Condensed consolidated normalised statement of changes in equity

for the reporting period ended 31 December

| | Number of ordinary shares '000 | Share capital Rm | Share premium Rm | Retained earnings Rm | Total other reserves Rm | General credit-risk reserve Rm |
|---|---|---|---|---|---|---|
| **Balance at the beginning of the reporting period** | **846 675** | **1 693** | **4 467** | **81 604** | **5 293** | **757** |
| Total comprehensive income | — | — | — | 15 132 | (1 060) | — |
| Profit for the period | — | — | — | 15 305 | — | — |
| Other comprehensive income | — | — | — | (173) | (1 060) | — |
| Dividends paid during the reporting period | — | — | — | (8 821) | — | — |
| Distributions paid during the reporting period | — | — | — | — | — | — |
| Shares issued | — | — | — | — | — | — |
| Purchase of Group shares in respect of equity-settled share-based payment arrangements | — | — | (742) | 13 | — | — |
| Elimination of the movement in treasury shares held by Group entities | (1 121) | (2) | (518) | — | — | — |
| Movement in share-based payment reserve | — | — | 742 | — | (185) | — |
| Transfer from share-based payment reserve | — | — | 742 | — | (742) | — |
| Value of employee services | — | — | — | — | 525 | — |
| Deferred tax | — | — | — | — | 32 | — |
| Movement in general credit risk reserve | — | — | — | (22) | 22 | 22 |
| Share of post-tax results of associates and joint ventures | — | — | — | (170) | 170 | — |
| Disposal of non-controlling interest[1] | — | — | — | — | — | — |
| Non-controlling interest arising from business combinations | — | — | — | — | — | — |
| Shareholder contribution – fair value of investment[2] | — | — | — | 48 | — | — |
| **Balance at the end of the reporting period** | **845 554** | **1 691** | **3 949** | **87 784** | **4 240** | **779** |

| | Number of ordinary shares '000 | Share capital Rm | Share premium Rm | Retained earnings Rm | Total other reserves Rm | General credit-risk reserve Rm |
|---|---|---|---|---|---|---|
| **Balance at the beginning of the reporting period** | 845 725 | 1 691 | 4 250 | 75 785 | 7 566 | 727 |
| Total comprehensive income | — | — | — | 14 496 | (2 565) | — |
| Profit for the period | — | — | — | 14 708 | — | — |
| Other comprehensive income | — | — | — | (212) | (2 565) | — |
| Dividends paid | — | — | — | (8 536) | — | — |
| Purchase of Group shares in respect of equity-settled share-based payment arrangements | — | — | (409) | (12) | — | — |
| Elimination of the movement in treasury shares held by Group entities | 950 | 2 | 151 | — | — | — |
| Movement in share-based payment reserve | — | — | 409 | — | 163 | — |
| Transfer from share-based payment reserve | — | — | 409 | — | (409) | — |
| Value of employee services | — | — | — | — | 495 | — |
| Conversion from cash-settled to equity-settled schemes | — | — | — | — | 37 | — |
| Deferred tax | — | — | — | — | 40 | — |
| Movement in general credit-risk reserve | — | — | — | (30) | 30 | 30 |
| Movement in foreign insurance subsidiary regulatory reserve | — | — | — | 16 | (16) | — |
| Share of post-tax results of associates and joint ventures | — | — | — | (115) | 115 | — |
| Acquisition of a subsidiary[3,4] | — | — | 66 | — | — | — |
| **Balance at the end of the reporting period** | 846 675 | 1 693 | 4 467 | 81 604 | 5 293 | 757 |

**Notes**

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

2 CLS Group Holding AG shares were transferred to Barclays PLC for no consideration in 2005. During the current reporting period these shares were transferred back to the Group for a nominal consideration of one British Pound Sterling (GBP). The shares have been recognised at a fair value of R48m. The related credit has been recognised in equity as a shareholder contribution.

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

4 During the previous reporting period the Group acquired a 75% controlling stake in Absa Instant Life (Pty) Ltd which resulted in a R25m increase in non-controlling interest.

5 The Additional Tier 1 Capital notes represent perpetual, subordinated instruments redeemable in full at the option of Barclays Africa Group Limited (the issuer) on 12 September 2022 subject to regulatory approval. Interest is paid at the discretion of the issuer and is non-cumulative.

2017

| Available-for-sale reserves Rm | Cash flow hedging reserve Rm | Foreign currency translation reserve Rm | Foreign insurance subsidiary regulatory reserve Rm | Share-based payment reserve Rm | Associates and joint ventures' reserve Rm | Capital and reserves attributable to ordinary equity holders Rm | Non-controlling interest – ordinary shares Rm | Non-controlling interest – preference shares Rm | Non-controlling interest – additional Tier 1 capital[5] Rm | Total equity Rm |
|---|---|---|---|---|---|---|---|---|---|---|
| 377 | (144) | 2 353 | 6 | 892 | 1 052 | 93 057 | 4 579 | 4 644 | — | 102 280 |
| 68 | 794 | (1 922) | — | — | — | 14 072 | 516 | 362 | 48 | 14 998 |
| — | — | — | — | — | — | 15 305 | 789 | 362 | 48 | 16 504 |
| 68 | 794 | (1 922) | — | — | — | (1 233) | (273) | — | — | (1 506) |
| — | — | — | — | — | — | (8 821) | (567) | (362) | — | (9 750) |
| — | — | — | — | — | — | — | — | — | (48) | (48) |
| — | — | — | — | — | — | — | — | — | 1 500 | 1 500 |
| — | — | — | — | — | — | (729) | — | — | — | (729) |
| — | — | — | — | — | — | (520) | — | — | — | (520) |
| — | — | — | — | (185) | — | 557 | — | — | — | 557 |
| — | — | — | — | (742) | — | — | — | — | — | — |
| — | — | — | — | 525 | — | 525 | — | — | — | 525 |
| — | — | — | — | 32 | — | 32 | — | — | — | 32 |
| — | — | — | — | — | — | — | — | — | — | — |
| — | — | — | — | — | 170 | — | — | — | — | — |
| — | — | — | — | — | — | — | (24) | — | — | (24) |
| — | — | — | — | — | — | — | (4) | — | — | (4) |
| — | — | — | — | — | — | 48 | — | — | — | 48 |
| 445 | 650 | 431 | 6 | 707 | 1 222 | 97 664 | 4 500 | 4 644 | 1 500 | 108 308 |

2016

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

# Condensed consolidated normalised statement of cash flows

for the reporting period ended 31 December

| | Note | **2017 Rm** | 2016 Rm | Change % |
|---|---|---|---|---|
| Net cash generated from operating activities | | **10 655** | 4 701 | >100 |
| Net cash utilised in investing activities | | **(1 718)** | (1 779) | (3) |
| Net cash utilised in financing activities | | **(9 512)** | (5 136) | 85 |
| **Net decrease in cash and cash equivalents** | | **(575)** | (2 214) | (74) |
| Cash and cash equivalents at the beginning of the reporting period | 1 | **17 734** | 21 366 | (17) |
| Effect of foreign exchange rate movements on cash and cash equivalents | | **161** | (198) | >(100) |
| **Cash and cash equivalents at the end of the reporting period** | 2 | **17 320** | 18 954 | (9) |

## Notes to the condensed consolidated normalised statement of cash flows

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

| | **2017 Rm** | 2016 Rm | Change % |
|---|---|---|---|
| Cash, cash balances and balances with central banks[1] | **13 141** | 12 899 | 2 |
| Loans and advances to banks[2] | **4 593** | 8 467 | (46) |
| | **17 734** | 21 366 | (17) |

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

| | **2017 Rm** | 2016 Rm | Change % |
|---|---|---|---|
| Cash, cash balances and balances with central banks[1] | **13 518** | 10 644 | 27 |
| Loans and advances to banks[2] | **3 802** | 8 310 | (54) |
| | **17 320** | 18 954 | (9) |

Notes

[1] Includes coins and bank notes.

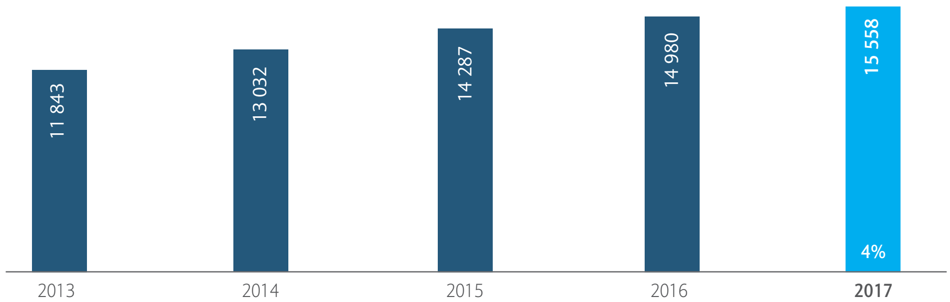
[2] Includes call advances, which are used as working capital by the Group.

# Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended 31 December

## 1. Headline earnings and earnings per ordinary share

### Headline earnings (Rm and change %)




| | 2017 | | 2016 | | |
|---|---|---|---|---|---|
| **Headline earnings** | **Gross Rm** | **Net[1] Rm** | Gross Rm | Net[1] Rm | Net change % |
| Headline earnings are determined as follows: | | | | | |
| Profit attributable to ordinary equity holders | | **15 305** | | 14 708 | 4 |
| Total headline earnings adjustment | | **253** | | 272 | (7) |
| IFRS 3 – Goodwill impairment | **38** | **38** | 34 | 34 | 12 |
| IFRS 5 – Loss/(gain) on disposal of non-current assets held for sale | **36** | **39** | (31) | (25) | <(100) |
| IAS 16 – Profit on disposal of property and equipment | **(43)** | **(34)** | (29) | (21) | 62 |
| IAS 21 – Recycled foreign currency translation reserve | **52** | **52** | (320) | (297) | <(100) |
| IAS 28 – Impairment of investments in associates and joint ventures | **—** | **—** | 42 | 34 | (100) |
| IAS 36 – Impairment of property and equipment | **221** | **159** | — | — | 100 |
| IAS 36 – Impairment of intangible assets | **59** | **42** | 618 | 610 | (93) |
| IAS 39 – Release of available-for-sale reserves | **67** | **49** | (3) | (2) | <(100) |
| IAS 40 – Change in fair value of investment properties | **(105)** | **(87)** | (70) | (61) | 43 |
| IAS 40 – Profit on disposal of investment property | **(5)** | **(5)** | — | — | 100 |
| | | **15 558** | | 14 980 | 4 |

### *Notable adjustments to headline earnings*

- The 'Goodwill impairment' during the current reporting period relates to the acquisition of First Assurance Kenya, a WIMI subsidiary. A goodwill impairment was necessary in light of the receipt of a partial reimbursement of the acquisition price to BAGL in terms of the acquisition agreement. The impairment was fully offset by a re-measurement gain on acquisition-related receivables which was accounted for through Other operating income.
- The 'Loss/gain on disposal of non-current asset held for sale' relates to the disposal of subsidiaries.
- The 'Profit on disposal of property and equipment' in the current reporting period is attributable to the sale of freehold property and equipment.
- The 'Recycled foreign currency translation reserve' in the current reporting period is attributable to a foreign currency distribution which formed part of the permanent capital of a subsidiary that was disposed of in the CPF Equity portfolio in RBB South Africa. The amount included in the previous reporting period was due to a foreign currency distribution which formed part of the permanent capital of the London branch.
- The 'Impairment of property and equipment' in the current reporting period is mainly due to the impairment of equipment in Head Office.
- The 'Impairment of intangible assets' in the current reporting period includes internally generated software of WIMI. In the previous reporting period the impairment of intangible assets was incurred by RBB South Africa and Head Office. The impairment in RBB South Africa was mainly due to the impact of the interest rate outlook on the fair value of a purchased customer list. The impairment in Head Office was due to a decision to fully impair costs spent on our Virtual bank work.
- The 'Release of available-for-sale reserves' relates to the release from the sale of government bonds during the current reporting period.
- The 'Change in fair value of investment properties' in the current and previous reporting period relates to Commercial Property Finance in RBB South Africa.

Note

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

# Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended 31 December

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

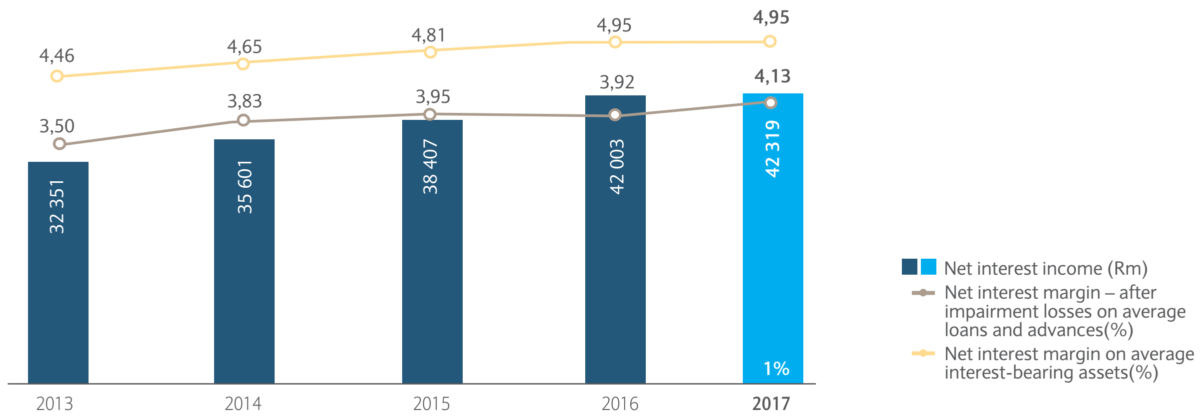
| | 2017 | 2016 | Change value/ % |
|---|---|---|---|
| **Basic earnings per ordinary share** | | | |
| **Basic earnings attributable to ordinary equity holders (Rm)** | **15 305** | 14 708 | 4 |
| Weighted average number of ordinary shares in issue (million) | **846,5** | 846,5 | — |
| Issued shares at the beginning of the reporting period (million) | **847,8** | 847,8 | — |
| Treasury shares held by Group entities (million) | **(1,3)** | (1,3) | — |
| **Basic earnings per ordinary share (cents)** | **1 808,0** | 1 737,5 | 4 |
| **Diluted basic earnings per ordinary share** | | | |
| **Basic earnings attributable to ordinary equity holders (Rm)** | **15 305** | 14 708 | 4 |
| Diluted weighted average number of ordinary shares in issue (million) | **846,6** | 846,6 | — |
| Weighted average number of ordinary shares in issue (million) | **846,5** | 846,5 | — |
| Adjustments for share options issued at no value (million) | **0,1** | 0,1 | — |
| **Diluted basic earnings per ordinary share (cents)** | **1 807,8** | 1 737,3 | 4 |
| **Headline earnings per ordinary share** | | | |
| **Headline earnings attributable to ordinary equity holders (Rm)** | **15 558** | 14 980 | 4 |
| Weighted average number of ordinary shares in issue (million) | **846,5** | 846,5 | — |
| **Headline earnings per ordinary share (cents)** | **1 837,9** | 1 769,6 | 4 |
| **Diluted headline earnings per ordinary share** | | | |
| **Headline earnings attributable to ordinary equity holders (Rm)** | **15 558** | 14 980 | 4 |
| Diluted weighted average number of ordinary shares in issue (million) | **846,6** | 846,6 | — |
| **Diluted headline earnings per ordinary share (cents)** | **1 837,7** | 1 769,4 | 4 |

# Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended 31 December

## 2. Net interest income

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




| Group average statement of financial position | 2017 Average balance[1] Rm | 2017 Average rate % | 2017 Interest income/ (expense) Rm | 2016 Average balance[1,2] Rm | 2016 Average rate % | 2016 Interest income/ (expense)[3] Rm |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| Cash, cash balances and balances with central banks | 3 217 | 0,53 | 17 | 3 920 | 0,28 | 11 |
| Investment securities | 108 630 | 8,93 | 9 699 | 94 752 | 8,96 | 8 486 |
| Loans and advances to banks and customers | 742 506 | 10,26 | 76 202 | 749 218 | 10,07 | 75 451 |
| Other interest[4] | — | — | — | — | — | 1 166 |
| Interest-bearing assets | 854 353 | 10,06 | 85 918 | 847 890 | 10,04 | 85 114 |
| Non-interest-bearing assets | 270 177 | — | — | 273 854 | — | — |
| **Total assets** | 1 124 530 | 7,64 | 85 918 | 1 121 744 | 7,59 | 85 114 |
| **Liabilities** | | | | | | |
| Deposits due to banks and customers | 636 279 | (4,92) | (31 320) | 619 953 | (4,92) | (30 496) |
| Debt securities in issue | 120 692 | (8,71) | (10 517) | 117 357 | (8,46) | (9 923) |
| Borrowed funds | 15 680 | (11,24) | (1 762) | 13 821 | (11,35) | (1 569) |
| Other interest[4] | — | — | — | — | — | (1 123) |
| Interest-bearing liabilities | 772 651 | (5,64) | (43 599) | 751 131 | (5,74) | (43 111) |
| Non-interest-bearing liabilities | 247 430 | — | — | 270 519 | — | — |
| **Total liabilities** | 1 020 081 | (4,27) | (43 599) | 1 021 650 | (4,22) | (43 111) |
| **Total equity** | 104 449 | — | — | 100 094 | — | — |
| **Total equity and liabilities** | 1 124 530 | (3,88) | (43 599) | 1 121 744 | (3,84) | (43 111) |
| **Net interest margin on average interest-bearing assets** | | 4,95 | | | 4,95 | |

Notes

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

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

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

4 In the current reporting period, interest on the Group's defined-benefit plans was reallocated from 'Other interest' to 'Operating expenses'. This is a prospective change to more appropriately reflect the substance of the item.

# Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended 31 December

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

| Change in net interest margin | 2017 bps | 2016[1] bps |
|---|---|---|
| **Loans and advances to customers (i)** | **(5)** | (3) |
| Change in customer rates (pricing) | **(2)** | (2) |
| Change in composition | **(3)** | (1) |
| **Deposits due to customers (ii)** | **1** | 3 |
| Change in customer rates (pricing) | **1** | 7 |
| Change in composition | **1** | (5) |
| Endowment (iii) | **(1)** | 1 |
| **Equity endowment (iii)** | **4** | 9 |
| **Interest rate risk management (hedging strategy) (iii)** | **—** | (11) |
| **Rest of Africa (iv)** | **(2)** | 10 |
| **Other (v)** | **2** | 6 |
| | **—** | 14 |

### *Performance*

The Group's net interest margin is in line with the previous reporting period (2016: increased by 14 bps) and reflects the following:

### (i) Loans and advances to customers

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

### (ii) Deposits due to customers

- Improved margins within Corporate contributed favourably to the Group's liability margin.
- The composition of deposits had a marginal positive impact on Group margin mainly as a result of a reduction in lower margin balances in Corporate.

Note

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

# Performance indicators and condensed normalised notes to the consolidated financial statements

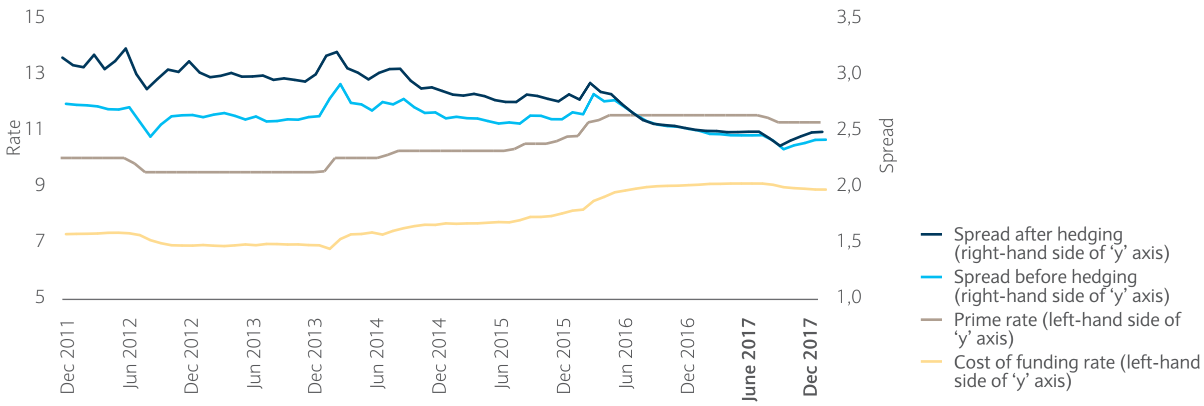
for the reporting period ended 31 December

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

### *Performance* *(continued)*

### (iii) Hedging strategy

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




- Absa Bank Limited employs a governed interest rate strategy (hedging programme) through the interest rate cycle to reduce margin volatility associated with structural balances (i.e. rate insensitive liabilities as well as the endowment associated with equity).
- Qualification criterion for balances to be treated as structural is well defined and tested. As at 31 December 2017 an aggregate of **14%** (2016: 13%) of Absa Bank Limited's total capital and liabilities constituted structural balances.
- Cash flow hedge accounting is applied to account for the interest rate swaps executed as part of the hedging programme. The after tax 'cash flow hedging reserve' relating to the hedging programme moved from a largely neutral balance in 2016 to a credit balance of R731m in 2017. The benefit realised in the current reporting period of 3 bps was in line with the benefit in the previous reporting period of 3 bps, releasing **R258m** (2016: R268m) to the statement of comprehensive income.
- Endowment on equity and liabilities had a net 3 bps positive impact from faster growth of endowment balances relative to the Group's overall interest-bearing assets.

### (iv) Rest of Africa

- Rest of Africa had a 2 bps adverse impact on Group margin mainly from Kenya interest rate regulations (introduced during the second half of 2016) as well as the negative composition effect of weaker average exchange rates in these markets during the reporting period. Excluding these impacts, there was a year-on-year improvement in underlying Rest of Africa margins.

### (v) Other

- Other items have had a cumulative impact of 2 bps mainly representing:
  - The benefit of lower average loans to banks linked to the management of the Group's short-term liquidity requirements, partially offset by;
  - The negative impact of a decrease in the prime rate in the current period compared to an increase in the prior period; and
  - Increased cost of liquidity including the costs associated with the Committed Liquidity Facility.

Note

[1] Absa Bank Limited hedging strategy:

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

# Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended 31 December

## 3. Non-interest income

### 3.1 Net fee and commission income

| | 2017 Rm | 2016 Rm | Change % |
|---|---|---|---|
| Asset management and other related fees | **140** | 169 | (17) |
| Consulting and administration fees | **708** | 743 | (5) |
| Transactional fees and commissions | **18 462** | 17 942 | 3 |
| Cheque accounts | **4 943** | 4 334 | 14 |
| Credit cards (includes card issuing fees) | **2 624** | 2 609 | 1 |
| Electronic banking | **5 185** | 5 012 | 3 |
| Other (includes fees on mortgage loans and foreign currency transactions) | **3 648** | 3 703 | (1) |
| Savings accounts | **2 062** | 2 284 | (10) |
| Insurance commission received | **966** | 1 126 | (14) |
| Investment, markets execution and investment banking fees | **568** | 400 | 42 |
| Merchant income | **1 890** | 1 757 | 8 |
| Other fee and commission income | **557** | 391 | 42 |
| Trust and other fiduciary services fees | **1 433** | 1 444 | (1) |
| Portfolio and other management fees | **1 121** | 1 147 | (2) |
| Trust and estate income | **312** | 297 | 5 |
| Fee and commission income | **24 724** | 23 972 | 3 |
| Fee and commission expense | **(3 013)** | (3 249) | (7) |
| Brokerage fees | **(99)** | (142) | (30) |
| Cheque processing fees | **(125)** | (134) | (7) |
| Clearing and settlement charges | **(645)** | (711) | (9) |
| Insurance commission paid | **(1 065)** | (1 150) | (7) |
| Notification fees | **(198)** | (202) | (2) |
| Other | **(806)** | (797) | 1 |
| Valuation fees | **(75)** | (113) | (34) |
| | **21 711** | 20 723 | 5 |
| **Segment split**[1] | | | |
| South Africa Banking | **18 069** | 16 883 | 7 |
| RBB South Africa | **16 130** | 15 282 | 6 |
| Retail Banking South Africa | **12 597** | 12 054 | 5 |
| Business Banking South Africa | **3 533** | 3 228 | 9 |
| CIB South Africa | **1 939** | 1 601 | 21 |
| Rest of Africa Banking | **2 779** | 2 957 | (6) |
| WIMI | **1 261** | 1 267 | (0) |
| Head Office, Treasury and other operations in South Africa | **(398)** | (384) | 4 |
| | **21 711** | 20 723 | 5 |

Note

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

# Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended 31 December

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

### *3.2 Net insurance premium income*

| | 2017 Rm | 2016 Rm | Change % |
|---|---|---|---|
| Gross insurance premiums | **7 560** | 8 102 | (7) |
| Premiums ceded to reinsurers | **(962)** | (1 116) | (14) |
| | **6 598** | 6 986 | (6) |
| **Segment split** | | | |
| Retail Banking South Africa, including Woolworths Financial Services (WFS) | **300** | 293 | 2 |
| WIMI | **6 348** | 6 701 | (5) |
| Head Office, Treasury and other operations in South Africa | **(50)** | (8) | >100 |
| | **6 598** | 6 986 | (6) |

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

| | 2017 Rm | 2016 Rm | Change % |
|---|---|---|---|
| Gross claims and benefits incurred on insurance contracts | **(3 994)** | (4 387) | (9) |
| Reinsurance recoveries | **660** | 696 | (5) |
| | **(3 334)** | (3 691) | (10) |
| Retail Banking South Africa, including WFS | **(52)** | (44) | 18 |
| WIMI | **(3 235)** | (3 639) | (11) |
| Head Office, Treasury and other operations in South Africa | **(47)** | (8) | >100 |
| | **(3 334)** | (3 691) | (10) |

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

| | 2017 Rm | 2016 Rm | Change % |
|---|---|---|---|
| Change in insurance contract liabilities | **(137)** | (134) | 2 |
| Change in investment contract liabilities[1] | **(1 976)** | (359) | >100 |
| | **(2 113)** | (493) | >100 |
| **Segment split** | | | |
| Retail Banking South Africa, including WFS | **(6)** | 1 | <(100) |
| WIMI | **(2 113)** | (499) | >100 |
| Head Office, Treasury and other operations in South Africa | **6** | 5 | 20 |
| | **(2 113)** | (493) | >100 |

Note

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

# Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended 31 December

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

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

| | 2017 Rm | 2016 Rm | Change % |
|---|---|---|---|
| Net gains on investments | **227** | 237 | (4) |
| Debt instruments designated at fair value through profit or loss | **190** | 225 | (16) |
| Equity instruments designated at fair value through profit or loss | **104** | 9 | >100 |
| Available-for-sale unwind from reserves | **(67)** | 3 | <(100) |
| Net trading result | **4 807** | 5 341 | (10) |
| Net trading income excluding the impact of hedge accounting | **4 855** | 5 431 | (11) |
| Ineffective portion of hedges | **(48)** | (90) | (47) |
| Cash flow hedges | **17** | (53) | <(100) |
| Fair value hedges | **(65)** | (37) | 76 |
| Other gains | **138** | 113 | 22 |
| | **5 172** | 5 691 | (9) |
| **Segment split**[1] | | | |
| South Africa Banking | **2 529** | 2 835 | (11) |
| RBB South Africa | **322** | 248 | 30 |
| Retail Banking South Africa | **302** | 230 | 31 |
| Business Banking South Africa | **20** | 18 | 11 |
| CIB South Africa | **2 207** | 2 587 | (15) |
| Rest of Africa Banking | **2 055** | 2 246 | (9) |
| Head Office, Treasury and other operations in South Africa[2] | **588** | 610 | (4) |
| | **5 172** | 5 691 | (9) |

### *3.6 Gains and losses from investment activities*

| | 2017 Rm | 2016 Rm | Change % |
|---|---|---|---|
| Net gains on investments from insurance activities | **1 863** | 47 | >100 |
| Policyholder insurance contracts | **293** | 201 | 46 |
| Policyholder investment contracts[3] | **1 144** | (445) | <(100) |
| Shareholders' funds | **426** | 291 | 46 |
| Other gains | **42** | 4 | >100 |
| | **1 905** | 51 | >100 |
| **Segment split** | | | |
| WIMI | **2 899** | 885 | >100 |
| Head Office, Treasury and other operations in South Africa[2] | **(994)** | (834) | 19 |
| | **1 905** | 51 | >100 |

Notes

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

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

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

# Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended 31 December

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

### *3.7 Other operating income*

| | 2017 Rm | 2016 Rm | Change % |
|---|---|---|---|
| Property-related income | **293** | 319 | (8) |
| Income from investment properties | **182** | 242 | (25) |
| Change in fair value | **105** | 84 | 25 |
| Rentals | **77** | 158 | (51) |
| Profit on disposal of property and equipment | **23** | 9 | >100 |
| Profit on sale of developed properties | **38** | 17 | >100 |
| Profit/(loss) on sale of repossessed properties | **16** | (25) | <(100) |
| Rental income | **34** | 76 | (55) |
| Other operating income | **349** | 805 | (57) |
| Foreign exchange differences, including recycle from other comprehensive income | **(93)** | 360 | <(100) |
| Income from maintenance contracts | **45** | 36 | 25 |
| Sundry income[1] | **397** | 409 | (3) |
| **Normalised other operating income** | **642** | 1 124 | (43) |
| **Segment split[2]** | | | |
| Property-related income | **293** | 319 | (8) |
| South Africa Banking | **164** | 239 | (31) |
| RBB South Africa | **164** | 239 | (31) |
| Retail Banking South Africa | **20** | (25) | <(100) |
| Business Banking South Africa | **144** | 264 | (45) |
| Rest of Africa Banking | **13** | 18 | (28) |
| WIMI | **25** | 41 | (39) |
| Head Office, Treasury and other operations in South Africa | **91** | 21 | >100 |
| Other operating income | **349** | 805 | (57) |
| South Africa Banking | **362** | 376 | (4) |
| RBB South Africa | **324** | 326 | (1) |
| Retail Banking South Africa | **358** | 300 | 19 |
| Business Banking South Africa | **(34)** | 26 | <(100) |
| CIB South Africa | **38** | 50 | (24) |
| Rest of Africa Banking | **6** | 5 | 20 |
| WIMI | **(57)** | 91 | <(100) |
| Head Office, Treasury and other operations in South Africa | **38** | 333 | (89) |
| | **642** | 1 124 | (43) |

Notes

[1] Includes service fees levied on asset finance.

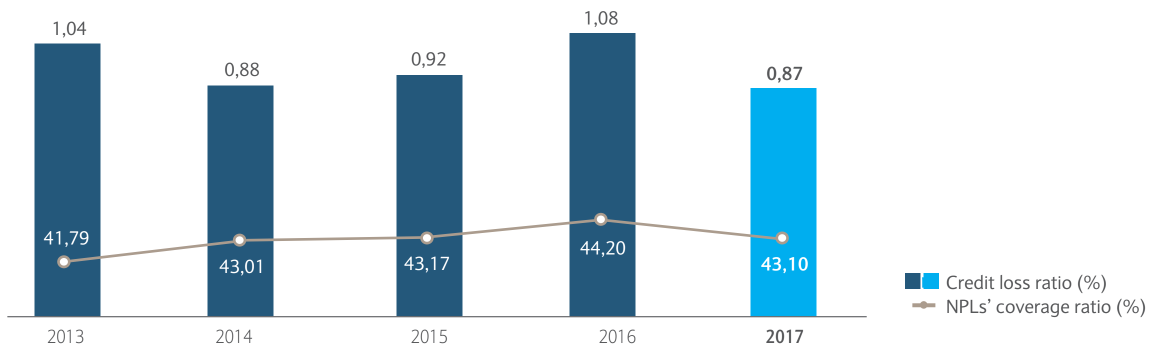
[2] These numbers have been restated, refer to the report overview on the inside cover page.

# Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended 31 December

## 4. Impairment losses on loans and advances

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




| Charge to the statement of comprehensive income by market segment | 2017 Rm | 2016[1] Rm | Change % |
|---|---|---|---|
| **South Africa Banking** | | | |
| Total charge | **5 605** | 7 042 | (20) |
| Credit loss ratio (%) | **0,80** | 1,03 | |
| **RBB South Africa** | | | |
| Total charge | **5 038** | 6 022 | (16) |
| Credit loss ratio (%) | **1,10** | 1,33 | |
| **Retail Banking South Africa** | | | |
| Card and Payments | **1 924** | 2 345 | (18) |
| Home Loans | **689** | 922 | (25) |
| Personal Loans | **1 112** | 994 | 12 |
| Transactional and Deposits | **193** | 131 | 47 |
| Vehicle and Asset Finance | **847** | 1 047 | (19) |
| Other | **(1)** | 1 | <(100) |
| Total charge | **4 764** | 5 440 | (12) |
| Credit loss ratio (%) | **1,20** | 1,39 | |
| **Business Banking South Africa** | | | |
| Total charge | **274** | 581 | (53) |
| Credit loss ratio (%) | **0,43** | 0,98 | |
| **CIB South Africa** | | | |
| Total charge | **567** | 1 020 | (44) |
| Credit loss ratio (%) | **0,24** | 0,44 | |
| **Rest of Africa Banking** | | | |
| Total charge | **1 289** | 1 732 | (26) |
| Credit loss ratio (%) | **1,34** | 1,62 | |
| **WIMI** | | | |
| Total charge | **120** | 10 | >100 |
| Credit loss ratio (%) | **1,58** | 0,13 | |
| **Head Office, Treasury and other operations in South Africa** | | | |
| Total charge | **8** | (33) | <(100) |
| **Total charge to the statement of comprehensive income** | **7 022** | 8 751 | (20) |
| **Comprising:** | | | |
| Impairments raised | **7 985** | 9 768 | (18) |
| Identified impairments | **8 113** | 9 053 | (10) |
| Unidentified impairments | **(128)** | 715 | <(100) |
| Recoveries of loans and advances previously written off[2] | **(963)** | (1 017) | (5) |
| **Total charge to the statement of comprehensive income** | **7 022** | 8 751 | (20) |
| **Credit loss ratio on gross loans and advances** | **0,87** | 1,08 | |

Notes

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

[2] Includes collection costs of **R289m** (2016: R300m).

[3] Disclosure is provided on a product level.

# Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended 31 December

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

| | 2017 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Performing loans | | | Non-performing loans | | | |
| Loans and advances | Exposure Rm | Impairment Rm | Coverage ratio % | Exposure Rm | Impairment Rm | Coverage ratio % | Net total exposure Rm |
| **South Africa Banking** | 655 131 | 4 556 | 0,70 | 25 887 | 10 503 | 40,57 | 665 959 |
| RBB South Africa | 436 694 | 3 997 | 0,92 | 23 868 | 9 671 | 40,52 | 446 894 |
| Retail Banking South Africa | 374 761 | 3 223 | 0,86 | 20 534 | 8 576 | 41,76 | 383 497 |
| Credit cards | 34 505 | 729 | 2,11 | 5 053 | 3 605 | 71,34 | 35 224 |
| Instalment credit agreements | 76 498 | 698 | 0,91 | 2 362 | 1 117 | 47,29 | 77 045 |
| Loans to associates and joint ventures | 23 037 | — | — | — | — | — | 23 037 |
| Mortgages | 215 467 | 1 124 | 0,52 | 10 353 | 2 073 | 20,02 | 222 623 |
| Other loans and advances | 739 | — | — | — | — | — | 739 |
| Overdrafts | 5 348 | 71 | 1,33 | 383 | 215 | 56,14 | 5 445 |
| Personal and term loans | 19 167 | 601 | 3,14 | 2 383 | 1 566 | 65,72 | 19 383 |
| Business Banking South Africa | 61 933 | 774 | 1,25 | 3 334 | 1 095 | 32,84 | 63 398 |
| Mortgages (including CPF) | 26 158 | 141 | 0,54 | 1 477 | 519 | 35,12 | 26 975 |
| Overdrafts | 19 863 | 396 | 1,99 | 1 082 | 374 | 34,57 | 20 175 |
| Term loans | 15 912 | 237 | 1,49 | 775 | 202 | 26,08 | 16 248 |
| CIB South Africa | 218 437 | 559 | 0,26 | 2 019 | 832 | 41,21 | 219 065 |
| **Rest of Africa Banking** | 76 738 | 981 | 1,28 | 4 742 | 2 636 | 55,59 | 77 863 |
| **WIMI** | 4 930 | 13 | 0,26 | 262 | 175 | 66,79 | 5 004 |
| **Head Office, Treasury and other operations in South Africa** | 956 | 10 | 1,05 | — | — | — | 946 |
| **Loans and advances to customers** | 737 755 | 5 560 | 0,75 | 30 891 | 13 314 | 43,10 | 749 772 |
| **Loans and advances to banks** | 55 426 | — | — | — | — | — | 55 426 |
| | 793 181 | 5 560 | 0,70 | 30 891 | 13 314 | 43,10 | 805 198 |

| | 2016 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Performing loans | | | Non-performing loans | | | |
| Loans and advances | Exposure Rm | Impairment Rm | Coverage ratio % | Exposure Rm | Impairment Rm | Coverage ratio % | Net total exposure Rm |
| **South Africa Banking** | 626 700 | 4 707 | 0,75 | 25 719 | 11 001 | 42,77 | 636 711 |
| RBB South Africa | 425 122 | 4 063 | 0,96 | 23 454 | 9 817 | 41,86 | 434 696 |
| Retail Banking South Africa | 366 861 | 3 290 | 0,90 | 20 166 | 8 655 | 42,92 | 375 082 |
| Credit cards | 34 802 | 728 | 2,09 | 5 423 | 3 883 | 71,60 | 35 614 |
| Instalment credit agreements | 73 530 | 735 | 1,00 | 2 085 | 925 | 44,36 | 73 955 |
| Loans to associates and joint ventures | 18 933 | — | — | — | — | — | 18 933 |
| Mortgages | 216 955 | 1 213 | 0,56 | 10 029 | 2 109 | 21,03 | 223 662 |
| Other loans and advances | 510 | — | — | — | — | — | 510 |
| Overdrafts | 3 923 | 54 | 1,38 | 220 | 142 | 64,55 | 3 947 |
| Personal and term loans | 18 208 | 560 | 3,08 | 2 409 | 1 596 | 66,25 | 18 461 |
| Business Banking South Africa | 58 261 | 773 | 1,33 | 3 288 | 1 162 | 35,34 | 59 614 |
| Mortgages (including CPF) | 24 638 | 158 | 0,64 | 1 567 | 536 | 34,21 | 25 511 |
| Overdrafts | 18 307 | 366 | 2,00 | 929 | 421 | 45,32 | 18 449 |
| Term loans | 15 316 | 249 | 1,63 | 792 | 205 | 25,88 | 15 654 |
| CIB South Africa[1] | 201 578 | 644 | 0,32 | 2 265 | 1 184 | 52,27 | 202 015 |
| **Rest of Africa Banking**[1] | 75 991 | 1 246 | 1,64 | 5 262 | 2 687 | 51,06 | 77 320 |
| **WIMI** | 5 615 | 14 | 0,25 | 116 | 57 | 49,14 | 5 660 |
| **Head Office, Treasury and other operations in South Africa** | 622 | 4 | 0,64 | — | — | — | 618 |
| **Loans and advances to customers** | 708 928 | 5 971 | 0,84 | 31 097 | 13 745 | 44,20 | 720 309 |
| **Loans and advances to banks** | 49 790 | — | — | — | — | — | 49 790 |
| | 758 718 | 5 971 | 0,79 | 31 097 | 13 745 | 44,20 | 770 099 |

Note

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

# Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended 31 December

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

| | 2017 | | | | | | |
|---|---|---|---|---|---|---|---|
| **Reconciliation of allowances for impairment losses on loans and advances to customers** | **Retail Banking South Africa Rm** | **Business Banking South Africa Rm** | **CIB South Africa Rm** | **Rest of Africa Banking Rm** | **WIMI Rm** | **Head Office, Treasury and other operations in South Africa Rm** | **Total Rm** |
| Balance at the beginning of the reporting period | 11 945 | 1 935 | 1 828 | 3 933 | 71 | 4 | 19 716 |
| Net present value unwind on non-performing book | (642) | (71) | — | — | — | — | (713) |
| Exchange differences | — | — | — | (331) | — | — | (331) |
| Amounts written off | (4 975) | (387) | (1 006) | (1 411) | (5) | 1 | (7 783) |
| Impairment raised – identified | 5 556 | 444 | 653 | 1 339 | 121 | — | 8 113 |
| Impairment raised/(utilised) – unidentified | (83) | (51) | (86) | 86 | 1 | 5 | (128) |
| **Balance at the end of the reporting period** | **11 801** | **1 869** | **1 390** | **3 616** | **188** | **10** | **18 874** |

| | 2016[1] | | | | | | |
|---|---|---|---|---|---|---|---|
| **Reconciliation of allowances for impairment losses on loans and advances to customers** | Retail Banking South Africa Rm | Business Banking South Africa Rm | CIB South Africa Rm | Rest of Africa Banking Rm | WIMI Rm | Head Office, Treasury and other operations in South Africa Rm | Total Rm |
| Balance at the beginning of the reporting period | 10 676 | 1 793 | 772 | 3 754 | 65 | 40 | 17 100 |
| Net present value unwind on non-performing book | (601) | (98) | — | — | — | — | (699) |
| Exchange differences | — | — | — | (521) | — | — | (521) |
| Transfer between segments | (4) | (16) | 20 | — | — | — | — |
| Amounts written off | (4 294) | (442) | (2) | (1187) | (7) | — | (5 932) |
| Impairment raised – identified | 6 010 | 591 | 839 | 1 575 | 38 | — | 9 053 |
| Impairment raised/(utilised) – unidentified | 158 | 107 | 199 | 312 | (25) | (36) | 715 |
| **Balance at the end of the reporting period** | 11 945 | 1 935 | 1 828 | 3 933 | 71 | 4 | 19 716 |

| **Statement of financial position — identified and unidentified impairments** | **2017 Rm** | 2016[1] Rm | Change % |
|---|---|---|---|
| Comprising: | | | |
| Identified impairments | **16 335** | 16 806 | (3) |
| Performing loans | **3 020** | 3 061 | (1) |
| NPLs | **13 315** | 13 745 | (3) |
| Unidentified impairments | **2 539** | 2 910 | (13) |
| Model driven | **1 145** | 1 542 | (26) |
| Macroeconomic | **1 394** | 1 368 | 2 |
| | **18 874** | 19 716 | (4) |

Note

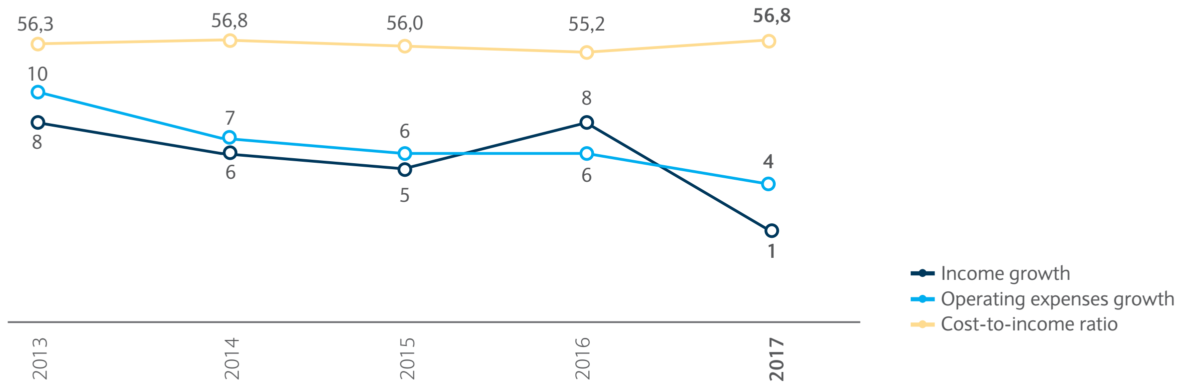
[1] These numbers have been restated, refer to the reporting changes overview on the inside cover page.

# Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended 31 December

## 5. Operating expenses

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




| Breakdown of operating expenses | 2017 Rm | 2016 Rm | Change % |
|---|---|---|---|
| Administration fees | **499** | 722 | (31) |
| Amortisation of intangible assets | **650** | 641 | 1 |
| Auditors' remuneration | **276** | 319 | (13) |
| Cash transportation | **1 089** | 963 | 13 |
| Depreciation | **1 984** | 1 670 | 19 |
| Equipment costs | **444** | 461 | (4) |
| Information technology | **3 143** | 3 131 | 0 |
| Marketing costs | **1 709** | 1 585 | 8 |
| Operating lease expenses on properties | **1 606** | 1 665 | (4) |
| Other[1] | **2 035** | 1 737 | 17 |
| Printing and stationery | **367** | 405 | (9) |
| Professional fees | **1 699** | 1 742 | (2) |
| Property costs | **1 731** | 1 718 | 1 |
| Staff costs | **23 138** | 22 090 | 5 |
| Bonuses | **2 058** | 1 902 | 8 |
| Deferred cash and share-based payments | **712** | 755 | (6) |
| Other[2] | **1 197** | 1 179 | 2 |
| Salaries and current service costs on post-retirement benefit funds | **18 684** | 17 878 | 5 |
| Training costs | **487** | 376 | 30 |
| Telephone and postage | **1 033** | 1 107 | (7) |
| | **41 403** | 39 956 | 4 |

Notes

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

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

# Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended 31 December

## 5. Operating expenses *(continued)*

| Breakdown of IT-related spend included in operating expense | 2017 Rm | 2016 Rm | Change % |
|---|---|---|---|
| Amortisation of intangible assets and depreciation of equipment | **1 563** | 1 374 | 14 |
| Information technology | **3 143** | 3 131 | 0 |
| Staff costs | **2 036** | 1 933 | 5 |
| Other[1] | **620** | 369 | 68 |
| | **7 362** | 6 807 | 8 |

On a normalised basis operating costs increased by 4% to R41 403m (2016: R39 956m) with staff costs increasing by 5% and non-staff costs increasing by 2%. On a constant currency basis normalised operating costs increased by 6% with staff costs increasing by 7% and non-staff costs increasing by 4%.

- Administration fees decreased by 31% (CCY 31%) mainly from the impact of a prior year charge not expected to re-occur and from a reduction in fees paid for externally managed product services.
- Amortisation of intangible assets increased by 1% (CCY 4%) and reflects continuing investment in new digital, data and automation capabilities resulting in an increase in intangible assets which was partially offset by lower charges following impairments of intangible assets.
- Cash transportation costs increased by 13% (CCY 15%) and reflects an increase in industry cash infrastructure costs.
- Depreciation increased by 19% (CCY 22%) and reflects investment on improving technology service levels and into optimisation of the corporate property portfolio and branch network.
- Information technology costs were flat on the prior year (CCY 1%), and reflects higher licensing costs from continuing investment in the technology infrastructure, partially offset by higher capitalisation of development-related costs.
- Marketing costs increased by 8% (CCY 9%) due to retail product campaigns and the Shared Growth initiative.
- Other costs increased by 17% (CCY 23%) and were mainly attributable to Rest of Africa change initiatives and other information technology services previously reimbursed by Barclays PLC.
- Property costs and operating lease expenses of R3 337m (2016: R3 383m) are marginally lower than the prior year, down 1% (CCY up 1%) from the continued optimisation of corporate and branch property costs.
- Professional fees decreased by 2% (CCY 2%) and reflects lower external consultancy costs partially offset by higher remediation costs in Rest of Africa Banking.
- Staff costs grew by 5% (CCY 7%) to R23 138m (2016: R22 090m). Salary cost growth was at inflationary levels and increased by 5% (CCY 7%). Bonuses and share-based payments of R2 770m (2016: R2 657m) increased by 4% (CCY 6%) in line with financial performance.
- Telephone and postage costs decreased by 7% (CCY 5%) and reflect lower communication costs.

## 6. Indirect taxation

| | 2017 Rm | 2016 Rm | Change % |
|---|---|---|---|
| Training levy | **191** | 193 | (1) |
| Value-added tax net of input credits | **1 363** | 1 237 | 10 |
| | **1 554** | 1 430 | 9 |

Note

[1] The numbers have been restated as a result of a definition change of IT-related spend.

# Performance indicators and condensed normalised notes to the consolidated financial statements

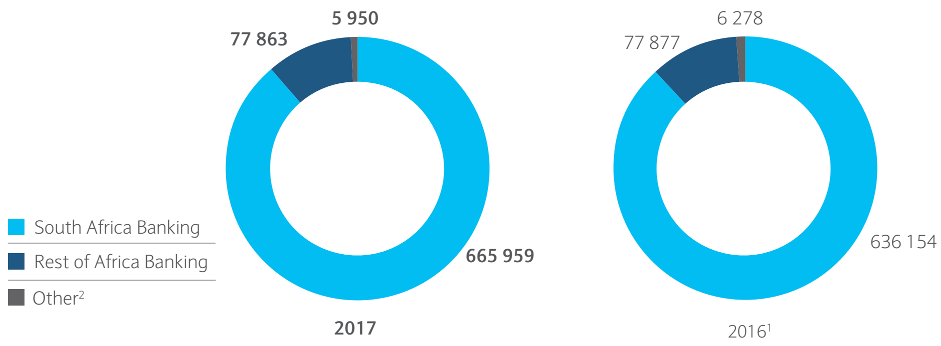
for the reporting period ended 31 December

## 7. Taxation expense

| | 2017 Rm | 2016 Rm | Change % |
|---|---|---|---|
| **Reconciliation between operating profit before income tax and the taxation expense** | | | |
| Operating profit before income tax | **22 769** | 21 682 | 5 |
| Share of post-tax results of associates and joint ventures | **(170)** | (115) | 48 |
| | **22 599** | 21 567 | 5 |
| Tax calculated at a tax rate of 28% | **6 328** | 6 039 | 5 |
| Effect of different tax rates in other countries | **25** | 64 | (61) |
| Expenses not deductible for tax purposes | **789** | 505 | 56 |
| Recognition of previously unrecognised deferred tax assets | **(7)** | (198) | (96) |
| Income not subject to tax | **(857)** | (784) | 9 |
| Other | **(39)** | 37 | <(100) |
| Items of a capital nature | **26** | 172 | (85) |
| | **6 265** | 5 835 | 7 |

## 8. Loans and advances to customers

### Loans and advances to customers by segment (Rm)




| | 2017 % | 2016[1] % |
|---|---|---|
| South Africa Banking | **88,8** | 88,3 |
| RBB South Africa | **59,6** | 60,3 |
| Retail Banking South Africa | **51,1** | 52,1 |
| Business Banking South Africa | **8,5** | 8,2 |
| CIB South Africa | **29,2** | 28,0 |
| Rest of Africa Banking | **10,4** | 10,8 |
| Other[2] | **0,8** | 0,9 |
| | **100,0** | 100,0 |

Notes

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

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

# Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended 31 December

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

| Loans and advances to customers by segment | 2017 Rm | 2016[1] Rm | Change % |
|---|---|---|---|
| **South Africa Banking** | | | |
| **Gross loans and advances to customers** | **681 019** | 651 862 | 4 |
| Impairment losses on loans and advances | **(15 060)** | (15 708) | (4) |
| | **665 959** | 636 154 | 5 |
| **RBB South Africa** | | | |
| **Gross loans and advances to customers** | **460 564** | 448 019 | 3 |
| Impairment losses on loans and advances | **(13 670)** | (13 880) | (2) |
| | **446 894** | 434 139 | 3 |
| **Retail Banking South Africa** | | | |
| Credit cards | **39 556** | 40 225 | (2) |
| Instalment credit agreements | **78 860** | 75 615 | 4 |
| Loans to associates and joint ventures | **23 037** | 18 933 | 22 |
| Mortgages | **225 822** | 226 984 | (1) |
| Other loans and advances | **740** | 510 | 45 |
| Overdrafts | **5 731** | 4 143 | 38 |
| Personal and term loans | **21 550** | 20 617 | 5 |
| **Gross loans and advances to customers** | **395 296** | 387 027 | 2 |
| Impairment losses on loans and advances | **(11 801)** | (11 945) | (1) |
| | **383 495** | 375 082 | 2 |
| **Business Banking South Africa** | | | |
| Mortgages (including CPF) | **27 635** | 25 648 | 8 |
| Overdrafts | **19 968** | 19 236 | 4 |
| Term loans | **17 665** | 16 108 | 10 |
| **Gross loans and advances to customers** | **65 268** | 60 992 | 7 |
| Impairment losses on loans and advances | **(1 869)** | (1 935) | (3) |
| | **63 399** | 59 057 | 7 |
| **CIB South Africa** | | | |
| Foreign currency loans | **25 676** | 27 352 | (6) |
| Mortgages | **20 204** | 16 590 | 22 |
| Term loans | **101 162** | 94 623 | 7 |
| Overdrafts | **8 864** | 11 035 | (20) |
| Overnight finance | **19 031** | 14 332 | 33 |
| Preference shares | **17 824** | 17 454 | 2 |
| Reverse repurchase agreements | **19 316** | 16 116 | 20 |
| Other loans and advances | **8 378** | 6 341 | 32 |
| **Gross loans and advances to customers** | **220 455** | 203 843 | 8 |
| Impairment losses on loans and advances | **(1 390)** | (1 828) | (24) |
| | **219 065** | 202 015 | 8 |
| **Rest of Africa Banking** | | | |
| **Gross loans and advances to customers** | **81 479** | 81 810 | (0) |
| Impairment losses on loans and advances | **(3 616)** | (3 933) | (8) |
| | **77 863** | 77 877 | (0) |

Note

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

# Performance indicators and condensed normalised notes to the consolidated financial statements

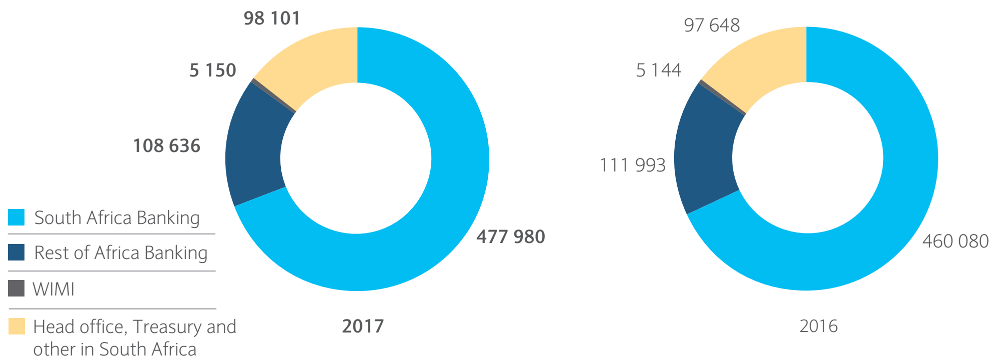
for the reporting period ended 31 December

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

| Loans and advances to customers by segment | 2017 Rm | 2016[1] Rm | Change % |
|---|---|---|---|
| **WIMI** | | | |
| CPF | **1 075** | 940 | 14 |
| Overdrafts | **2 241** | 2 755 | (19) |
| Other loans and advances | **1 876** | 2 036 | (8) |
| **Gross loans and advances to customers** | **5 192** | 5 731 | (9) |
| Impairment losses on loans and advances | **(188)** | (71) | >100 |
| | **5 004** | 5 660 | (12) |
| **Head Office, Treasury and other operations in South Africa** | | | |
| **Gross loans and advances to customers** | **956** | 622 | 54 |
| Impairment losses on loans and advances | **(10)** | (4) | >100 |
| | **946** | 618 | 53 |
| **Total loans and advances to customers** | | | |
| **Gross loans and advances to customers** | **768 646** | 740 025 | 4 |
| Impairment losses on loans and advances | **(18 874)** | (19 716) | (4) |
| **Net loans and advances to customers** | **749 772** | 720 309 | 4 |

## 9. Deposits due to customers

### Deposits due to customers by segment (Rm)




| Total funding mix | 2017 % | 2016[1] % |
|---|---|---|
| **Deposits due to customers** | **77,1** | 77,8 |
| South Africa Banking | **53,4** | 53,0 |
| RBB South Africa | **33,6** | 33,0 |
| Retail Banking South Africa | **20,9** | 20,4 |
| Business Banking South Africa | **12,7** | 12,6 |
| CIB South Africa | **19,8** | 20,0 |
| Rest of Africa Banking | **12,1** | 12,9 |
| WIMI | **0,6** | 0,6 |
| Head Office, Treasury and other operations in South Africa | **11,0** | 11,3 |
| **Deposits from banks** | **7,5** | 6,1 |
| **Debt securities in issue** | **15,4** | 16,1 |
| | **100,0** | 100,0 |

Note

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

# Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended 31 December

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

| Deposits due to customers by segment | 2017 Rm | 2016[1] Rm | Change % |
|---|---|---|---|
| **South Africa Banking** | **477 980** | 460 080 | 4 |
| **RBB South Africa** | **300 946** | 286 297 | 5 |
| Retail Banking South Africa | **186 855** | 176 953 | 6 |
| Call deposits | **224** | 253 | (11) |
| Cheque account deposits | **25 155** | 23 737 | 6 |
| Credit card deposits | **1 896** | 1 906 | (1) |
| Fixed deposits | **44 503** | 40 797 | 9 |
| Foreign currency deposits | **360** | 331 | 9 |
| Investment products | **69 428** | 65 065 | 7 |
| Notice deposits | **14 428** | 12 348 | 17 |
| Other deposits | **606** | 438 | 38 |
| Savings and transmission deposits | **30 255** | 32 078 | (6) |
| Business Banking South Africa | **114 091** | 109 344 | 4 |
| Call deposits | **12 389** | 10 852 | 14 |
| Cheque account deposits | **46 914** | 47 895 | (2) |
| Fixed deposits | **20 889** | 19 137 | 9 |
| Investment products | **28 474** | 26 022 | 9 |
| Notice deposits | **1 778** | 1 655 | 7 |
| Savings and transmission deposits | **3 647** | 3 783 | (4) |
| **CIB South Africa** | **177 034** | 173 783 | 2 |
| Call deposits | **24 115** | 26 917 | (10) |
| Cheque account deposits | **82 656** | 81 773 | 1 |
| Fixed deposits | **49 218** | 41 221 | 19 |
| Foreign currency deposits | **13 243** | 14 692 | (10) |
| Investment products | **1 444** | 1 249 | 16 |
| Notice deposits | **523** | 2 217 | (76) |
| Other deposits | **741** | 1 689 | (56) |
| Repurchase agreements with non-banks | **5 000** | 3 970 | 26 |
| Savings and transmission deposits | **94** | 55 | 71 |
| **Rest of Africa Banking** | **108 636** | 111 993 | (3) |
| **WIMI** | **5 150** | 5 144 | 0 |
| Call deposits | **403** | 357 | 13 |
| Cheque account deposits | **2 086** | 2 283 | (9) |
| Fixed deposits | **483** | 415 | 16 |
| Foreign currency deposits | **125** | 116 | 8 |
| Investment products | **1 660** | 1 619 | 3 |
| Notice deposits | **19** | 17 | 12 |
| Savings and transmission deposits | **374** | 337 | 11 |
| **Head office, treasury and other operations in South Africa** | **98 101** | 97 648 | 0 |
| **Total deposits due to customers** | **689 867** | 674 865 | 2 |

Note

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

# Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended 31 December

## 10. Debt securities in issue

| Debt securities in issue | 2017 Rm | 2016 Rm | Change % |
|---|---|---|---|
| Commercial paper | **227** | 1 166 | (81) |
| Credit linked notes | **8 375** | 10 295 | (19) |
| Floating rate notes | **63 125** | 60 441 | 4 |
| Negotiable certificates of deposit | **37 137** | 43 094 | (14) |
| Other | **1 132** | 706 | 60 |
| Promissory notes | **783** | 1 171 | (33) |
| Structured notes and bonds | **257** | 334 | (23) |
| Senior notes | **26 912** | 22 507 | 20 |
| | **137 948** | 139 714 | (1) |
| **Segment split**[1] | | | |
| South Africa Banking | **12 932** | 15 197 | (15) |
| Retail Banking South Africa | **400** | 871 | (54) |
| CIB South Africa | **12 532** | 14 326 | (13) |
| Rest of Africa Banking | **379** | 331 | 15 |
| Head Office, Treasury and other operations in South Africa | **124 637** | 124 186 | 0 |
| | **137 948** | 139 714 | (1) |

## 11. Equity and borrowed funds

| | 2017 Rm | 2016 Rm | Change % |
|---|---|---|---|
| **Authorised** | | | |
| **880 467 500** (31 December 2016: 880 467 500) ordinary shares of R2,00 each | **1 761** | 1 761 | — |
| **Issued** | | | |
| **847 750 679** (31 December 2016: 847 750 679) ordinary shares of R2,00 each | **1 696** | 1 696 | — |
| **2 196 604** (31 December 2016: 1 075 595) treasury shares held by Group entities | **(4)** | (3) | 33 |
| | **1 692** | 1 693 | (0) |
| **Total issued capital** | | | |
| Share capital | **1 691** | 1 693 | (0) |
| Share premium | **3 949** | 4 467 | (12) |
| | **5 640** | 6 160 | (8) |

| Number of ordinary shares in issue (after deduction of treasury shares) at the reporting date | 2017 Number of shares (million) | 2016 Number of shares (million) | Change % |
|---|---|---|---|
| Ordinary shares in issue of R2,00 each | **847,8** | 847,8 | — |
| Treasury shares held by the Group | **(2,2)** | (1,1) | >100 |
| | **845,6** | 846,7 | (0) |

Note

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

# Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended 31 December

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

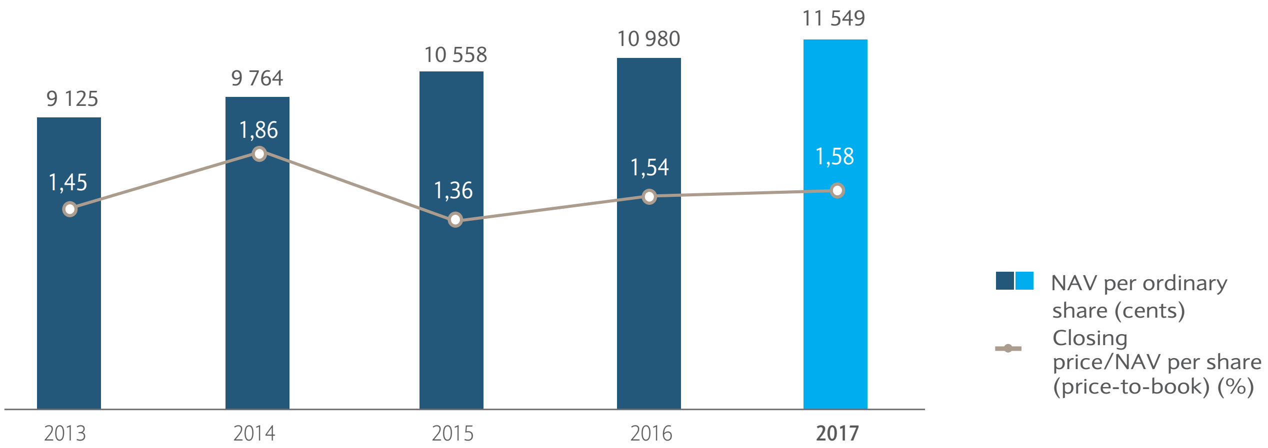
| Borrowed funds | | 2017 Rm | 2016 Rm | Change % |
|---|---|---|---|---|
| **Subordinated callable notes issued by Absa Bank Limited** | | | | |
| The following subordinated debt instruments qualify as Tier 2 capital in terms of Basel III. | | | | |
| **Interest rate** | **Final maturity date** | | | |
| 8,295% | 21 November 2023 | **1 188** | 1 188 | — |
| 10,28% | 3 May 2022 | **—** | 600 | (100) |
| Three-month Johannesburg Interbank Agreed Rate (JIBAR) +2,10% | 3 May 2022 | **—** | 400 | (100) |
| Three-month JIBAR + 1,95% | 21 November 2022 | **—** | 1 805 | (100) |
| Three-month JIBAR + 2,05% | 21 November 2023 | **2 007** | 2 007 | — |
| Consumer Price Index (CPI) linked notes, fixed at the following coupon rates: 5,50% | 7 December 2028 | **1 500** | 1 500 | — |
| **Subordinated callable notes issued by Barclays Africa Group Limited** | | | | |
| **Interest rate** | **Final maturity date** | | | |
| 10,05% | 5 February 2025 | **807** | 807 | — |
| 10,835% | 19 November 2024 | **130** | 130 | — |
| 11,365% | 4 September 2025 | **508** | 508 | — |
| 11,40% | 29 September 2025 | **288** | 288 | — |
| 11,74% | 20 August 2026 | **140** | 140 | — |
| 11,81% | 3 September 2027 | **737** | 737 | — |
| 12,43% | 5 May 2026 | **200** | 200 | — |
| Three-month JIBAR + 3,30% | 19 November 2024 | **370** | 370 | — |
| Three-month JIBAR + 3,50% | 5 February 2025 | **1 693** | 1 693 | — |
| Three-month JIBAR + 3,50% | 4 September 2025 | **437** | 437 | — |
| Three-month JIBAR + 3,60% | 3 September 2027 | **30** | 30 | — |
| Three-month JIBAR + 4,00% | 5 May 2026 | **31** | 31 | — |
| Three-month JIBAR + 4,00% | 20 August 2026 | **1 510** | 1 510 | — |
| Three-month JIBAR + 4,00% | 3 November 2026 | **500** | 500 | — |
| Three-month JIBAR + 3,78% | 17 March 2027 | **642** | — | 100 |
| Three-month JIBAR + 3,85% | 25 May 2027 | **500** | — | 100 |
| Three-month JIBAR + 3,85% | 14 August 2029 | **390** | — | 100 |
| Three-month JIBAR + 3,15% | 30 September 2027 | **295** | — | 100 |
| Three-month JIBAR + 3,45% | 29 September 2029 | **1 014** | — | 100 |
| **Subordinated callable notes issued by other subsidiaries** | | | | |
| **Interest rate** | **Final maturity date** | | | |
| National Bank of Commerce 16,44% fixed-rate note | 29 January 2024 | **29** | 31 | (6) |
| **Other** | | | | |
| Accrued interest | | **918** | 805 | 14 |
| Fair value adjustments on total subordinated debt | | **31** | (44) | <(100) |
| | | **15 895** | 15 673 | 1 |

# Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended 31 December

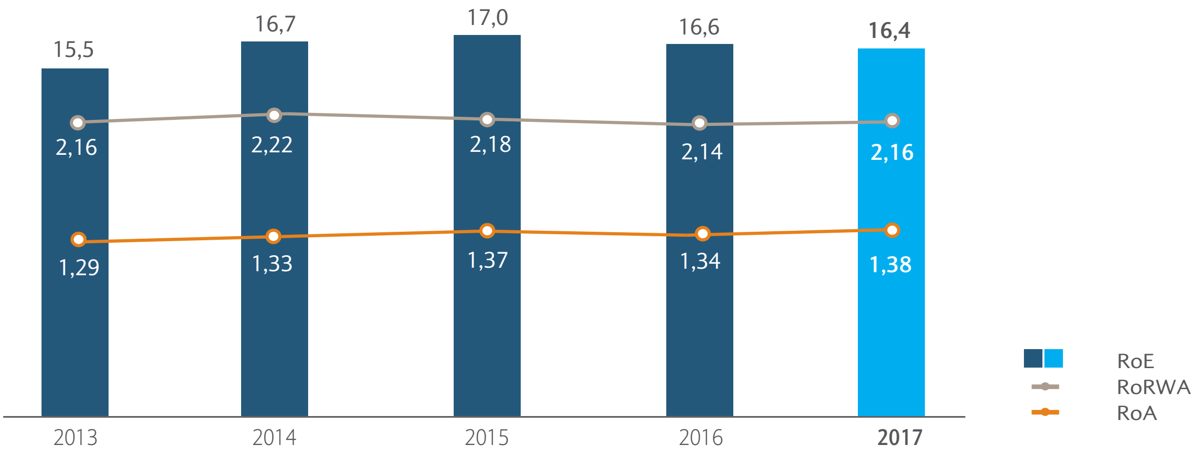
## 11. Equity and borrowed funds *(continued)*

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




## 12. Returns

### RoE, RoA and RoRWA (%)

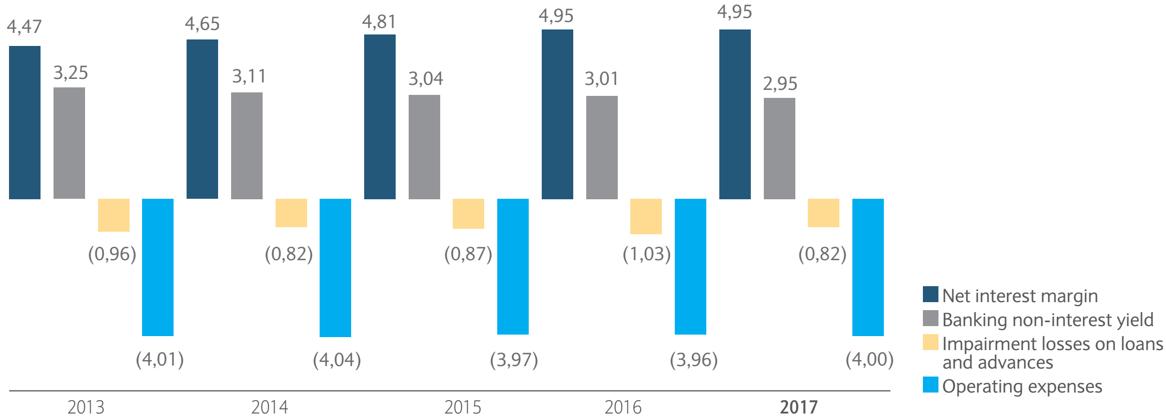


# Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended 31 December

## 13. RoE decomposition

### Major drivers of RoE (%)




| | | 2017 % | 2016 % |
|---|---|---|---|
| | Net interest margin (average interest-bearing assets)[1] | **4,95** | 4,95 |
| Less: | Impairment losses on loans and advances/average interest-bearing assets | **0,82** | 1,03 |
| Equals: | Net interest margin - after impairment losses (average interest-bearing assets) | **4,13** | 3,92 |
| Multiply: | Average interest-bearing assets/average banking assets | **82,46** | 83,89 |
| Equals: | Banking interest yield | **3,41** | 3,29 |
| Plus: | Banking non-interest yield | **2,95** | 3,01 |
| Equals: | Banking income yield | **6,36** | 6,30 |
| Less: | Operating expenses/average banking assets | **4,00** | 3,96 |
| Equals: | Net banking return | **2,36** | 2,34 |
| Less: | Other[2] | **0,86** | 0,86 |
| Equals: | Banking return | **1,50** | 1,48 |
| Multiply: | Average banking assets/total average assets | **92,13** | 90,21 |
| Equals: | RoA | **1,38** | 1,34 |
| Multiply: | Leverage | **11,88** | 12,40 |
| Equals: | RoE | **16,4** | 16,6 |

Notes

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

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

# Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended 31 December

## 14. Off-statement of financial position items

| | 2017 Rm | 2016 Rm | Change % |
|---|---|---|---|
| **Financial guarantee contracts** | **10** | 10 | — |
| **Commitments** | | | |
| **Authorised capital expenditure** | | | |
| Contracted but not provided for[1] | **270** | 521 | (48) |
| | **406** | 625 | (35) |
| **Operating lease payments due** | | | |
| Not later than one year | **1 365** | 1 309 | 4 |
| Later than one year and no later than five years | **3 056** | 2 946 | 4 |
| Later than five years | **948** | 1 228 | (23) |
| | **5 369** | 5 483 | (2) |
| **Contingencies** | | | |
| Guarantees[1] | **38 789** | 38 441 | 1 |
| Irrevocable debt facilities | **162 907** | 135 935 | 20 |
| Irrevocable equity facilities | **33** | 141 | (77) |
| Letters of credit | **7 814** | 8 481 | (8) |
| Other | **262** | 135 | 94 |
| | **209 805** | 183 133 | 15 |

### *Performance*

- **Commitments:** The Group has capital commitments in respect of computer equipment and property development. Two significant property development projects were concluded by the end of 2016. Management is confident that future net revenues and funding will be sufficient to cover the remaining commitments.
- **Contingencies:** There has been an increase in facilities provided to large corporates in the Corporate and Investment Bank.

## 15. Legal proceedings

### *Legal matters*

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

- Pinnacle Point Holdings Proprietary Limited (PPG): New Port Finance Company and the Trustees of the Winifred Trust (the plaintiffs) allege a local bank conducted itself unlawfully, and that Absa Bank Limited (the Bank) was privy to such conduct. They have instituted proceedings against the Bank for damages in an amount of R1 387m. Although Pinnacle Point Holding's claim has been withdrawn, the second to fifth plaintiff's claims remain and will proceed to trial.
- Ayanda Collective Investment Scheme (the Scheme): Absa Capital Investor Services was the trustee of Ayanda Collective Investment Scheme, in which Corporate Money Managers (CMM) managed a portfolio of assets within the Scheme. The joint curators of the CMM group of companies and the Altron Pension Fund (an investor in the fund) allege that the defendants caused damages to them arising from their alleged failure to meet their obligations in the Trust Deed together with their statutory obligations set out in the Collective Investment Scheme Act, in respect of which they seek payment of R1 157m.
- On June 19, 2017, the Public Protector released the final report of her office's investigation into the Bankorp assistance package provided by the SA Reserve Bank between 1985 and 1995, recommending certain remedial action. Absa acquired Bankorp in April 1992, for fair value, and had the responsibility of carrying out its existing legal obligations to the SARB, which were met in full by October 1995. In consequence, Absa, together with the SARB, Minister of Finance and National Treasury, brought an application to review and set aside the remedial action recommended in the Public Protector's report which was successful and the report was thus set aside.

Note

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

# Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended 31 December

## 15. Legal proceedings *(continued)*

### *Legal matters (continued)*

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

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

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

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

### *Regulatory matters*

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

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

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

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

## 16. Income taxes

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

The Group recognises provisions for anticipated tax audit issues based on estimates of whether additional taxes will be due after taking into account external advice where appropriate. The carrying amount of any resulting provisions will be sensitive to the manner in which tax matters are expected to be resolved, and the stage of negotiations or discussion with the relevant tax authorities. There may be significant uncertainty around the final outcome of tax proceedings, which in many instances, will only be concluded after a number of years. Management estimates are informed by a number of factors including, *inter alia*, the progress made in discussions or negotiations with the tax authorities, the advice of expert legal counsel, precedent set by the outcome of any previous claims, as well as the nature of the relevant tax environment.

Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the reporting period in which such determination is made. These risks are managed in accordance with the Group's Tax Risk Framework.

## 17. Standards issued not yet effective

A number of new standards and amendments to existing standards have been issued but are not yet effective for the reporting period and have not been applied in preparing these annual financial statements:

### *IFRS 9 Financial Instruments*

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement with effect from 1 January 2018. IFRS 9 includes requirements for the classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting. The impairment requirements will lead to significant changes in the accounting for financial instruments. BAGL will not restate comparatives on initial application of IFRS 9 on 1 January 2018 but will provide detailed transitional disclosures in accordance with the amended requirements of IFRS 7 Financial Instruments: Disclosures. Any change in the carrying value of financial instruments upon initial application of IFRS 9 will be recognised in equity.

BAGL has a jointly accountable risk and finance implementation and governance programme with representation from all impacted departments. The programme is responsible for the robustness of models, data accuracy, taxation, regulatory capital and other process and system impacts as a result of IFRS 9. The parallel run of IFRS 9 and IAS 39 impairment models commenced in February 2017, which included model, process and output validation, testing, calibration and analysis.

Based on analysis performed, the effects of the new classification and measurement requirements under IFRS 9 will not have a significant impact on retained income upon transition. The specific requirements of IFRS 9 relating to the presentation of gains and losses on financial liabilities designated at fair value were early adopted at the beginning of the current reporting period. The effects of changes in the credit risk of liabilities' are presented in other comprehensive income with the remaining effect presented in profit or loss in the current period.

BAGL will continue to apply IAS 39 hedge accounting, although it will implement the amended IFRS 7 hedge accounting disclosure requirements.

# Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended 31 December

## 17. Standards issued not yet effective *(continued)*

### *IFRS 9 Financial Instruments (continued)*

#### *Impairment*

IFRS 9 introduces a revised impairment model which will require entities to recognise expected credit losses ('ECL') based on unbiased forward-looking information. This replaces the existing IAS 39 incurred loss model which only recognises impairment if there is objective evidence that a loss has already been incurred and would measure the loss based on the most probable outcome. The IFRS 9 impairment model will be applicable to all financial assets at amortised cost, lease receivables, debt financial assets at fair value through other comprehensive income, loan commitments and financial guarantee contracts. This presents a change from the scope of the IAS 39 impairment model which excludes loan commitments and financial guarantee contracts (these were covered by IAS 37 Provisions, Contingent Liabilities and Contingent Assets).

The measurement of expected loss will involve increased complexity and judgment including estimation of lifetime probabilities of default, loss given default, a range of unbiased future economic scenarios, estimation of expected lives, estimation of exposures at default and assessing increases in credit risk.

When there is a non linear relationship between forward-looking economic scenarios and their associated credit losses, a range of at least three forward-looking economic scenarios will be considered to ensure a sufficient unbiased representative sample of the complete distribution is included in determining the expected loss. The process to develop scenarios will align to the existing stress testing scenario development process. Scenarios will be approved by the Group Credit and Impairment Committee, reviewed by the Credit Concentration Risk Committee; and ultimately reviewed by the GACC.

Management adjustments are made to model outputs where the modelling output does not cater for known or estimated factors, for instance specific forecasted economic expectations or political events.

Per IFRS 9 principles, the gross carrying amount of an exposure is the contractual amount owing from the counterparty; whereas the amortised cost reflects the expected cash flows discounted using the original effective interest rate. Hence the expected credit loss provision, which is the difference between the gross carrying amount and amortised cost, would reflect the expected cash shortfalls discounted by the original effective interest rate.

Consequently, the expected credit loss provision per IFRS 9 includes contractual interest in respect of stage 3 assets; where previously such interest was excluded from the gross carrying amount presented.

As a result of the alignment of the regulatory definition of default with stage 3 per IFRS 9, interest will be recognised on a net basis for exposures that are 90 days past contractual due date or have evidenced certain indicators that they are unlikely to pay. Consequently, interest income will reduce.

The revised impairment model is expected to have a material financial impact on the existing impairment provisions previously recognised in terms of the requirements of IAS 39. It is estimated that the increase on IAS 39 impairment stock (including contractual interest suspended) will be in the region of 30%, on a pre-tax basis. Based on the current requirements of Basel III, the increase in the accounting impairment provisions is not expected to reduce the Group's Common Equity Tier 1 (CET1) capital ratio by more than 35 bps before taking into account the impact of the regulatory transitional arrangement. Barclays Africa Group Limited has elected to utilise the transition period of three years for phasing in the regulatory capital impact of IFRS 9. IFRS 9 has been considered in the Group's capital planning.

The reasons for the change in impairment provisions are as follows:

- The removal of the emergence period that was necessitated by the incurred loss model of IAS 39. All stage 1 assets will carry a 12-month expected credit loss provision. This differs from IAS 39 where unidentified impairments were typically measured with an emergence period of between three to twelve months.
- The provisioning for lifetime expected credit losses on stage 2 assets; where some of these assets would not have attracted a lifetime expected credit loss measurement per IAS 39.
- The inclusion of forecasted macroeconomic scenarios into the expectation of credit losses.
- The inclusion of expected credit losses on items that would not have been impaired under IAS 39, such as loan commitments and financial guarantees.

## 17. Standards issued not yet effective *(continued)*

### *IFRS 16 Leases*

IFRS 16 – Leases sets out the principles for the recognition, measurement, presentation and disclosure of leases. One of the key changes brought by IFRS 16 is the elimination of the classification of leases as either operating leases or finance leases for a lessee, and the introduction of a single lessee accounting model.

Applying the revised model, a lessee is required to recognise:

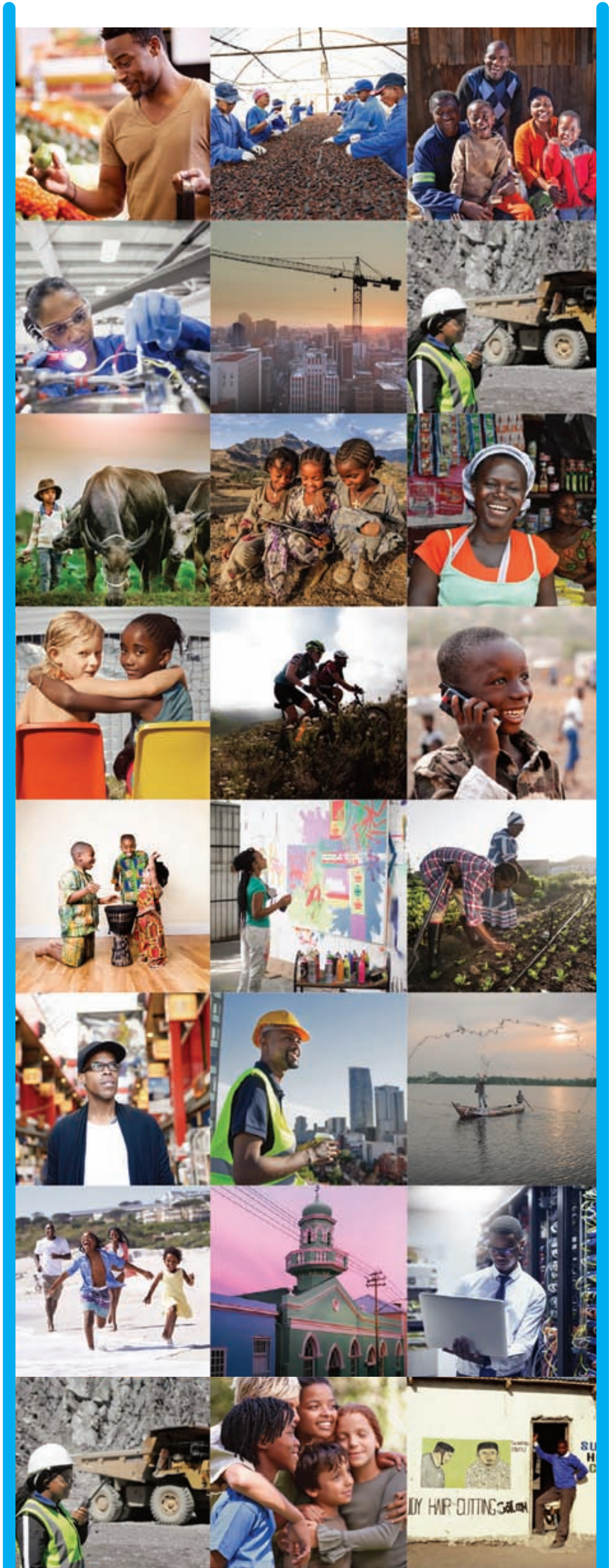
(a) a right of use asset together with a lease liability representing the future lease payments for all leases (unless the lease term is shorter than 12 months or the underlying asset is of low value and the related exemptions are elected); and

(b) depreciation of lease assets separately from interest on lease liabilities in the statement of comprehensive income.

The standard provides revised guidance in defining what constitutes a lease and how the lease term is determined as well as enhanced disclosure requirements for both lessees and lessors about its leasing activities and how exposures are managed.

The effective date of IFRS 16 is 1 January 2019, with an allowance for early adoption, provided the entity applies IFRS 15 at the same time.

The implementation of IFRS 16 is expected to give rise to an increase in property, plant and equipment (right of use assets) and lease liabilities as lessee operating leases are currently not capitalised. This is not expected to have a significant impact on the Group's statement of financial position. However, the Group is still in the process of assessing the impact of adoption.



# Segment performance

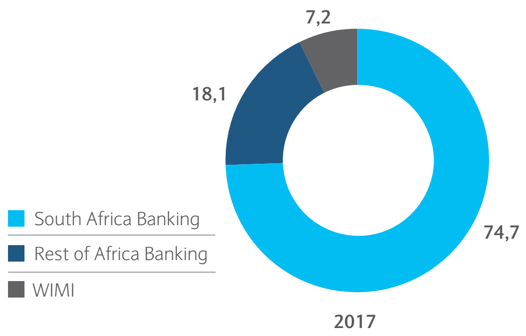
# Segment performance overview

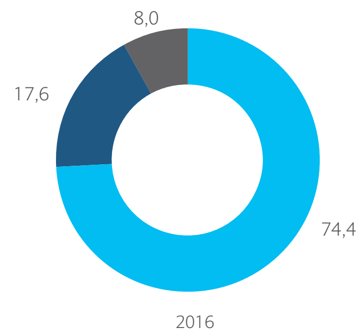
for the reporting period ended 31 December

Normalised headline earnings increased by 4% supported by increases in South Africa Banking and Rest of Africa Banking of 4% and 7% (CCY: 24%) respectively partially offset by a decrease in WIMI of 8%.

## Performance per market segment

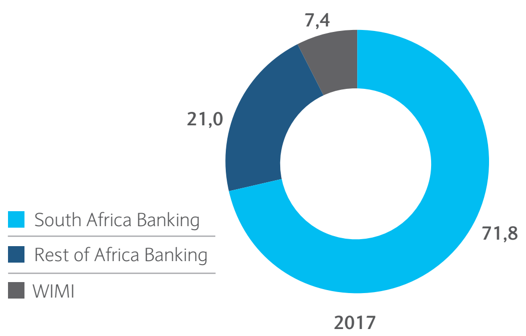
### Headline earnings per market segment, excluding Head Office, Treasury and other operations in South Africa and the impact of the Barclays separation (%)

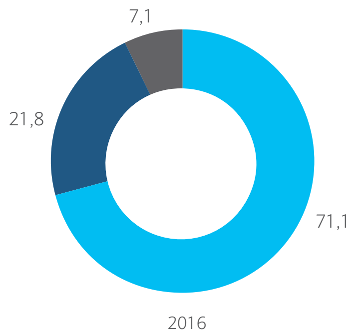



| Headline earnings | 2017 Rm | 2016 Rm | Change % |
|---|---|---|---|
| South Africa Banking | **12 200** | 11 678 | 4 |
| Rest of Africa Banking | **2 954** | 2 756 | 7 |
| WIMI | **1 156** | 1 258 | (8) |
| Head Office, Treasury and other operations in South Africa | **(752)** | (712) | 6 |
| | **15 558** | 14 980 | 4 |

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




| Income | 2017 Rm | 2016 Rm | Change % |
|---|---|---|---|
| South Africa Banking | **53 345** | 52 209 | 2 |
| Rest of Africa Banking | **15 617** | 16 044 | (3) |
| WIMI | **5 490** | 5 221 | 5 |
| Head Office, Treasury and other operations in South Africa | **(1 552)** | (1 080) | 44 |
| | **72 900** | 72 394 | 1 |

# Segment performance overview

for the reporting period ended 31 December

## Segment reporting structure

The Group's main reportable segments are based on an operating model that is mainly driven by geography and customer as primary dimensions and are disclosed as the following market segments:

### Barclays Africa Group Limited

**South Africa Banking**

**RBB**

**Retail Banking**
- Home Loans
- Vehicle and Asset Finance
- Card and Payments
- Personal Loans
- Transactional and Deposits
- Other

**Business Banking**
- Debt Products
- Deposit Products
- Transactional Products
- Equities

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

**Rest of Africa Banking**

**RBB**

**CIB**
- Corporate
- Investment Bank

**Head Office, Treasury and other operations**

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

**Head Office, Treasury and other operations in South Africa[2]**
- Enterprise Functions
- Group Treasury
- Consolidation Centre

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

······ Normalised
—— IFRS

Notes

[1] Includes the Wealth banking portfolio.

[2] Includes Absa Manx Insurance Company.

# Segment performance overview

for the reporting period ended 31 December

| Operational metrics | 2017 | 2016 | Change % |
|---|---|---|---|
| South Africa Banking | | | |
| Outlets (including number of branches and sales centres) | **730** | 774 | (6) |
| ATMs | **8 919** | 8 885 | 0 |
| Rest of Africa Banking | | | |
| Outlets (including number of branches and sales centres) | **415** | 433 | (4) |
| ATMs | **1 134** | 1 128 | 1 |
| Number of permanent and temporary employees | **41 703** | 41 241 | 1 |
| South Africa (excludes WFS employees) | **31 649** | 30 739 | 3 |
| Rest of Africa | **10 054** | 10 502 | (4) |

# Segment report per geographical segment

for the reporting period ended 31 December

| | South Africa | | |
|---|---|---|---|
| | **2017 Rm** | 2016[1] Rm | Change % |
| **Statement of comprehensive income (Rm)** | | | |
| Net interest income | **31 518** | 31 129 | 1 |
| Non-interest income | **25 313** | 24 969 | 1 |
| **Total income** | **56 831** | 56 098 | 1 |
| Impairment losses on loans and advances | **(5 733)** | (7 019) | (18) |
| Operating expenses | **(32 004)** | (30 351) | 5 |
| Other expenses | **(1 479)** | (1 789) | (17) |
| **Operating profit before income tax** | **17 615** | 16 939 | 4 |
| Tax expense | **(4 602)** | (4 224) | 9 |
| **Profit for the reporting period** | **13 013** | 12 715 | 2 |
| **Profit attributable to:** | | | |
| Ordinary equity holders | **12 337** | 12 099 | 2 |
| Non-controlling interest – ordinary shares | **266** | 265 | 0 |
| Non-controlling interest – preference shares | **362** | 351 | 3 |
| Non-controlling interest – additional Tier 1 | **48** | — | 100 |
| | **13 013** | 12 715 | 2 |
| **Headline earnings** | **12 585** | 12 336 | 2 |
| **Operating performance (%)** | | | |
| Net interest margin on average interest-bearing assets | **4,47** | 4,45 | |
| Credit loss ratio | **0,81** | 1,01 | |
| Non-interest income as % of income | **44,5** | 44,5 | |
| Income growth | **1** | 5 | |
| Cost growth | **5** | 4 | |
| Cost-to-income ratio | **56,3** | 54,1 | |
| **Statement of financial position (Rm)** | | | |
| Loans and advances to customers | **671 909** | 642 432 | 5 |
| Loans and advances to banks | **42 970** | 21 702 | 98 |
| Investment securities | **82 068** | 90 557 | (9) |
| Other assets | **203 106** | 182 222 | 12 |
| **Total assets** | **1 000 053** | 936 913 | 7 |
| Deposits due to customers | **581 231** | 562 872 | 3 |
| Debt securities in issue | **137 569** | 139 383 | (1) |
| Other liabilities | **193 968** | 153 921 | 26 |
| **Total liabilities** | **912 768** | 856 176 | 7 |
| **Financial performance (%)** | | | |
| RoRWA | **2,29** | 2,29 | |
| RoA | **1,33** | 1,30 | |

Note

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

| Rest of Africa | | | | Group | | | |
|---|---|---|---|---|---|---|---|
| **2017 Rm** | 2016[1] Rm | C% | Change % | **2017 Rm** | 2016[1] Rm | C% | Change % |
| **10 801** | 10 874 | 10 | (1) | **42 319** | 42 003 | 3 | 1 |
| **5 268** | 5 422 | 4 | (3) | **30 581** | 30 391 | 2 | 1 |
| **16 069** | 16 296 | 8 | (1) | **72 900** | 72 394 | 3 | 1 |
| **(1 289)** | (1 732) | (18) | (26) | **(7 022)** | (8 751) | (18) | (20) |
| **(9 399)** | (9 605) | 7 | (2) | **(41 403)** | (39 956) | 6 | 4 |
| **(227)** | (216) | 15 | 5 | **(1 706)** | (2 005) | (14) | (15) |
| **5 154** | 4 743 | 23 | 9 | **22 769** | 21 682 | 8 | 5 |
| **(1 663)** | (1 611) | 14 | 3 | **(6 265)** | (5 835) | 10 | 7 |
| **3 491** | 3 132 | 28 | 11 | **16 504** | 15 847 | 7 | 4 |
| **2 968** | 2 609 | 32 | 14 | **15 305** | 14 708 | 7 | 4 |
| **523** | 523 | 9 | — | **789** | 788 | 6 | 0 |
| **—** | — | — | — | **362** | 351 | 3 | 3 |
| **—** | — | — | — | **48** | — | — | 100 |
| **3 491** | 3 132 | 28 | 11 | **16 504** | 15 847 | 7 | 4 |
| **2 973** | 2 644 | 31 | 12 | **15 558** | 14 980 | 7 | 4 |
| **7,20** | 7,29 | | | **4,95** | 4,95 | | |
| **1,33** | 1,60 | | | **0,87** | 1,08 | | |
| **32,8** | 33,3 | | | **41,9** | 42,0 | | |
| **(1)** | 16 | | | **1** | 8 | | |
| **(2)** | 12 | | | **4** | 6 | | |
| **58,5** | 58,9 | | | **56,8** | 55,2 | | |
| **77 863** | 77 877 | 9 | (0) | **749 772** | 720 309 | 5 | 4 |
| **12 456** | 28 087 | (53) | (56) | **55 426** | 49 789 | 13 | 11 |
| **29 341** | 23 758 | 35 | 23 | **111 409** | 114 315 | — | (3) |
| **45 354** | 34 388 | 51 | 32 | **248 460** | 216 610 | 18 | 15 |
| **165 014** | 164 110 | 11 | 1 | **1 165 067** | 1 101 023 | 7 | 6 |
| **108 636** | 111 993 | 6 | (3) | **689 867** | 674 865 | 4 | 2 |
| **379** | 331 | 23 | 15 | **137 948** | 139 714 | (1) | (1) |
| **34 976** | 30 243 | 32 | 16 | **228 944** | 184 164 | 27 | 24 |
| **143 991** | 142 567 | 33 | 1 | **1 056 759** | 998 743 | 1 | 6 |
| **1,76** | 1,64 | | | **n/a** | n/a | | |
| **1,70** | 1,54 | | | **1,38** | 1,34 | | |

# Segment report per market segment

for the reporting period ended 31 December

| | South Africa Banking | | |
|---|---|---|---|
| | **2017 Rm** | 2016[1] Rm | Change % |
| **Statement of comprehensive income (Rm)** | | | |
| Net interest income | **31 979** | 31 626 | 1 |
| Non-interest income | **21 366** | 20 583 | 4 |
| **Total income** | **53 345** | 52 209 | 2 |
| Impairment losses on loans and advances | **(5 605)** | (7 042) | (20) |
| Operating expenses | **(30 102)** | (28 395) | 6 |
| Other expenses | **(335)** | (584) | (43) |
| **Operating profit before income tax** | **17 303** | 16 188 | 7 |
| Tax expense | **(4 434)** | (4 143) | 7 |
| **Profit for the reporting period** | **12 869** | 12 045 | 7 |
| **Profit attributable to:** | | | |
| Ordinary equity holders | **12 193** | 11 433 | 7 |
| Non-controlling interest – ordinary shares | **270** | 266 | 2 |
| Non-controlling interest – preference shares | **406** | 346 | 17 |
| Non-controlling interest – additional Tier 1 | **—** | — | — |
| | **12 869** | 12 045 | 7 |
| **Headline earnings** | **12 200** | 11 678 | 4 |
| **Operating performance (%)** | | | |
| Net interest margin on average interest-bearing assets | **3,37** | 3,47 | |
| Credit loss ratio | **0,80** | 1,03 | |
| Non-interest income as % of income | **40,1** | 39,4 | |
| Income growth | **2** | 6 | |
| Operating expenses growth | **6** | 5 | |
| Cost-to-income ratio | **56,4** | 54,4 | |
| **Statement of financial position (Rm)** | | | |
| Loans and advances to customers | **665 959** | 636 154 | 5 |
| Loans and advances to banks | **39 621** | 40 469 | (2) |
| Investment securities | **74 378** | 67 499 | 10 |
| Other assets | **448 204** | 422 945 | 6 |
| **Total assets** | **1 228 162** | 1 167 067 | 5 |
| Deposits due to customers | **477 980** | 460 080 | 4 |
| Debt securities in issue | **12 932** | 15 197 | (15) |
| Other liabilities | **718 109** | 674 233 | 7 |
| **Total liabilities** | **1 209 021** | 1 149 510 | 5 |
| **Financial performance (%)** | | | |
| RoRWA | **2,40** | 2,38 | |
| RoA | **1,03** | 1,00 | |
| RoRC[2] | **20,8** | 20,9 | |

Notes

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

[2] As WIMI consists primarily of a set of legal entities with a smaller contribution from the Wealth division of Absa Bank Limited, the denominator in the RoRC for WIMI is calculated as the sum of average legal entities' equity plus the RC contribution for the Wealth division.

| Rest of Africa Banking | | | WIMI | | | Head Office, Treasury and other operations in South Africa | | |
|---|---|---|---|---|---|---|---|---|
| **2017 Rm** | 2016[1] Rm | Change % | **2017 Rm** | 2016[1] Rm | Change % | **2017 Rm** | 2016[1] Rm | Change % |
| **10 764** | 10 818 | (0) | **362** | 374 | (3) | **(786)** | (815) | (4) |
| **4 853** | 5 226 | (7) | **5 128** | 4 847 | 6 | **(766)** | (265) | >100 |
| **15 617** | 16 044 | (3) | **5 490** | 5 221 | 5 | **(1 552)** | (1 080) | 44 |
| **(1 289)** | (1 732) | (26) | **(120)** | (10) | >100 | **(8)** | 33 | <(100) |
| **(9 000)** | (9 223) | (2) | **(3 631)** | (3 540) | 3 | **1 330** | 1 202 | 11 |
| **(177)** | (171) | 4 | **(219)** | (171) | 28 | **(975)** | (1 079) | (10) |
| **5 151** | 4 918 | 5 | **1 520** | 1 500 | 1 | **(1 205)** | (924) | 30 |
| **(1 665)** | (1 616) | 3 | **(425)** | (291) | 46 | **259** | 215 | 20 |
| **3 486** | 3 302 | 6 | **1 095** | 1 209 | (9) | **(946)** | (709) | 33 |
| **2 972** | 2 761 | 8 | **1 086** | 1 223 | (11) | **(946)** | (709) | 33 |
| **514** | 541 | (5) | **5** | (19) | <(100) | **—** | — | — |
| **—** | — | — | **4** | 5 | (20) | **(48)** | — | 100 |
| **—** | — | — | **—** | — | — | **48** | | |
| **3 486** | 3 302 | 6 | **1 095** | 1 209 | (9) | **(946)** | (709) | 33 |
| **2 954** | 2 756 | 7 | **1 156** | 1 258 | (8) | **(752)** | (712) | 6 |
| **7,18** | 7,25 | | **n/a** | n/a | | **n/a** | n/a | |
| **1,34** | 1,62 | | **1,58** | 0,13 | | **n/a** | n/a | |
| **31,1** | 32,6 | | **93,4** | 92,8 | | **n/a** | n/a | |
| **(3)** | 17 | | **5** | — | | **n/a** | n/a | |
| **(2)** | 11 | | **3** | 10 | | **n/a** | n/a | |
| **57,6** | 57,5 | | **66,1** | 67,8 | | **n/a** | n/a | |
| **77 863** | 77 877 | (0) | **5 004** | 5 660 | (12) | **946** | 618 | 53 |
| **11 892** | 27 260 | (56) | **1 847** | 1 973 | (6) | **2 066** | (19 913) | <(100) |
| **28 824** | 23 462 | 23 | **4 765** | 4 687 | 2 | **3 442** | 18 667 | (82) |
| **44 141** | 32 882 | 34 | **39 066** | 38 687 | 1 | **(282 951)** | (277 904) | 2 |
| **162 720** | 161 481 | 1 | **50 682** | 51 007 | (1) | **(276 497)** | (278 532) | (1) |
| **108 636** | 111 993 | (3) | **5 150** | 5 144 | 0 | **98 101** | 97 648 | 0 |
| **379** | 331 | 15 | **—** | — | — | **124 637** | 124 186 | 0 |
| **33 379** | 28 380 | 18 | **40 687** | 40 548 | 0 | **(563 231)** | (558 997) | 1 |
| **142 394** | 140 704 | 1 | **45 837** | 45 692 | 0 | **(340 493)** | (337 163) | 1 |
| **1,77** | 1,64 | | **n/a** | n/a | | **n/a** | n/a | |
| **1,71** | 1,62 | | **2,03** | 2,74 | | **n/a** | n/a | |
| **16,6** | 15,1 | | **20,1** | 21,7 | | **n/a** | n/a | |

Total Group normalised performance

| 2017 Rm | 2016 Rm | Change % |
|---|---|---|
| **42 319** | 42 003 | 1 |
| **30 581** | 30 391 | 1 |
| **72 900** | 72 394 | 1 |
| **(7 022)** | (8 751) | (20) |
| **(41 403)** | (39 956) | 4 |
| **(1 706)** | (2 005) | (15) |
| **22 769** | 21 682 | 5 |
| **(6 265)** | (5 835) | 7 |
| **16 504** | 15 847 | 4 |
| **15 305** | 14 708 | 4 |
| **789** | 788 | 0 |
| **362** | 351 | 3 |
| **48** | — | 100 |
| **16 504** | 15 847 | 4 |
| **15 558** | 14 980 | 4 |
| **4,95** | 4,95 | |
| **0,87** | 1,08 | |
| **41,9** | 42,0 | |
| **1** | 8 | |
| **4** | 6 | |
| **56,8** | 55,2 | |
| **749 772** | 720 309 | 4 |
| **55 426** | 49 789 | 11 |
| **111 409** | 114 315 | (3) |
| **248 460** | 216 610 | 15 |
| **1 165 067** | 1 101 023 | 6 |
| **689 867** | 674 865 | 2 |
| **137 948** | 139 714 | (1) |
| **228 944** | 184 164 | 24 |
| **1 056 759** | 998 743 | 6 |
| **n/a** | n/a | |
| **1,38** | 1,34 | |
| **n/a** | n/a | |

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# South Africa Banking

for the reporting period ended 31 December

## Operating environment

Global growth strengthened further in 2017 and was more synchronised across economies and sectors. The recovery of investment activity persisted as well, while global trade volumes continued to grow and commodity prices firmed further. Despite strengthening global growth and tightening labour markets, global inflation pressure remained generally modest. There was modest tightening of policy in some advanced economies but monetary policy was broadly accommodative. South Africa's growth picked up in the second half of 2017 following the recession at the start of the year. Growth is forecast to have picked up to 0,9% in 2017 from 0,3% in 2016. Consumer spending growth was subdued due to tax increases and weak confidence. Growth in credit extension to households was below the rate of inflation, but this seemed to be due to household caution and bank restraint. Overall, consumers continued to deleverage in 2017, and net savings remained in positive territory.

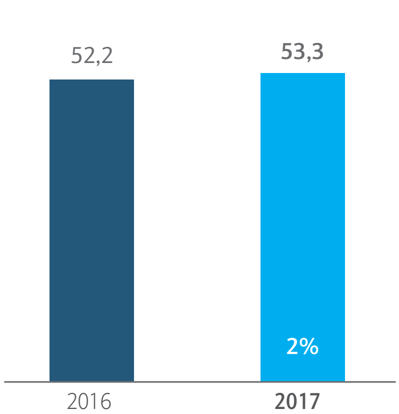
Business confidence faltered further in 2017 across sectors as political and policy uncertainty weighed on sentiment. Consequently, corporate credit extension and fixed investment growth were muted. Both Fitch and Standard & Poor's put South Africa's credit ratings in sub-investment grade territory, while Moody's put South Africa on review for a downgrade. All three ratings agencies cited South Africa's deteriorating fiscal position, weak growth and governance issues at State Owned Enterprises. The Rand weakened against major currencies to reach R/$14,36 in November before appreciating, ending the year at R/$12,36. Headline inflation trended lower, moving to within the target range in the second quarter of 2017 supported largely by moderating food price inflation. The SARB MPC cut the repurchase rate by only 25 bps in July but kept rates unchanged in September and November citing a number of upside risks to inflation.

## Financial performance update

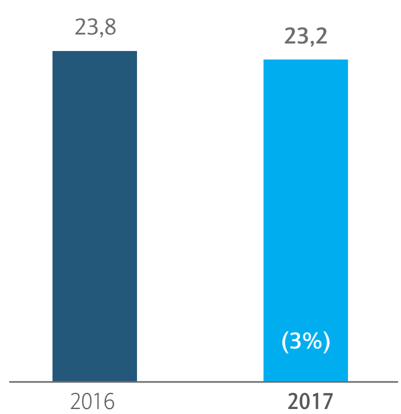
Key performance highlights for the reporting period include:

- Headline earnings increased by 4% to **R12 200m** (2016: R11 678m) and was supported by lower impairments; CIB headline earnings increased by 16% to **R3 326m** (2016: R2 856m) and RBB headline earnings increased by 1% to **R8 874m** (2016: R8 822m).
- Impairments decreased by 20% to **R5 605m** (2016: R7 042m) in part from a high prior year base particularly in CIB; the credit loss ratio improved from 1,03% to 0,80%.
- Operating costs increased by 6% while investing in increased frontline capacity and capability and information technology.
- Strong impairment coverage levels have been maintained, on both performing and non-performing loans.
- Return on Regulatory Capital of 20,8% remained in line with the prior year, supported by higher CIB returns.
- Moderate balance sheet growth with CIB customer growth of 8% faster than Retail advances that grew by 2%. Stronger momentum was shown in Retail production in the second half. Customer deposit growth of 4% was marginally lower than advances growth of 5%, resulting in stable wholesale funding requirements.
- Pre-provision profit reduced by 3% to **R23 243m** (2016: R23 814m) reflecting 4% negative Jaws as reflecting revenue increased by 2% and operating costs increased by 6%.
- RBB Revenue increased by 2% to **R42 724m** (2016: R41 932m) partially reflecting lower net interest margins from regulatory changes and moderate balance sheet growth. CIB revenues grew by 3% as good growth in Corporate and advisory fees in the Investment Bank were offset by lower year-on-year trading revenue.

### Income (Rbn and change %)



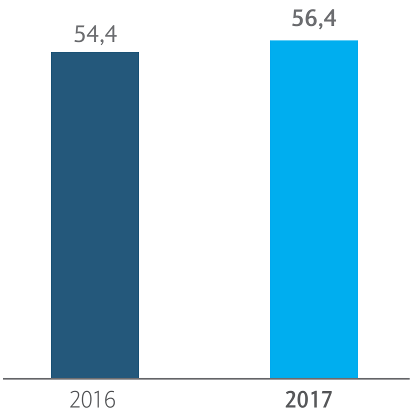

### Pre-provision (Rbn and change %)



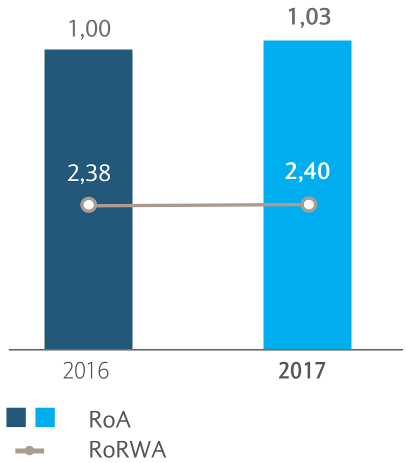
# South Africa Banking

for the reporting period ended 31 December

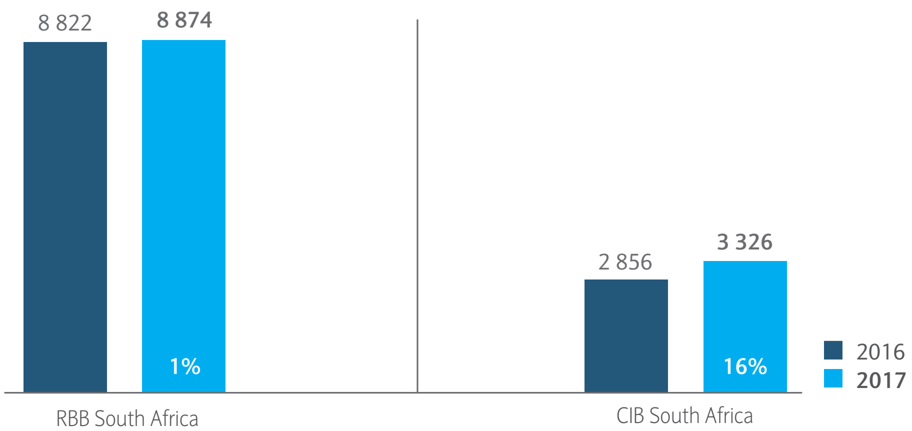
## Cost-to-income (%)




## RoA and RoRWA (%)




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




| Headline earnings by segment | 2017 Rm | 2016[1] Rm | Change % |
|---|---|---|---|
| South Africa Banking | **12 200** | 11 678 | 4 |
| RBB South Africa | **8 874** | 8 822 | 1 |
| Retail Banking | **6 546** | 6 524 | 0 |
| Business Banking | **2 328** | 2 298 | 1 |
| CIB South Africa | **3 326** | 2 856 | 16 |
| Corporate | **1 143** | 1 063 | 8 |
| Investment Banking | **2 183** | 1 793 | 22 |

Note

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

# South Africa Banking

for the reporting period ended 31 December

| | RBB South Africa | | |
|---|---|---|---|
| | **2017** | 2016[1] | Change % |
| **Statement of comprehensive income (Rm)** | | | |
| Net interest income | **25 542** | 25 587 | (0) |
| Non-interest income | **17 182** | 16 345 | 5 |
| **Total income** | **42 724** | 41 932 | 2 |
| Impairment losses on loans and advances | **(5 038)** | (6 022) | (16) |
| Operating expenses | **(24 431)** | (22 843) | 7 |
| Other expenses | **(157)** | (432) | (64) |
| **Operating profit before income tax** | **13 098** | 12 635 | 4 |
| Tax expenses | **(3 702)** | (3 528) | 5 |
| **Profit for the reporting period** | **9 396** | 9 107 | 3 |
| **Profit attributable to:** | | | |
| Ordinary equity holders | **8 867** | 8 611 | 3 |
| Non-controlling interest – ordinary shares | **270** | 266 | 2 |
| Non-controlling interest – preference shares | **259** | 230 | 13 |
| | **9 396** | 9 107 | 3 |
| Headline earnings | **8 874** | 8 822 | 1 |
| **Operating performance (%)** | | | |
| Net interest margin on average interest-bearing assets | **3,68** | 3,85 | |
| Credit loss ratio | **1,10** | 1,33 | |
| Non-interest income as % of income | **40,2** | 39,0 | |
| Income growth | **2** | 4 | |
| Operating expenses growth | **7** | 6 | |
| Cost-to-income ratio | **57,2** | 54,5 | |
| **Statement of financial position (Rm)** | | | |
| Loans and advances to customers | **446 894** | 434 139 | 3 |
| Loans and advances to banks | **7 893** | 6 348 | 24 |
| Investment securities | **43 101** | 42 132 | 2 |
| Other assets | **256 339** | 247 914 | 3 |
| **Total assets** | **754 227** | 730 533 | 3 |
| Deposits due to customers | **300 946** | 286 297 | 5 |
| Debt securities in issue | **400** | 871 | (54) |
| Other liabilities | **440 456** | 431 572 | 2 |
| **Total liabilities** | **741 802** | 718 740 | 3 |
| **Financial performance (%)** | | | |
| RoRWA | **2,76** | 2,81 | |
| RoA | **1,19** | 1,23 | |

Note

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

| CIB South Africa | | | Total South Africa Banking | | |
|---|---|---|---|---|---|
| **2017** | 2016[1] | Change % | **2017** | 2016[1] | Change % |
| **6 437** | 6 039 | 7 | **31 979** | 31 626 | 1 |
| **4 184** | 4 238 | (1) | **21 366** | 20 583 | 4 |
| **10 621** | 10 277 | 3 | **53 345** | 52 209 | 2 |
| **(567)** | (1 020) | (44) | **(5 605)** | (7 042) | (20) |
| **(5 671)** | (5 552) | 2 | **(30 102)** | (28 395) | 6 |
| **(178)** | (152) | 17 | **(335)** | (584) | (43) |
| **4 205** | 3 553 | 18 | **17 303** | 16 188 | 7 |
| **(732)** | (615) | 19 | **(4 434)** | (4 143) | 7 |
| **3 473** | 2 938 | 18 | **12 869** | 12 045 | 7 |
| **3 326** | 2 822 | 18 | **12 193** | 11 433 | 7 |
| **—** | — | — | **270** | 266 | 2 |
| **147** | 116 | 27 | **406** | 346 | 17 |
| **3 473** | 2 938 | 18 | **12 869** | 12 045 | 7 |
| **3 326** | 2 856 | 16 | **12 200** | 11 678 | 4 |
| **2,54** | 2,44 | | **3,37** | 3,47 | |
| **0,24** | 0,44 | | **0,80** | 1,03 | |
| **39,4** | 41,2 | | **40,1** | 39,4 | |
| **3** | 13 | | **2** | 6 | |
| **2** | — | | **6** | 5 | |
| **53,4** | 54,0 | | **56,4** | 54,4 | |
| **219 065** | 202 015 | 8 | **665 959** | 636 154 | 5 |
| **31 728** | 34 121 | (7) | **39 621** | 40 469 | (2) |
| **31 277** | 25 367 | 23 | **74 378** | 67 499 | 10 |
| **191 865** | 175 031 | 10 | **448 204** | 422 945 | 6 |
| **473 935** | 436 534 | 9 | **1 228 162** | 1 167 067 | 5 |
| **177 034** | 173 783 | 2 | **477 980** | 460 080 | 4 |
| **12 532** | 14 326 | (13) | **12 932** | 15 197 | (15) |
| **277 653** | 242 661 | 14 | **718 109** | 674 233 | 7 |
| **467 219** | 430 770 | 8 | **1 209 021** | 1 149 510 | 5 |
| **1,77** | 1,61 | | **2,40** | 2,38 | |
| **0,75** | 0,63 | | **1,03** | 1,00 | |

# Retail and Business Banking South Africa

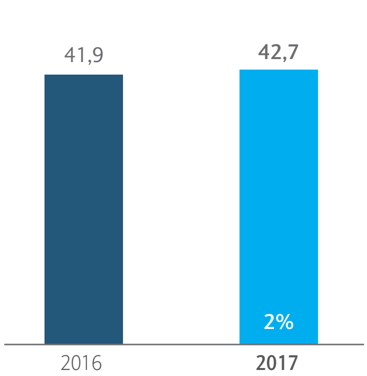
for the reporting period ended 31 December

Retail and Business Banking South Africa headline earnings grew 1% to **R8 874m** (2016: R8 822m) and generated a RoRC of 23,5%, which was supported by lower impairments and non-interest income growth. The reporting period was characterised by a stronger second half, measured appetite for credit and strong competition. The quality of the asset portfolio remains a key focus area and is managed by continuous refinement of the risk appetite.

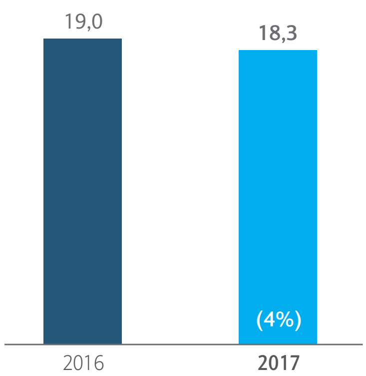
Key performance highlights for the reporting period include:

- Key value drivers improved during 2017, particularly in the second half of the year.
- Loans and advances to customers grew 3% to **R447bn** (2016: R434bn), despite a reduction in the store card portfolio. The book was backed by a strong NPL coverage ratio of **40,52%** (2016: 41,86%), supported by an improved credit risk profile.
- Deposits due to customers increased 5% to R301bn, although there was a shift in the composition of the deposits portfolio towards low margin investment products.
- Net interest income was flat, improving from a decline of 2% at half year to a growth of 2% in the second half. Growth was slowed by the impact of NCA pricing caps in the first half of the year.
- Non-interest income grew 5% to R17 182m driven by production growth, particularly in the second half of the year.
- Impairments decreased 16% to R5 038m, reducing the credit loss ratio by 23 bps to **1,10%** (2016: 1,33%).
- Operating expenses growth of 7% reflects the benefits realised from the simplification of business processes and branch optimisation despite increased information technology expenditure.
- RoRC declined to **23,5%** (2016: 24,4%), however, it remained above the cost of equity.
- Negative Jaws of 5% driven by planned investment expenditure.
- Pre-provision profit reduced to **R18,3bn** (2016: R19,1bn) mainly due to planned investments in IT infrastructure, increased marketing and investments to enhance the customer experience.

## Income (Rbn and change %)




## Pre-provision profit (Rbn and change %)




| Salient features | 2017 | 2016[1] | Change % |
|---|---|---|---|
| Income (Rm) | **42 724** | 41 932 | 2 |
| Attributable earnings (Rm) | **8 867** | 8 611 | 3 |
| Headline earnings (Rm) | **8 874** | 8 822 | 1 |
| Credit loss ratio (%) | **1,10** | 1,33 | |
| Cost-to-income ratio (%) | **57,2** | 54,5 | |
| RoRWA (%) | **2,76** | 2,81 | |
| RoA (%) | **1,19** | 1,23 | |
| RoRC (%) | **23,5** | 24,4 | |

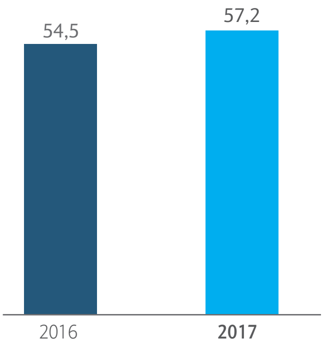
Note

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

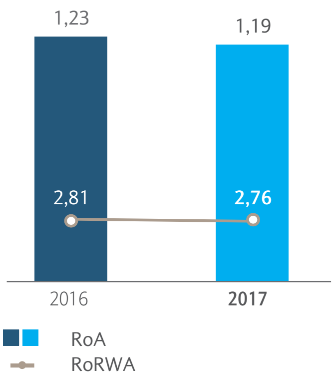
# Retail and Business Banking South Africa

for the reporting period ended 31 December

## Cost-to-income (%)




## RoA and RoRWA (%)




| Headline earnings by segment | 2017 Rm | 2016[1] Rm | Change % |
|---|---|---|---|
| RBB South Africa | **8 874** | 8 822 | 1 |
| Home Loans | **1 715** | 1 630 | 5 |
| Vehicle and Asset Finance | **963** | 800 | 20 |
| Card and Payments | **1 601** | 1 561 | 3 |
| Personal Loans | **436** | 424 | 3 |
| Transactional and Deposits | **2 470** | 2 689 | (8) |
| Other | **(639)** | (580) | 10 |
| Business Banking (excluding equities) | **2 357** | 2 320 | 2 |
| Business Banking equities | **(29)** | (22) | 32 |

## Business profile

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

## Key business areas

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

Note

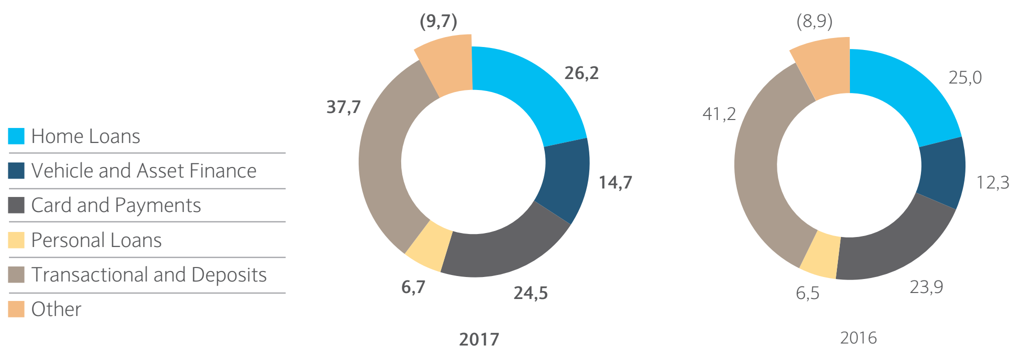
[1] These numbers have been restated, refer to the reporting changes overview on the inside front cover.

# Retail Banking South Africa

for the reporting period ended 31 December

| | Home Loans | | | Vehicle and Asset Finance | | |
|---|---|---|---|---|---|---|
| | **2017** | 2016[1] | Change % | **2017** | 2016[1] | Change % |
| **Statement of comprehensive income (Rm)** | | | | | | |
| Net interest income | **4 379** | 4 450 | (2) | **3 038** | 2 953 | 3 |
| Non-interest income | **446** | 329 | 36 | **872** | 794 | 10 |
| **Total income** | **4 825** | 4 779 | 1 | **3 910** | 3 747 | 4 |
| Impairment losses on loans and advances | **(689)** | (922) | (25) | **(847)** | (1 047) | (19) |
| Operating expenses | **(1 726)** | (1 667) | 4 | **(1 916)** | (1 759) | 9 |
| Other expenses | **(18)** | (17) | 6 | **136** | 120 | 13 |
| **Operating profit before income tax** | **2 392** | 2 173 | 10 | **1 283** | 1 061 | 21 |
| Tax expenses | **(677)** | (543) | 25 | **(320)** | (261) | 23 |
| **Profit for the reporting period** | **1 715** | 1 630 | 5 | **963** | 800 | 20 |
| **Profit attributable to:** | | | | | | |
| Ordinary equity holders | **1 715** | 1 630 | 5 | **963** | 800 | 20 |
| Non-controlling interest – ordinary shares | **—** | — | — | **—** | — | — |
| Non-controlling interest – preference shares | **—** | — | — | **—** | — | — |
| | **1 715** | 1 630 | 5 | **963** | 800 | 20 |
| **Headline earnings** | **1 715** | 1 630 | 5 | **963** | 800 | 20 |
| **Operating performance (%)** | | | | | | |
| Credit loss ratio | **0,30** | 0,40 | | **0,87** | 1,14 | |
| Non-interest income as % of income | **9,2** | 6,9 | | **22,3** | 21,2 | |
| Income growth | **1** | 4 | | **4** | (2) | |
| Operating expenses growth | **3** | 9 | | **9** | 6 | |
| Cost-to-income ratio | **35,8** | 34,9 | | **49,0** | 46,9 | |
| **Statement of financial position (Rm)** | | | | | | |
| Loans and advances to customers | **224 892** | 225 158 | (0) | **101 092** | 93 630 | 8 |
| Loans and advances to banks | **419** | 1 002 | (58) | **37** | 24 | 54 |
| Investment securities | **12 077** | 11 739 | 3 | **5 065** | 4 563 | 11 |
| Other assets | **7 788** | 7 105 | 10 | **7 510** | 5 929 | 27 |
| **Total assets** | **245 176** | 245 004 | 0 | **113 704** | 104 146 | 9 |
| Deposits due to customers | **1 619** | 1 762 | (8) | **458** | 297 | 54 |
| Debt securities in issue | **400** | 871 | (54) | **—** | — | — |
| Other liabilities | **241 197** | 240 579 | 0 | **110 646** | 101 675 | 9 |
| **Total liabilities** | **243 216** | 243 212 | 0 | **111 104** | 101 972 | 9 |
| **Financial performance (%)** | | | | | | |
| RoRWA | **2,40** | 2,20 | | **1,29** | 1,12 | |
| RoA | **0,70** | 0,66 | | **0,80** | 0,76 | |

## Retail Banking headline earnings (%)



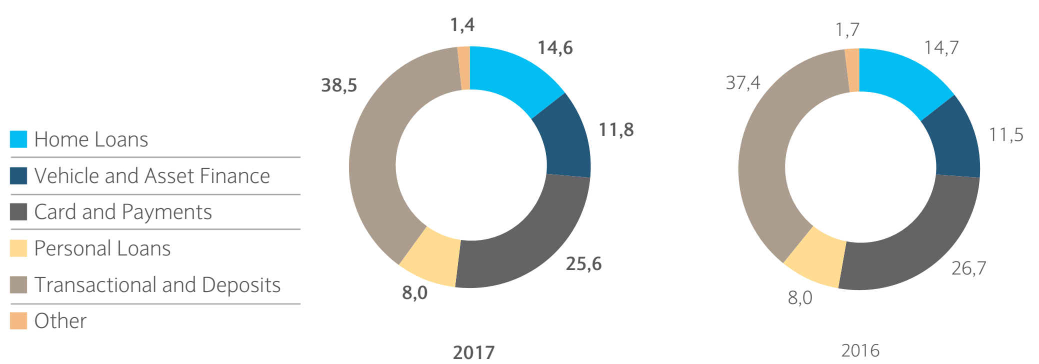

Notes

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

[2] Includes WFS and the Edcon portfolio.

| Card and Payments[2] | | | Personal Loans | | | Transactional and Deposits | | |
|---|---|---|---|---|---|---|---|---|
| 2017 | 2016[1] | Change % | 2017 | 2016[1] | Change % | 2017 | 2016[1] | Change % |
| **4 678** | 5 023 | (7) | **2 304** | 2 271 | 1 | **5 111** | 5 021 | 2 |
| **3 781** | 3 668 | 3 | **328** | 320 | 3 | **7 600** | 7 136 | 7 |
| **8 459** | 8 691 | (3) | **2 632** | 2 591 | 2 | **12 711** | 12 157 | 5 |
| **(1 924)** | (2 345) | (18) | **(1 112)** | (994) | 12 | **(193)** | (131) | 47 |
| **(3 812)** | (3 695) | 3 | **(914)** | (1 007) | (9) | **(9 073)** | (8 320) | 9 |
| **(119)** | (413) | (71) | **(1)** | (1) | — | **(14)** | (11) | 27 |
| **2 604** | 2 238 | 16 | **605** | 589 | 3 | **3 431** | 3 695 | (7) |
| **(733)** | (710) | 3 | **(169)** | (165) | 2 | **(961)** | (1 006) | (4) |
| **1 871** | 1 528 | 22 | **436** | 424 | 3 | **2 470** | 2 689 | (8) |
| **1 600** | 1 277 | 25 | **436** | 424 | 3 | **2 470** | 2 689 | (8) |
| **271** | 251 | 8 | **—** | — | — | **—** | — | — |
| **—** | — | — | **—** | — | — | **—** | — | — |
| **1 871** | 1 528 | 22 | **436** | 424 | 3 | **2 470** | 2 689 | (8) |
| **1 601** | 1 561 | 3 | **436** | 424 | 3 | **2 470** | 2 689 | (8) |
| **4,53** | 5,41 | | **6,09** | 5,68 | | **2,11** | 1,74 | |
| **44,7** | 42,2 | | **12,4** | 12,3 | | **59,8** | 58,7 | |
| **(3)** | 3 | | **2** | 14 | | **5** | 5 | |
| **3** | 3 | | **(9)** | 8 | | **9** | 7 | |
| **45,1** | 42,5 | | **34,7** | 38,9 | | **71,4** | 68,4 | |
| **37 167** | 37 522 | (1) | **17 132** | 16 164 | 6 | **3 211** | 2 606 | 23 |
| **92** | 93 | (1) | **—** | — | — | **6 852** | 4 764 | 44 |
| **1 951** | 1 915 | 2 | **898** | 828 | 8 | **277** | 199 | 39 |
| **10 823** | 11 303 | (4) | **419** | 450 | (7) | **178 604** | 171 240 | 4 |
| **50 033** | 50 833 | (2) | **18 449** | 17 442 | 6 | **188 944** | 178 809 | 6 |
| **1 893** | 1 907 | (1) | **11** | 10 | 10 | **182 862** | 172 962 | 6 |
| **—** | — | — | **—** | — | — | **—** | — | — |
| **45 133** | 46 291 | (3) | **18 001** | 17 007 | 6 | **3 610** | 3 154 | 14 |
| **47 026** | 48 198 | (2) | **18 012** | 17 017 | 6 | **186 472** | 176 116 | 6 |
| **2,71** | 2,52 | | **1,92** | 1,94 | | **13,60** | 17,86 | |
| **2,96** | 2,98 | | **2,43** | 2,46 | | **1,41** | 1,65 | |

## Retail Banking income (%)



| Other | | | Total Retail Banking South Africa | | |
|---|---|---|---|---|---|
| 2017 | 2016[1] | Change % | 2017 | 2016[1] | Change % |
| (17) | (12) | 42 | 19 493 | 19 706 | (1) |
| 492 | 562 | (12) | 13 519 | 12 809 | 6 |
| 475 | 550 | (14) | 33 012 | 32 515 | 2 |
| 1 | (1) | <(100) | (4 764) | (5 440) | (12) |
| (946) | (931) | 2 | (18 387) | (17 379) | 6 |
| (110) | (85) | 29 | (126) | (407) | (69) |
| (580) | (467) | 24 | 9 735 | 9 289 | 5 |
| 137 | 69 | 99 | (2 723) | (2 616) | 4 |
| (443) | (398) | 11 | 7 012 | 6 673 | 5 |
| (635) | (574) | 11 | 6 549 | 6 246 | 5 |
| (2) | — | 100 | 269 | 251 | 7 |
| 194 | 176 | 10 | 194 | 176 | 10 |
| (443) | (398) | 11 | 7 012 | 6 673 | 5 |
| (639) | (580) | 10 | 6 546 | 6 524 | 0 |
| n/a | n/a | | 1,20 | 1,39 | |
| n/a | n/a | | 41,0 | 39,4 | |
| n/a | n/a | | 2 | 4 | |
| n/a | n/a | | 6 | 6 | |
| n/a | n/a | | 55,7 | 53,4 | |
| 1 | 2 | (50) | 383 495 | 375 082 | 2 |
| 409 | 401 | 2 | 7 809 | 6 284 | 24 |
| 12 695 | 12 677 | 0 | 32 963 | 31 921 | 3 |
| 5 174 | 5 724 | (10) | 210 318 | 201 751 | 4 |
| 18 279 | 18 804 | (3) | 634 585 | 615 038 | 3 |
| 12 | 15 | (20) | 186 855 | 176 953 | 6 |
| — | — | — | 400 | 871 | (54) |
| 18 783 | 19 200 | (2) | 437 370 | 427 906 | 2 |
| 18 795 | 19 215 | (2) | 624 625 | 605 730 | 3 |
| n/a | n/a | | 2,64 | 2,65 | |
| n/a | n/a | | 1,04 | 1,09 | |

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# Business Banking South Africa

for the reporting period ended 31 December

| | Business Banking (excluding Equities) | | |
|---|---|---|---|
| | **2017** | 2016[1] | Change % |
| **Statement of comprehensive income (Rm)** | | | |
| Net interest income | **6 103** | 5 995 | 2 |
| Non-interest income | **3 531** | 3 226 | 9 |
| **Total income** | **9 634** | 9 221 | 4 |
| Impairment losses on loans and advances | **(274)** | (581) | (53) |
| Operating expenses | **(5 957)** | (5 329) | 12 |
| Other expenses | **(30)** | (25) | 20 |
| **Operating profit before income tax** | **3 373** | 3 286 | 3 |
| Tax expenses | **(953)** | (914) | 4 |
| **Profit for the reporting period** | **2 420** | 2 372 | 2 |
| **Profit attributable to:** | | | |
| Ordinary equity holders | **2 357** | 2 320 | 2 |
| Non-controlling interest – ordinary shares | **—** | — | — |
| Non-controlling interest – preference shares | **63** | 52 | 21 |
| | **2 420** | 2 372 | 2 |
| **Headline earnings** | **2 357** | 2 320 | 2 |
| **Operating performance (%)** | | | |
| Credit loss ratio | **0,43** | 0,98 | |
| Non-interest income as % of income | **36,6** | 35,0 | |
| Income growth | **4** | 5 | |
| Cost growth | **12** | 8 | |
| Cost-to-income ratio | **61,8** | 57,8 | |
| **Statement of financial position (Rm)** | | | |
| Loans and advances to customers | **63 399** | 59 057 | 7 |
| Loans and advances to banks | **—** | — | — |
| Investment securities | **9 622** | 9 699 | (1) |
| Other assets | **44 518** | 43 975 | 1 |
| **Total assets** | **117 539** | 112 731 | 4 |
| Deposits due to customers | **114 091** | 109 344 | 4 |
| Debt securities in issue | **—** | — | — |
| Other liabilities | **1 086** | 1 021 | 6 |
| **Total liabilities** | **115 177** | 110 365 | 4 |
| **Financial performance (%)** | | | |
| RoRWA | **3,38** | 3,66 | |
| RoA | **2,03** | 2,04 | |

Note

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

# Business Banking South Africa

for the reporting period ended 31 December

| Business Banking Equities | | | Total Business Banking South Africa | | |
|---|---|---|---|---|---|
| **2017** | 2016[1] | Change % | **2017** | 2016[1] | Change % |
| **(54)** | (114) | (53) | **6 049** | 5 881 | 3 |
| **132** | 310 | (57) | **3 663** | 3 536 | 4 |
| **78** | 196 | (60) | **9 712** | 9 417 | 3 |
| **—** | — | — | **(274)** | (581) | (53) |
| **(87)** | (136) | (36) | **(6 044)** | (5 465) | 11 |
| **(1)** | — | 100 | **(31)** | (25) | 24 |
| **(10)** | 60 | <(100) | **3 363** | 3 346 | 1 |
| **(26)** | 2 | <(100) | **(979)** | (912) | 7 |
| **(36)** | 62 | <(100) | **2 384** | 2 434 | (2) |
| **(39)** | 45 | <(100) | **2 318** | 2 365 | (2) |
| **1** | 15 | (93) | **1** | 15 | (93) |
| **2** | 2 | — | **65** | 54 | 20 |
| **(36)** | 62 | <(100) | **2 384** | 2 434 | (2) |
| **(29)** | (22) | 32 | **2 328** | 2 298 | 1 |
| **n/a** | n/a | | **0,43** | 0,98 | |
| **n/a** | n/a | | **37,7** | 37,6 | |
| **(60)** | 53 | | **3** | 6 | |
| **(36)** | (38) | | **11** | 6 | |
| **111,5** | 69,4 | | **62,2** | 58,0 | |
| **—** | — | — | **63 399** | 59 057 | 7 |
| **84** | 64 | 31 | **84** | 64 | 31 |
| **516** | 512 | 1 | **10 138** | 10 211 | (1) |
| **1 503** | 2 188 | (31) | **46 021** | 46 163 | (0) |
| **2 103** | 2 764 | (24) | **119 642** | 115 495 | 4 |
| **—** | — | — | **114 091** | 109 344 | 4 |
| **—** | — | — | **—** | — | — |
| **2 000** | 2 645 | (24) | **3 086** | 3 666 | (16) |
| **2 000** | 2 645 | (24) | **117 177** | 113 010 | 4 |
| **n/a** | n/a | | **3,16** | 3,38 | |
| **(1,31)** | (0,79) | | **1,96** | 1,98 | |

# Retail and Business Banking South Africa

for the reporting period ended 31 December

## Financial performance

Headline earnings grew 1% to **R8 874m** (2016: R8 822m) driven by a 16% reduction in impairments and a 2% growth in income, offset by a 7% increase in operating expenses. This was an improvement from a headline earnings decline of 9% at half year mainly as a result of improved income growth of 4% and impairment reduction of 24% in the second half of the year.

Loans and advances to customers increased 3% to **R447bn** (2016: R434bn) due to asset growth of 8% in Vehicle and Asset Finance, 7% in Business Banking and 6% in Personal Loans, while Home Loans remained flat. This was marginally offset by a reduction of 1% in Card and Payments mainly due to the store card portfolio.

Deposits due to customers increased 5% to **R301bn** (R286bn), while there was a shift in the portfolio composition towards low margin investment products as customers sought higher yields in a competitive market.

Net interest income was broadly flat at **R25 542m** (2016: R25 587m), however, it improved from a decline of 2% at half year. The flat growth reflects an increase in deposits and most of the lending portfolios, although store card sales reduced. Net interest margin was, however, lower year on year reflecting NCA pricing caps, higher suspended interest on NPLs on the Home Loans portfolio and stronger growth in lower margin investment deposit products. Net interest income growth excluding the impact of NCA was 1%.

Non-interest income grew 5% to **R17 182m** (2016: R16 345m) underpinned by increased card and merchant acquiring volumes as well as higher service fees. This was offset by a planned migration of transactions from physical to digital channels as well as reduced revaluation gains on the Equities portfolio. Non-interest income growth excluding the reduction in Equities portfolio was 6%.

Impairments reduced 16% to **R5 038m** (2016: R6 022m) and the credit loss ratio improved to **1,10%** (2016: 1,33%). The reduction was driven by the proactive credit risk mitigation strategies implemented in 2016 leading to the origination of good quality loans as well as enhanced focus on collections. Non-performing loans coverage ratio reduced to **40,52%** (2016: 41,86%) mainly due to a better profile of early and late arrears.

Operating expenses grew 7% to **R24 431m** (2016: R22 843m) primarily due to increased frontline capacity, annual salary increases, amortisation of IT infrastructure expenditure, increased cost of cash as well as the investment in physical and cyber security. This was offset by efficiency gains from product and service automation as well as the optimisation of the branch footprint. The cost-to-income ratio thus increased by 2,7% to **57,2%** (2016: 54,5%).

# Retail and Business Banking South Africa

for the reporting period ended 31 December

## Business performance

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

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

In line with our customer-centric approach, we have continued to make concerted efforts to grow our franchise sustainably and have made progress as shown by improvements in our underlying business drivers, particularly in the second half of the year.

We continued to expand our digital proposition by empowering customers via self-assisted sales and service transactions, while at the same time automating and streamlining existing online processes. This culminated in the migration of commercial customers to a single platform as well as increasing the bouquet of transactions that can be performed digitally while strengthening the security features.

The Absa Rewards proposition was enhanced to drive value for our customers and to increase primary customer relationships. The proposition will be further improved with partner propositions in the grocery, connectivity and travel markets to make a meaningful difference to our customers' lives. Our Value Added Services embedded in the various propositions helped to drive customer engagement and increase product penetration.

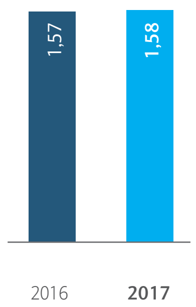
Credit origination was based on prudent risk management, sustainable and profitable growth principles aligned with our overall strategy, and can be summarised as follows:

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

The credit risk profile of our book improved due to the successful deployment of our collection strategies, the recovery of the Agri sector following two years of contraction, a preference to lend to existing customers and improvements to the debt review process. The latter resulted in the debt review portfolio growth slowing to below market rates. The volumes of properties in possession and vehicles repossessed have remained stable at very low levels.

Strategic investment was primarily focused on improving customer experience, strengthening channel security, increasing operational efficiencies and driving customer acquisition. These investments included customer onboarding optimisation, targeted marketing campaigns, new product launches, enhancement of digital channels and investment in frontline staff to build capacity as part of ongoing strategy execution.

### Retail Banking products penetration rate (average number)




Average number of products per customer increased marginally

### Retail NPS Score (%)


Net Promoter Scores improved, indicating better customer experience

# Retail and Business Banking South Africa

for the reporting period ended 31 December

## Business performance *(continued)*

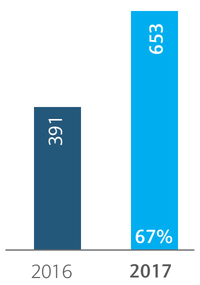
Notable progress has been made since the first half of the year:

- Home Loans registrations grew 7%, supporting the increase in flow market share to 19,7% from 17,5% in 2016;
- VAF production increased 15%, compared to market growth of 2%;
- Credit limit increases growth of 81%, driving the increase in credit card turnover by 4%;
- Personal Loans grew 4%, compared to the market which declined by 2%;
- Retail Overdrafts growth of 23%, compared to market growth of 10%, driven by a simplified application process and targeted marketing campaigns;
- Business Banking advances increased 7% led by growth in Commercial Property Finance and Agri products;
- Relaunched the PEP acquisition channel in the fourth quarter after it was suspended in late 2016;
- Launch of the Premium Banking proposition; and
- Absa Rewards membership grew by 12%, supporting a marginal improvement in the product penetration rate to **1,58** (2016: 1,57).

To manage the risks associated with the current economic environment, we will continue to focus on improving customer experience through the following:

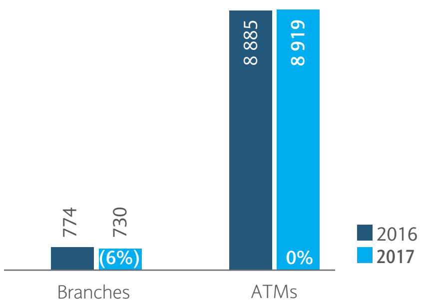
- Enhancing digital platform and service capabilities;
- Stable and robust technology ensuring reliable service availability;
- Delivering the relevant propositions to customers;
- Targeted marketing aligned to customer value propositions and shared growth;
- Deepening the relationship with existing customers;
- Extending the reach of omni-channel;
- Improving operational efficiencies through automation and digitisation;
- Close monitoring of the credit quality of portfolios and our collection activities; and
- Investing in frontline staff and existing customer management capability.

### Digital footprint (#'000 and change %)




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

### Physical footprint (number and change %)




Physical footprint maintaining reach while optimising scale

### Retail Banking asset market share (%)


Asset market share declined marginally

## Business performance *(continued)*

### *Home Loans*

The slowdown in the housing market was amplified by a weak economic climate.

- National House Price Inflation index was 4% as at May 2017(per Lightstone), implying house price deflation in real terms.
- Total industry value of bonds registered increased 0,9%, improving from a decline of 4,7% as at December 2016 (per Lightstone).

New registrations grew 7% and increased in the second half of the year, exceeding the first half by 15%. The growth in registrations was driven by targeted campaigns and enhancements to the lending criteria.

Market share of new registrations was at 19,7% as at December 2017, up from 17,5% as at December 2016 (per Lightstone). Stock market share was stable at 23,6% (per SARB BA900) following a decline in the prior year.

The Home Loan book was broadly flat at **R225bn** (2016: R225bn) mainly due to new registrations matching back book run off. A revised risk approach implemented in 2017 heightened the focus on growing high LTV, low risk segments.

Headline earnings grew 5% to **R1 715m** (2016: R1 630m), improving from a decline of 9% at half year, mainly as a result of income growth and a reduction in impairment losses in the second half of the year.

Income grew 1% to **R4 825m** (2016: R4 779m) primarily due to increased registrations, improved strategies around properties in possession and service fees. Income improved from a decline of 2% in the first half to a growth of 4% in the second half of the year. The improved income growth was achieved despite a flat Home Loans portfolio and higher suspended interest on NPLs.

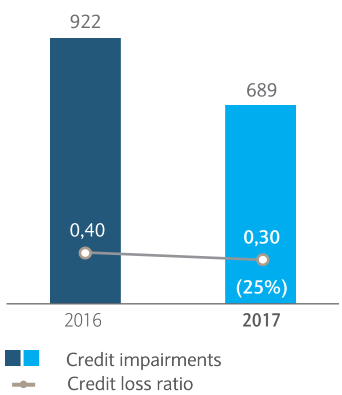
Impairments reduced 25% to **R689m** (2016: R922m) driven by a better quality of new registrations, strong collections and post-write-off recoveries. Accordingly, the credit loss ratio improved to **0,30%** (2016: 0,40%). The Performing Loans coverage reduced 4bps to **0,52%** (2016: 0,56%) due to a better profile of new registrations. Non-performing loans remained stable, however, the coverage decreased to **20,02%** (2016: 21,03%) due to better construct of the legal and late stage arrears portfolios.

Operating expenses increased 4% to **R1 726m** (2016: R1 667m) driven by the amortisation of IT infrastructure as well as investment in physical and cyber security.

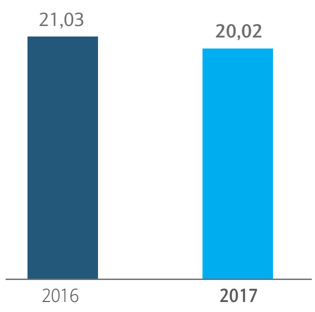
Looking ahead, Home Loans will continue to focus on key areas, including:

- Enhancing processes to improve the customer experience;
- Responsible lending and origination of good quality loans;
- Increasing production volumes within our target customer segments; and
- Enhancing collection activities to actively manage delinquencies.

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




### NPL – coverage ratio (%)



# Retail and Business Banking South Africa

for the reporting period ended 31 December

## Business performance *(continued)*

### *Vehicle and Asset Finance*

The domestic vehicle market grew despite a weak economy

- Vehicle sales volumes grew 1,7% for the year ended December 2017 (per NAAMSA).
- Vehicle price inflation averaged 4,9% for the year (per StatsSA).
- Used to new ratio decreased during the year to 2,39 (2016: 2,48) for financed vehicles (per TransUnion).

Production grew 15%, compared to the market growth of 2%. Production grew faster in the second half of the year at 18%.

Loans and advances to customers grew 8% to **R101bn** (2016: R94bn) driven by the increase in production, with the quality of new loans improving relative to the back book. The Ford Financial Services joint venture continued its strong performance delivering record production, while MAN Financial Services and other commercial alliances returned satisfactory performance.

Headline earnings grew 20% to **R963m** (2016: R800m) primarily due to a reduction in impairments and growth in income, with a notable increase in the second half of the year.

Income increased 4% to **R3 910m** (2016: R3 747m) underpinned by a strong book growth and growth from the Vehicle Management Services portfolio. Margins on the retail instalment agreement portfolio continued to increase despite strong market competition.

Impairments reduced 19% to **R847m** (2016: R1 047m) mainly as a result of the maturing of accounts booked outside of risk appetite and a strong credit quality of the front book. Accordingly, the credit loss ratio reduced 27bps to **0,87%** (2016: 1,14%). The legal book increased due to a slowdown in the number of rehabilitations, resulting in an increase in the average age of accounts within the legal portfolio. As a result, the non-performing loans coverage increased to **47,29%** (2016: 44,36%).

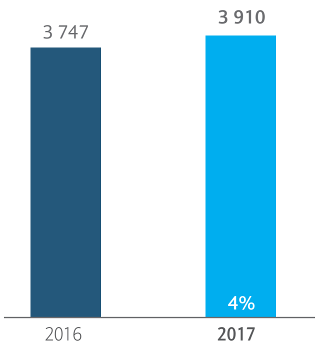
Operating expenses increased 9% mainly driven by amortisation of IT infrastructure expenditure as well as investment in physical and cyber security.

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

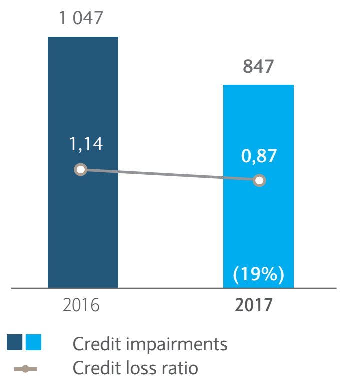
Looking ahead, AVAF will continue to focus on key areas, including:

- Designing and implementing of customer end to end asset acquisition solution;
- Creating and strengthening key partnerships with industry stakeholders;
- Enhancing customer and dealer service experience through automation and digitisation; and
- Improving product penetration through targeted propositions.

### Income (Rm and change %)




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



# Business performance *(continued)*

## *Card and Payments*

Credit and store card facilities granted increased by 19% year on year as at end of the 3rd quarter of 2017 (per National Credit Regulator).

- Credit facilities growth lifting credit card activity.
- Store card sales were adversely impacted by NCA affordability regulations.

Credit card turnover increased 4% largely driven by growth of 81% in credit limit increases, increased sales of new accounts and the reactivation of dormant accounts. This was offset by a turnover decline of 8% on the store card portfolio.

The loans and advances to customers decline slowed to 1%, from a decline of 3% at half year, and reaching **R37 167m** (2016: R37 522m) particularly through gains in the credit card portfolio arising from the growth in credit limit increases and sales of new credit card accounts. The risk profile of new business improved following the implementation of credit risk management strategies in 2016.

Merchant acquiring volumes grew 11% although the margins were lower than the prior year largely as a result of increased competition in the commercial portfolio.

Headline earnings grew 3% to **R1 601m** (2016: R1 561m), underpinned by lower impairments, countering the adverse impact of the NCA pricing caps and the reduction in the store card book. Operating expenses were well managed, increasing by 3%.

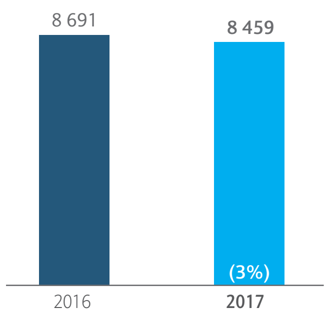
Income declined 3% to **R8 459m** (2016: R8 691m) mainly due to the reduction in the loans and advances in the store card portfolio, as well as the adverse impact of the NCA pricing caps in the first half of the year.

Impairments decreased 18% to **R1 924m** (2016: R2 345m) mainly driven by collection strategies and the marginal decline in the book, reducing the credit loss ratio to **4,53%** (2016: 5,41%). The non-performing loans coverage remained stable at **71,34%** (2016: 71,60%) while the non-performing loans ratio reduced to **12,8%** (2016: 13,5%) as a result of collections initiatives implemented.

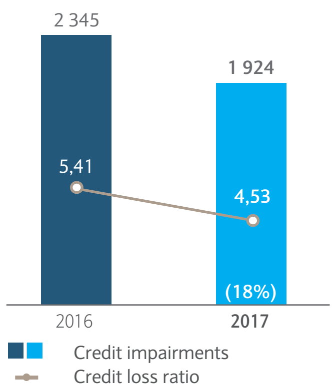
Looking ahead, Card and Payments will continue to focus on key areas, including:

- Driving effortless and consistent customer onboarding processes through the customer's preferred channel;
- Growing share of the merchant acquiring business and improving service models;
- Maintaining dominance in the corporate segment; and
- Continuing to focus on operational efficiencies.

### Income (Rm and change %)




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



## Business performance *(continued)*

### *Personal Loans*

Unsecured credit granted declined 2% year on year as at end of the 3rd quarter of 2017 (per National Credit Regulator).

- Stricter regulations around credit affordability impacted production.
- Impact of NCA pricing caps on profitability.

Production increased 4%, improving from a decline of 11% at half year. Second half production increased by 22%. The increase was driven by enhancements to the acquisition strategy and process improvements in response to regulatory and refined risk appetite changes introduced in the first half of 2016 to proactively manage credit risk. These developments reflected an increase of 6% in loans and advances to customers to reach **R17 132m** (2016: R16 164m).

Market share of production increased to 11,2% as at 3rd quarter of 2017, which was higher than the 7,9% as at the 4th quarter of 2016 (per National Credit Regulator).

Headline earnings increased 3% to **R436m** (2016: R424m) as income growth and cost reduction were slightly offset by higher impairments.

Income increased 2% to **R2 632m** (2016: R2 591m) underpinned by the growth in loans and advances to customers. The NCA caps introduced in May 2016, however, placed pressure on margins and this adverse trend is anticipated to continue into the foreseeable future.

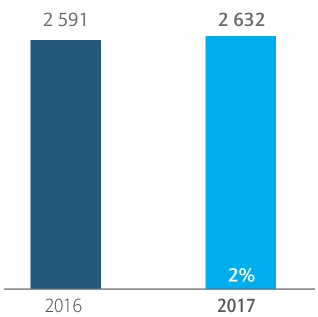
Impairments grew 12% to **R1 112m** (2016: R994m) mainly driven by the application of a stricter write-off criteria, increasing the credit loss ratio to **6,09%** (2016: 5,68%). The Non-Performing Loans coverage decreased to **65,72%** (2016: 66,25%) mainly due to a reduced legal portfolio. Performing Loans coverage increased to **3,14%** (2016: 3,08%) with new business vintages reflecting good quality loans.

Operating expenses reduced 9% due to continued focus on operational efficiencies, leading to cost savings and an improvement in the cost-to-income ratio by 4,2% to **34,7%** (2016: 38,9%).

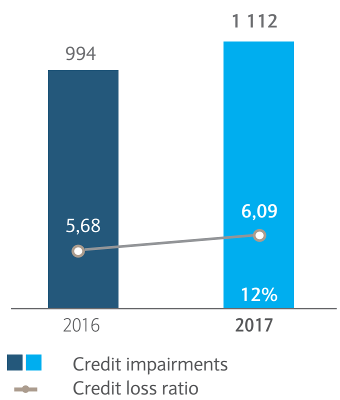
Looking ahead, Personal Loans will continue to focus on key areas, including:

- Increased digitisation of acquisition channels;
- Improving the disbursement fulfillment process;
- Migration of customers to more affordable and convenient channels; and
- Continuous review of credit and collection strategies.

#### Income (Rm and change %)




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



# Business performance *(continued)*

## *Transactional and Deposits*

The weak economic climate and changes in consumer behaviour slowed down the rate of transactional activity.

- Market growth of 12% in deposits (per BA900 for November 2017).
- Household consumption spending under pressure.

New to bank customers grew in key segments through targeted marketing campaigns and refined customer propositions. These included the launch of Premium Banking at the start of the second half of the year, as well as enhancements to the Absa Rewards, Private Banking and Gold Value Bundle propositions. PEP acquisition channel was relaunched in the fourth quarter after it was suspended in late 2016 due to elevated fraud levels.

Loans and advances to customers increased 23% to **R3,2bn** (2016: R2,6bn) driven by increased sales in response to targeted overdraft marketing campaigns and simplified application processes.

Deposits due to customers grew 6% to **R183bn** (2016: R173bn) driven by strong customer retention, targeted marketing campaigns and the refinement of savings and investment propositions, however, margins were lower due to increased demand for investment products.

Headline earnings declined 8%, improving from a decline of 14% at half year, to **R2 470m** (2016: R2 689m). The reduction in earnings was primarily driven by planned investments in IT infrastructure, increased marketing and investments to enhance the customer experience.

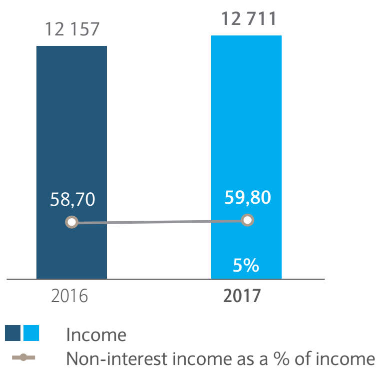
Income grew 5% to **R12 711m** (2016: R12 157m), underpinned by a strong balance sheet growth, annual pricing increases and an improved customer activity rate **64,4%** (2016: 63,2%) despite the migration of transactions from physical to digital channels. Income growth increased marginally from 4% in the first half to 5% in the second half of the year.

Operating expenses increased 9% to **R9 073m** (2016: R8 320m) primarily as a result of increased frontline capacity, annual salary increases, amortisation of IT infrastructure expenditure, marketing spend to promote new customer propositions, increased cost of cash as well as investment in physical and cyber security.

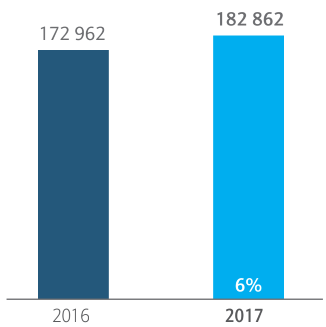
Looking ahead, Transactional and Deposits will continue to focus on key areas, including:

- Enhancing the customer experience;
- Targeted marketing aligned to customer value propositions and shared growth;
- Stable and robust technology ensuring reliable service availability;
- Automation of sales and service transactions to deliver straight through processing;
- Extending the reach of omni-channel; and
- Penetration into alternative digital revenue streams.

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




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



# Retail and Business Banking South Africa

for the reporting period ended 31 December

## Business performance *(continued)*

### *Business Banking*

Weak business confidence and economic recession resulted in businesses delaying key investment decisions.

- Contraction in the economy and political uncertainty resulted in reduced business activity.
- Improvement in the agriculture production after two years of contraction following the drought.

Loans and advances to customers grew 7% to **R63bn** (2016: R59bn) underpinned by growth across the portfolio. Investment in CPF continued to yield results with production increasing 11% over the prior year.

Deposits due to customers grew 4% to **R114bn** (2016: R109bn) mainly due to investment products as customers sought higher yields in a competitive market.

Headline earnings grew 1%, improving from a decline of 5% at half year, to **R2 328m** (2016: R2 298m) primarily driven by non-interest income growth and a reduction in impairments. The improvement in headline earnings relative to the first half of the year was primarily due to faster income growth and the impairment reduction in the second half of the year.

Income increased 3% to **R9 712m** (2016: R9 417m) due to a strong book growth, improving margins on transactional deposits and annual pricing increases, marginally offset by lower revaluation gains on the Equities portfolio. Income improved from 1% in the first half to 6% in the second half of the year. Income growth excluding the Equities portfolio was 4%.

The Equities portfolio continued to reduce following further planned realisations. The size of the portfolio was reduced 52% to **R963m** (2016: R1 995m) in line with the agreed run-down strategy.

Impairments reduced 53% to **R274m** (2016: R581m), underpinned by lower defaults and improved collections across the portfolios. The portfolios benefited from early intervention with financially distressed clients, a stable interest rate environment and an improved outlook following recovery from the drought in some parts of the country. The credit loss ratio thus improved to **0,43%** (2016: 0,98%). The non-performing loans coverage decreased to **32,84%** (2016: 35,34%) due to improved strength of collateral held.

Operating expenses increased 11% to **R6 044m** (2016: R5 465m) mainly due to investment in frontline capacity, annual salary increases, amortisation of IT infrastructure, regulatory compliance costs as well as investment in physical and cyber security.

Looking ahead, Business Banking will continue to focus on key areas, including:

- Improving the customer onboarding experience;
- Growing the enterprise customer base;
- Migration of customers to a single sales platform;
- Building bespoke customer value propositions; and
- Development of key value propositions for International Banking and Trade Finance segments.

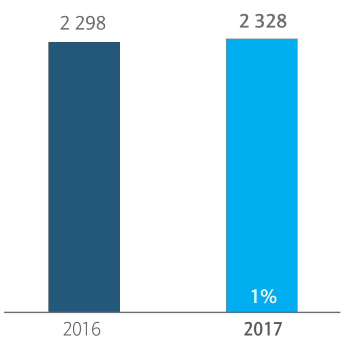
# Retail and Business Banking South Africa

for the reporting period ended 31 December

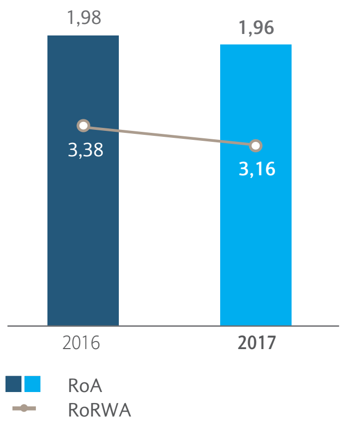
## Business performance *(continued)*

### *Business Banking (continued)*

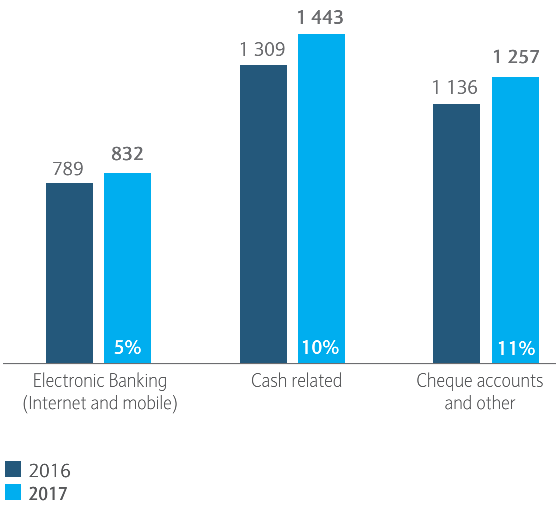
#### Headline earnings (Rm and change %)



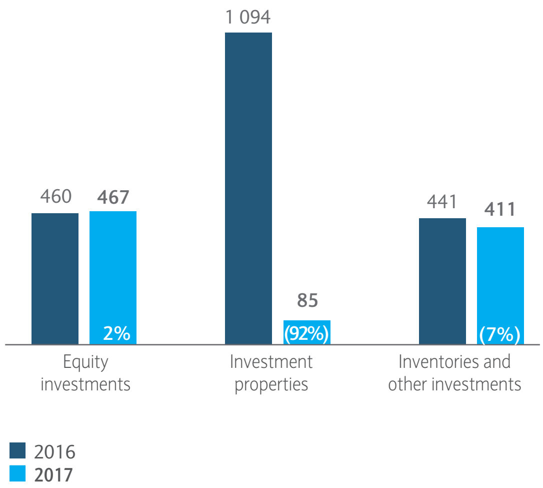

#### RoA and RoRWA (%)




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




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



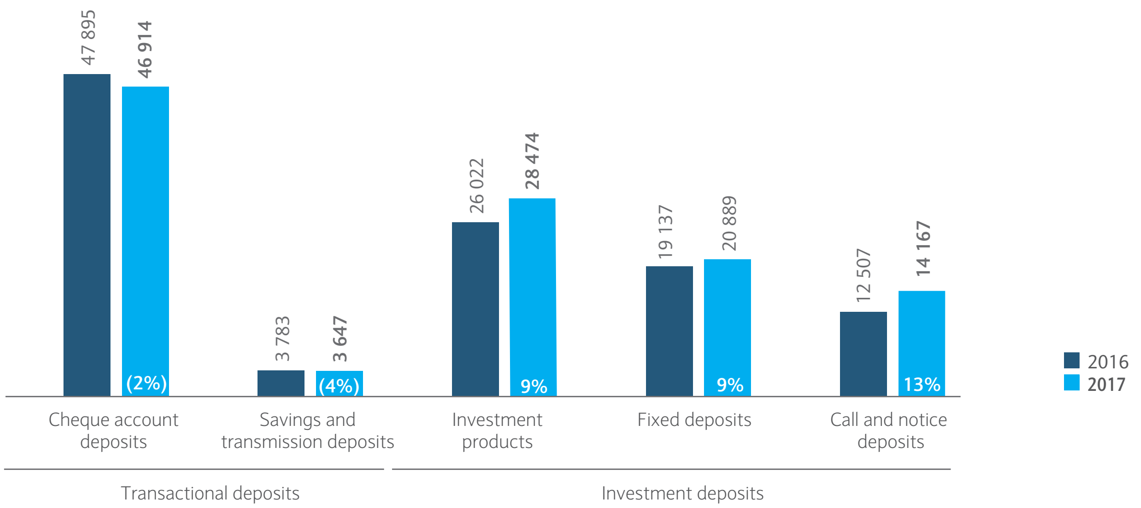
# Retail and Business Banking South Africa

for the reporting period ended 31 December

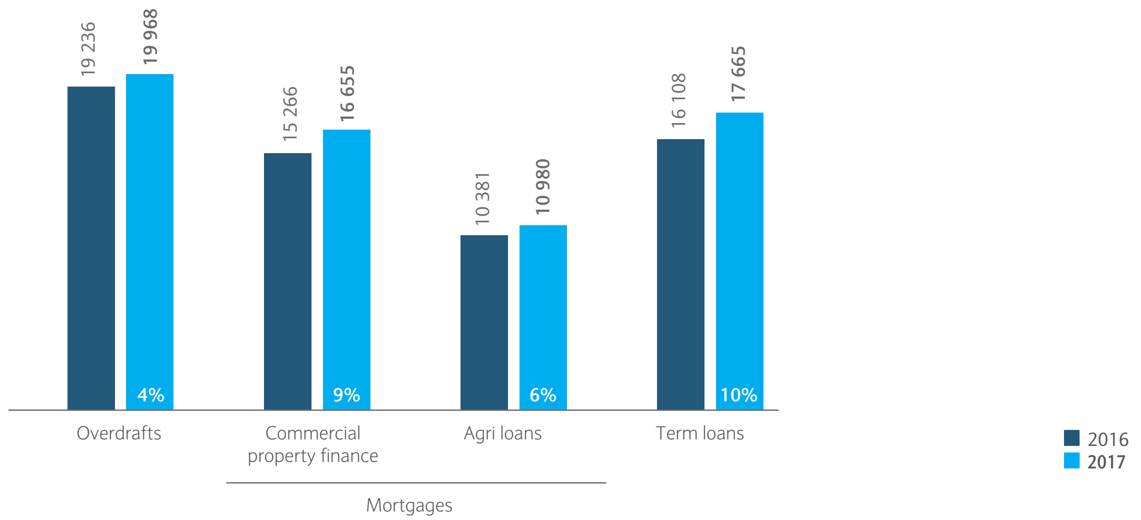
## Business performance *(continued)*

### *Business Banking (continued)*

#### Deposits (Rm and change %)




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




### *Other*

Other headline earnings loss increased 10% to **R639m** (2016: R580m) mainly due to benefits related to the endowment effect of Repo rate changes in 2016 not repeated in the current reporting period

# CIB South Africa

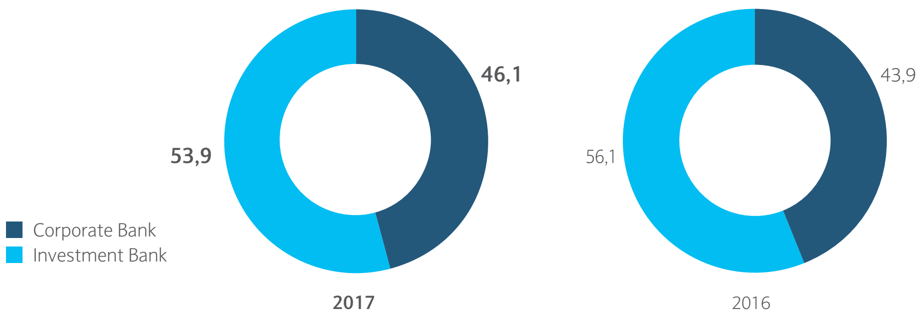
for the reporting period ended 31 December

CIB SA produced strong headline earnings growth, despite macroeconomic headwinds which resulted in difficult trading conditions. Headline earnings increased by 16% to **R3 326m** (2016: R2 856m) supported by underlying client franchise growth, lower impairments and low cost growth.

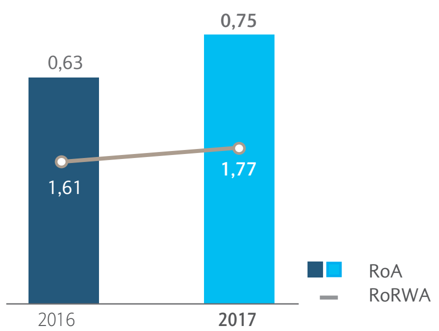
Key performance highlights for the period include the following:

- Gross revenue up 3%, with continued momentum in the Corporate Bank where revenues were up 9% to **R4 897m** (5 year CAGR of 13%; 2016: R4 511m)
- Strong revenue performance from the Advisory (up 103% to **R241m** (2016: R119m)) and Commercial Property Finance businesses (up 26% to **R379m** (2016: R301m))
- Impairments reduced by R453m to **R567m** (2016: R1 020m), despite a large charge in the Diversifieds sector in the current reporting period (the business had a large single name charge in the prior reporting period)
- Positive Jaws of 1% with costs growth contained at 2% due to effective cost control and a focus on separation initiatives
- Second year of improving returns. RoRC improved to **15,9%** (2016: 14,4%) reflecting earnings growth and capital management initiatives
- Good progress made on the separation from PLC
- Customer loans up 8% to **R219bn** (5 year CAGR of 16%; 2016: R202bn)
- Customer deposits grew 2% to **R177bn** (2016: R174bn)
- Markets SA revenue down 12% off a high base, adversely impacted by reduced client activity
- Non-interest income as a percentage of total income of 39% remains below our expectations

## Total income contribution (%)




## RoA and RoRWA (%)




| Salient features | 2017 | 2016[1] | Change % |
|---|---|---|---|
| Income (Rm) | **10 621** | 10 277 | 3 |
| Headline earnings (Rm) | **3 326** | 2 856 | 16 |
| Pre-provision profit (Rm) | **4 950** | 4 725 | 5 |
| Cost-to-income ratio (%) | **53,4** | 54,0 | |
| Credit loss ratio (%) | **0,24** | 0,44 | |
| RoRC (%) | **15,9** | 14,4 | |
| RoRWA (%) | **1,77** | 1,61 | |
| RoA (%) | **0,75** | 0,63 | |

# CIB South Africa

for the reporting period ended 31 December

| | Corporate | | |
|---|---|---|---|
| | 2017 | 2016[1] | Change % |
| **Statement of comprehensive income (Rm)** | | | |
| Net interest income | 3 520 | 3 257 | 8 |
| Non-interest income | 1 377 | 1 254 | 10 |
| **Total income** | 4 897 | 4 511 | 9 |
| Impairment losses on loans and advances | (190) | (85) | >100 |
| Operating expenses | (3 014) | (2 871) | 5 |
| Other expenses | (25) | (18) | 39 |
| **Operating profit before income tax** | 1 668 | 1 537 | 9 |
| Tax expenses | (472) | (433) | 9 |
| **Profit for the reporting period** | 1 196 | 1 104 | 8 |
| **Profit attributable to:** | | | |
| Ordinary equity holders | 1 143 | 1 062 | 8 |
| Non-controlling interest – preference shares | 53 | 42 | 26 |
| | 1 196 | 1 104 | 8 |
| Headline earnings | 1 143 | 1 063 | 8 |
| **Operating performance (%)** | | | |
| Net interest margin on average interest-bearing assets | 2,55 | 2,27 | |
| Credit loss ratio | 0,24 | 0,11 | |
| Non-interest income as % of income | 28,1 | 27,8 | |
| Income growth | 9 | 13 | |
| Operating expenses growth | 5 | 5 | |
| Cost-to-income ratio | 61,6 | 63,7 | |
| **Statement of financial position (Rm)** | | | |
| Loans and advances to customers | 88 840 | 76 875 | 16 |
| Loans and advances to banks | 2 085 | 1 110 | 88 |
| Investment securities | 6 498 | 5 964 | 9 |
| Other assets | 59 904 | 71 866 | (17) |
| **Total assets** | 157 327 | 155 815 | 1 |
| Deposits due to customers | 149 273 | 148 155 | 1 |
| Debt securities in issue | — | 5 | (100) |
| Other liabilities | 6 748 | 6 434 | 5 |
| **Total liabilities** | 156 021 | 154 594 | 1 |
| **Financial performance (%)** | | | |
| RoRWA | 1,82 | 1,87 | |
| RoA | 0,78 | 0,70 | |

Note

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

| Investment Bank | | | Total CIB South Africa | | |
|---|---|---|---|---|---|
| **2017** | 2016[1] | Change % | **2017** | 2016[1] | Change % |
| **2 917** | 2 782 | 5 | **6 437** | 6 039 | 7 |
| **2 807** | 2 984 | (6) | **4 184** | 4 238 | (1) |
| **5 724** | 5 766 | (1) | **10 621** | 10 277 | 3 |
| **(377)** | (935) | (60) | **(567)** | (1 020) | (44) |
| **(2 657)** | (2 681) | (1) | **(5 671)** | (5 552) | 2 |
| **(153)** | (134) | 14 | **(178)** | (152) | 17 |
| **2 537** | 2 016 | 26 | **4 205** | 3 553 | 18 |
| **(260)** | (182) | 43 | **(732)** | (615) | 19 |
| **2 277** | 1 834 | 24 | **3 473** | 2 938 | 18 |
| **2 183** | 1 760 | 24 | **3 326** | 2 822 | 18 |
| **94** | 74 | 27 | **147** | 116 | 27 |
| **2 277** | 1 834 | 24 | **3 473** | 2 938 | 18 |
| **2 183** | 1 793 | 22 | **3 326** | 2 856 | 16 |
| **2,52** | 2,67 | | **2,54** | 2,44 | |
| **0,23** | 0,59 | | **0,24** | 0,44 | |
| **49,0** | 51,8 | | **39,4** | 41,2 | |
| **(1)** | 13 | | **3** | 13 | |
| **(1)** | (5) | | **2** | — | |
| **46,4** | 46,5 | | **53,4** | 54,0 | |
| **130 225** | 125 140 | 4 | **219 065** | 202 015 | 8 |
| **29 643** | 33 011 | (10) | **31 728** | 34 121 | (7) |
| **24 779** | 19 403 | 28 | **31 277** | 25 367 | 23 |
| **131 961** | 103 165 | 28 | **191 865** | 175 031 | 10 |
| **316 608** | 280 719 | 13 | **473 935** | 436 534 | 9 |
| **27 761** | 25 628 | 8 | **177 034** | 173 783 | 2 |
| **12 532** | 14 321 | (12) | **12 532** | 14 326 | (13) |
| **270 905** | 236 227 | 15 | **277 653** | 242 661 | 14 |
| **311 198** | 276 176 | 13 | **467 219** | 430 770 | 8 |
| **1,75** | 1,48 | | **1,77** | 1,61 | |
| **0,74** | 0,59 | | **0,75** | 0,63 | |

# CIB South Africa

for the reporting period ended 31 December

## Business profile

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

### *Key business areas*

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

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

### *Financial performance*

Headline earnings increased by 16% to **R3 326m** (2016: R 2 856m), supported by income growth of 3% to **R10 621m** (2016: R10 277m), a decline in impairments of 44% to **R567m** (2016: R1 020m) and low growth in operating costs (up 2% to R5 671m). Both the Investment Bank and the Corporate Bank achieved headline earnings growth, with growth of 22% in the Investment Bank and growth of 8% in the Corporate Bank.

CIB income after impairments increased by 9% to **R10 054m** (2016: R9 258m); total income before impairments increased by 3%.

- Corporate Bank income increased by 9% to **R4 897m** (2016: R4 511m), supported by an increase in new to bank clients (the majority of whom have primary bank relationships), improved margins in Debt Finance, Trade and cheque deposits as well as 16% growth in customer loans (term loans increased by 23%); slightly offset by lower margins in Working Capital, a decline in overdrafts and lower documentary income
- Investment Bank income declined marginally by 1% to **R5 724m** (2016: R5 766m), off a high base. This was mainly attributable to headwinds in the market which adversely impacted client flows and volumes, resulting in a 12% year-on-year decline in Markets income, offset by growth from the Banking and CPF businesses which increased by 10% and 26% respectively.
- Impairments reduced significantly to **R567m** (2016: R1 020m) due to a large single name charge in the base. This was despite taking a specific charge in the Diversifieds sector during the second half of 2017.

Operating expenses increased by 2% to **R5 671m** (2016: R5 552m), due to cost control initiatives and a focus on separation initiatives.

Loans and advances to customers increased by 8% to **R219bn** (2016: R202bn), while deposits due to customers increased by 2% to **R177bn** (2016: R174bn).

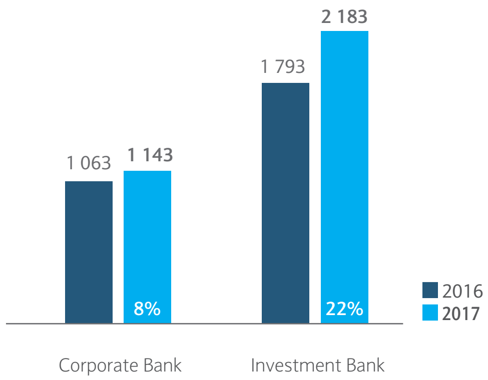
# CIB South Africa

for the reporting period ended 31 December

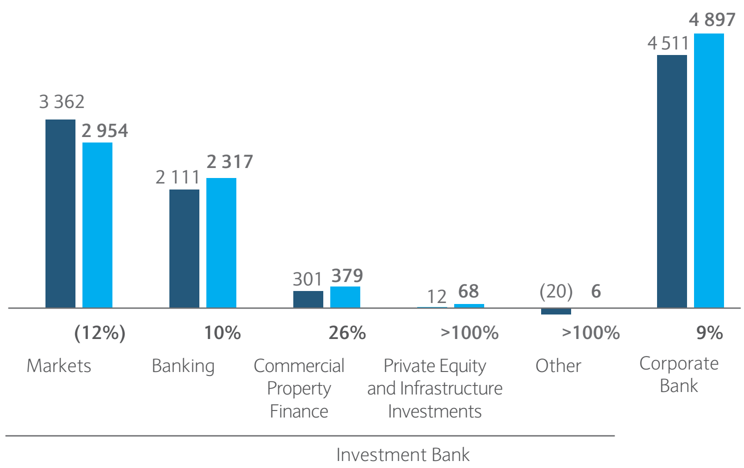
## Business profile *(continued)*

### *Financial performance (continued)*

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




#### Gross income mix (Rm and change %)




## Business performance

CIB's overall strategy is based on supporting and partnering with our clients as they seek growth opportunities across the region. The business has succeeded in implementing this strategy; and this is evident through the following key milestones:

- Significant progress has been made in enhancing our Data and Analytics and Digital solutions, which are key elements in providing clients with insightful solutions in an effective manner.
- The Transactional Banking value proposition was improved through the delivery of the following key initiatives:
  - Remediated legacy channels and migrated the majority of clients off Barlays.Net
  - Obtained Continuous Linked Settlement (CLS) licence enabling Foreign Exchange settlement independent of the capability previously provided by Barclays PLC
- Launched authenticated collections that align to industry requirements for debit orders; and
- The electronic banking onboarding processes were simplified and the Payments and collections delivery time was improved.

The above-mentioned developments were well received by our clients and the market at large, and this was supported by the numerous client mandates and landmark advisory deals won during this financial year, as well as the accolades received as mentioned below:

First half of the current reporting period:

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

# CIB South Africa

for the reporting period ended 31 December

## Business performance *(continued)*

Second half of the current reporting period:

- Best Repo Team, JSE Spire Awards;
- Best Credit Bonds Team, JSE Spire Awards;
- Best Structured Sales Team, JSE Spire Awards;
- Best Research Economics Team, JSE Spire Awards;
- Best Structured Sales Team, JSE Spire Awards;
- Manufacturer Awards Best House, Multi-Asset, Africa Structured Products & Alternative Investments conference Awards;
- Best Proprietary Index Provider, Multi-Asset, Africa Structured Products & Alternative Investments conference Awards;
- Best ETF House, Multi-Asset, Africa Structured Products & Alternative Investments conference Awards;
- Best Investment Bank, South Africa, EMEA Finance African Banking Awards;
- Best Foreign Investment Bank, Pan Africa, EMEA Finance African Banking Awards; and
- Best Investment Bank, Tanzania, EMEA Finance African Banking Awards.

### *Investment Bank*

Total Investment Bank revenue was marginally down 1% to **R5 724m** (2016: R5 766m). This performance is broken down below, by business unit.

### *Markets*

Total Markets income across the continent declined by **9%** (down 5% in constant currency); Markets SA income declined by 12% to **R2 954m** (2016: R3 362m), driven by the following:

- **Fixed Income and Credit was largely flat (down 1% to R1 654m (2016: R1 667m)).** This performance was due to lower client volumes which were adversely impacted by the loss of the Barclays International clients BAGL serviced and headwinds affecting local clients' appetite. However, the onboarding of strategic international clients to counter the loss of international flows due to the Barclays PLC exit is making progress and we are well positioned for 2018. Structured trading performance improved on last year due to favourable risk management coupled with appropriate pricing for market conditions.
- **Foreign Exchange and Commodities decreased by 27% to R719m (2016: R990m)** driven by fewer corporate structured FX deals done compared to last year. Pressure on margins continued as clients looked to minimise their execution costs and continued to migrate to electronic platforms. Furthermore, the Commodities desk was adversely impacted by depressed global and local commodities markets affecting market confidence.
- **Equities and Prime Services decreased by 23% to R477m (2016: R617m).** The Equities business was impacted by reduced client flow, partially as a result of a steep decline in JSE volumes which had a negative impact on trading opportunities, coupled with a limited research offering due to the Barclays PLC exit. This was slightly offset by increases in the corporate equity derivatives and structured equity businesses.

  The Prime business declined marginally due to lower trading volumes on the JSE and regulatory change implementation which resulted in lower financing needs and slowed fund growth both in terms of start up and new asset allocation. Despite these challenges, the business continued to acquire new client mandates to service.

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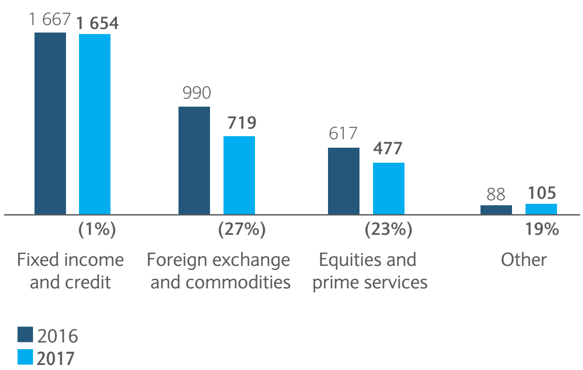
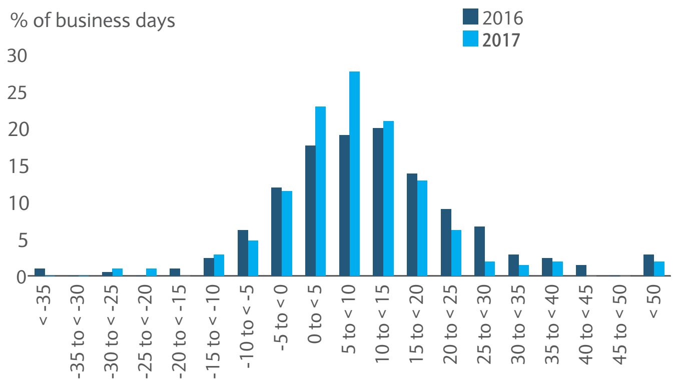
Markets gross income split (Rm and change %)




Daily markets income distribution (Rm)



## Business performance *(continued)*

### *Investment Bank (continued)*

### Banking

Banking income was up 10% to **R2 317m** (2016: R2 111m), supported by growth from the Advisory business, with fee income up more than 100% from the execution of key deals across both South Africa and Rest of Africa within the mining, health and telecommunications sectors. Global Finance income was up 4% benefiting from average advances growth of 8% to **R81bn** (2016: R75bn) slightly offset by margin compression. This performance was supported by the resource and project finance business which benefited from an increase in transactions outside South Africa, a material increase in market presence in local currency debt capital markets, and a consistent contribution from the preference share business with continued focus on Black Economic Empowerment financing.

| Salient features | 2017 | 2016[1] | Change % |
|---|---|---|---|
| Gross income (Rm) | **2 317** | 2 111 | 10 |
| Global finance (Rm) | **2 076** | 1 992 | 4 |
| Advisory (Rm) | **241** | 119 | >100 |
| Credit impairment (Rm) | **(373)** | (880) | (58) |
| Net income (Rm) | **1 944** | 1 231 | 58 |
| Average loans and advances to customers (Rbn) | **81,0** | 74,6 | 8 |

### *Commercial Property Finance (CPF)*

CPF gross income increased by 26% to **R379m** (2016: R301m) as the business continues to grow with new business. Portfolio Assets have grown by 29% to **R28,6bn** (2016: R22,2bn). CPF continues to deliver on strategies implemented to increase the businesses' market presence, improve customer engagement and deliver process efficiencies.

| Salient features | 2017 | 2016[1] | Change % |
|---|---|---|---|
| Gross income (Rm) | **379** | 301 | 26 |
| Credit impairment (Rm) | **(5)** | — | <(100) |
| Net income (Rm) | **374** | 301 | 24 |
| Portfolio assets (Rbn) | **28,6** | 22,2 | 29 |

### *Private Equity and Infrastructure Investments*

Private Equity and Infrastructure Investments reported income of **R68m** (2016: R12m) as a result of profit realised from disposals of assets which resulted in a reduction of the portfolio size to **R1,7bn** (2016: R2,2bn).

| Salient features | 2017 | 2016[1] | Change % |
|---|---|---|---|
| Revaluations (Rm) | **(111)** | (71) | 56 |
| Realisations, dividends, interest and fees (Rm) | **190** | 103 | 84 |
| Funding (Rm) | **(11)** | (20) | (45) |
| Net income (Rm) | **68** | 12 | >100 |
| Total portfolio size (Rbn) | **1,7** | 2,2 | (26) |

Note

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

# CIB South Africa

for the reporting period ended 31 December

## Business performance *(continued)*

### *Corporate*

Corporate grew income by 9% to **R4 897m** (2016: R4 511m). The business has grown income at a compound annual rate of 13% over the last 5 years (excluding Custody and Trustee). This performance was mainly driven by:

- Strong growth from **Trade** and **Debt Finance** (up 15% and 14% respectively). Trade performance was underpinned by increases in Structured Trade Finance and Trade loan advances, coupled with margin improvements. This was partially offset by a muted documentary product performance. The Debt Finance performance was attributable to margin expansion driven by higher yielding transactions.
- **Deposits** were up 7% driven by higher cheque deposit margins as a result of changes in client mix and re-pricing initiatives. Average deposit balances were down 3% to **R141bn** (2016: R146m). This is an area of continued focus for the bank, with particular attention being put on winning primary banking relationships.
- **Transactional banking** was up 8% driven mainly by increased Collections volumes benefiting from improved sales activity. This performance was slightly offset by margin compression on **Overdrafts** in Working Capital.

| Salient features | 2017 | 2016[1] | Change % |
|---|---|---|---|
| Gross income (Rm) | **4 897** | 4 511 | 9 |
| Credit impairments (Rm) | **(190)** | (85) | >100 |
| Net income (Rm) | **4 707** | 4 426 | 6 |
| Average loans and advances to customers (Rbn) | **77,4** | 73,3 | 6 |
| Average deposits due to customers (Rbn) | **141,4** | 145,7 | (3) |

## Looking ahead

The focus will be on execution of the CIB strategy, and strengthening collaboration with other clusters across the Group. Execution priorities remain unchanged with the following themes being prioritised:

- Build strong relationships and provide quality advice leveraging Africa expertise and global networks;
- Develop a compelling client value proposition to solution clients in the context of their ecosystem, through:
  - commercialisation of client value propositions that are underpinned by data and analytics and delivered using digital solutions; and
  - developing end to end core product excellence
- Seamless and consistent execution to deliver superior client experience;
- Risk culture that protects and enables clients and the bank, focusing on the development of a risk framework and pricing tools;
- Create a compelling work environment that enables people by developing and embedding a dynamic employee value proposition that is built on diversity and inclusion and organisational effectiveness.

In conjunction with the development of the above capabilities, the business has developed a single focus on strategic investments that will ensure an efficient separation from Barclays PLC to create a standalone African Corporate and Investment Bank. The component pieces of the 2018 focus are:

- Managing a single book of work encompassing regulatory, transformation and separation projects, all of which entail a significant change in information technology and processes;
- Managing the Transitional Services Arrangements which outline the services which Barclays PLC will continue to provide to BAGL until such time as we no longer need them; and
- Building the bank of the future, including new branding and client and employee value propositions.

Note

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

# Rest of Africa Banking

for the reporting period ended 31 December

Rest of Africa Banking produced strong growth with headline earnings up **7%** (CCY up 24%) year on year and Return on Equity improved to 16,6%. This was achieved despite headwinds from regulatory changes, most notably interest rate caps on lending and interest rate floors on deposits in Kenya. Policy rates were reduced in most of our markets with sizeable cuts in Ghana, Zambia and Tanzania.

Headline earnings grew by **7%** (CCY: 24%) year on year to **R2 954m** (2016: R2 756), in line with our strategy of building a strong Corporate brand across the Rest of Africa with Corporate earnings growing by **18%** (CCY: 32%). We have seen improved headline earnings growth of 19% excluding the impact of foreign enhance differences in Retail and Business Banking. This partially reflects the launching of several new products and product enhancements resulting in significant customer migration to digital channels. A focus on the quality of our book, coupled with improved collections and recoveries has seen a **26%** (CCY: 18%) year-on-year decline in impairments. Following the low cost growth in the first half of the year, costs were adversely impacted in the second half of the year following the sell down by Barclays PLC due to new incremental operating costs relating mainly to technology services being incurred directly by business. To offset these new operating costs, cost containment initiatives kept cost growth well below inflation across the markets in which we operate. This resulted in our cost-to-income ratio remaining stable at **57,6%** (2016: 57,5%).

Key performance highlights for the reporting period include:

- Headline earnings growth of **7%** (CCY: 24%) and RoE of 16,6% improved from 15,1%.
- Impairments reduced by **26%** (CCY: 18%) resulting in an improved credit loss ratio of **1,34%** (2016: 1,62%).
- Revenue growth of **10%** (CCY: 21%) in Corporate driven by continued asset growth and improved margins.
- RBB Revenue down **8%** (CCY: up 2%) with both net interest income and non-interest income reflecting negative year-on-year growth.
- A stable cost-to-income ratio of **57,6%** (2016: 57,5%) despite being adversely impacted by higher post-Barclays separation costs.
- Momentum on the balance sheet continued into the second half of the year with deposits due to customers growing by 6% and loans and advances to customers growing by 9%, excluding the impact of foreign exchange translation differences.
- A reduction in the number of outlets across the Rest of Africa to **415** (2016: 433) as digital migration gains traction in line with our strategy and optimisation of our branch network.
- RBB margins declined year on year by 61 bps to **8,51%** (2016: 9,12%) reflecting the impact of interest rate caps on lending and interest rate floors on deposits in Kenya implemented in the latter part of 2016.

| Salient features | 2017 | 2016[1] | C% | Change % |
|---|---|---|---|---|
| Income (Rm) | **15 617** | 16 044 | 8 | (3) |
| Attributable earnings (Rm) | **2 972** | 2 761 | 25 | 8 |
| Headline earnings (Rm) | **2 954** | 2 756 | 24 | 7 |
| Credit loss ratio (%) | **1,34** | 1,62 | | |
| Cost-to-income ratio (%) | **57,6** | 57,5 | | |
| RoE (%) | **16,6** | 15,1 | | |
| RoRWA (%) | **1,77** | 1,64 | | |
| RoA (%) | **1,71** | 1,62 | | |

Notes

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

# Rest of Africa Banking

for the reporting period ended 31 December

| | RBB Rest of Africa | | | | CIB Rest of Africa | | | |
|---|---|---|---|---|---|---|---|---|
| | **2017** | 2016[1] | C% | Change % | **2017** | 2016[1] | C% | Change % |
| **Statement of comprehensive income (Rm)** | | | | | | | | |
| Net interest income | **6 747** | 7 350 | 2 | (8) | **4 021** | 3 480 | 27 | 16 |
| Non-interest income | **2 550** | 2 782 | 1 | (8) | **2 297** | 2 447 | 5 | (6) |
| **Total income** | **9 297** | 10 132 | 2 | (8) | **6 318** | 5 927 | 18 | 7 |
| Impairment losses on loans and advances | **(950)** | (1 349) | (23) | (30) | **(339)** | (383) | (3) | (11) |
| Operating expenses | **(6 729)** | (7 004) | 5 | (4) | **(2 306)** | (2 234) | 12 | 3 |
| Other expenses | **(147)** | (131) | 23 | 12 | **(29)** | (39) | (18) | (26) |
| **Operating profit before income tax** | **1 471** | 1 648 | 4 | (11) | **3 644** | 3 271 | 24 | 11 |
| Tax expenses | **(580)** | (700) | (8) | (17) | **(985)** | (791) | 38 | 25 |
| **Profit for the reporting period** | **891** | 948 | 14 | (6) | **2 659** | 2 480 | 20 | 7 |
| **Profit attributable to:** | | | | | | | | |
| Ordinary equity holders | **688** | 713 | 20 | (4) | **2 348** | 2 174 | 21 | 8 |
| Non-controlling interest – ordinary shares | **203** | 235 | ( 6) | (14) | **311** | 306 | 11 | 2 |
| | **891** | 948 | 14 | (6) | **2 659** | 2 480 | 20 | 7 |
| **Headline earnings** | **670** | 709 | 19 | (6) | **2 348** | 2 174 | 21 | 8 |
| **Operating performance (%)** | | | | | | | | |
| Net interest margin on average interest-bearing assets | **8,51** | 9,12 | | | **6,58** | 5,53 | | |
| Credit loss ratio | **2,22** | 2,92 | | | **0,84** | 0,94 | | |
| Non-interest income as % of income | **27,4** | 27,5 | | | **36,4** | 41,3 | | |
| Income growth | **(8)** | 15 | | | **7** | 24 | | |
| Operating expenses growth | **(4)** | 9 | | | **3** | 16 | | |
| Cost-to-income ratio | **72,4** | 69,1 | | | **36,5** | 37,7 | | |
| **Statement of financial position (Rm)** | | | | | | | | |
| Loans and advances to customers | **38 627** | 40 201 | 4 | (4) | **39 237** | 37 675 | 14 | 4 |
| Loans and advances to banks | **1** | — | 100 | 100 | **1 411** | 1 | >100 | >100 |
| Investment securities | **11** | 6 | 65 | 83 | **442** | 64 | >100 | >100 |
| Other assets | **35 416** | 40 084 | (3) | (12) | **27 729** | 26 327 | 15 | 5 |
| **Total assets** | **74 055** | 80 291 | — | (8) | **68 819** | 64 067 | 17 | 7 |
| Deposits due to customers | **59 375** | 61 715 | 5 | (4) | **47 621** | 50 034 | 3 | (5) |
| Debt securities in issue | **28** | — | 100 | 100 | **—** | — | — | — |
| Other liabilities | **15 034** | 19 589 | (19) | (23) | **19 722** | 12 884 | 67 | 53 |
| **Total liabilities** | **74 437** | 81 304 | (1) | (8) | **67 343** | 62 918 | 16 | 7 |
| **Financial performance (%)** | | | | | | | | |
| RoRWA | **0,98** | 1,05 | | | **4,16** | 3,68 | | |
| RoA | **0,79** | 0,82 | | | **3,52** | 3,23 | | |

Note

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

# Rest of Africa Banking

for the reporting period ended 31 December

| Head Office, Treasury and other operations in Rest of Africa | | | | Total Rest of Africa Banking | | | |
|---|---|---|---|---|---|---|---|
| **2017** | 2016[1] | C% | Change % | **2017** | 2016[1] | C% | Change % |
| **(4)** | (12) | (47) | ( 67) | **10 764** | 10 818 | 10 | (0) |
| **6** | (3) | <(100) | <(100) | **4 853** | 5 226 | 3 | (7) |
| **2** | (15) | <(100) | <(100) | **15 617** | 16 044 | 8 | (3) |
| **—** | — | — | — | **(1 289)** | (1 732) | (18) | (26) |
| **35** | 15 | 90 | >100 | **(9 000)** | (9 223) | 7 | (2) |
| **(1)** | (1) | (85) | — | **( 177)** | ( 171) | 13 | 4 |
| **36** | (1) | >100 | <(100) | **5 151** | 4 918 | 18 | 5 |
| **(100)** | (125) | (22) | (20) | **(1 665)** | (1 616) | 13 | 3 |
| **(64)** | (126) | (48) | (49) | **3 486** | 3 302 | 21 | 6 |
| **(64)** | (126) | (48) | (49) | **2 972** | 2 761 | 25 | 8 |
| **—** | — | — | — | **514** | 541 | 4 | (5) |
| **(64)** | (126) | (48) | (49) | **3 486** | 3 302 | 21 | 6 |
| **(64)** | (127) | (48) | (50) | **2 954** | 2 756 | 24 | 7 |
| **n/a** | n/a | | | **7,18** | 7,25 | | |
| **n/a** | n/a | | | **1,34** | 1,62 | | |
| **n/a** | n/a | | | **31,1** | 32,6 | | |
| **n/a** | n/a | | | **(3)** | 17 | | |
| **n/a** | n/a | | | **(2)** | 11 | | |
| **n/a** | n/a | | | **57,6** | 57,5 | | |
| **(1)** | 1 | <(100) | <(100) | **77 863** | 77 877 | 9 | (0) |
| **10 480** | 27 259 | (58) | ( 62) | **11 892** | 27 260 | (53) | (56) |
| **28 371** | 23 392 | 33 | 21 | **28 824** | 23 462 | 35 | 23 |
| **(19 004)** | (33 529) | (46) | (43) | **44 141** | 32 882 | 55 | 34 |
| **19 846** | 17 123 | 43 | 16 | **162 720** | 161 481 | 11 | 1 |
| **1 640** | 244 | >100 | >100 | **108 636** | 111 993 | 6 | (3) |
| **351** | 331 | 13 | 6 | **379** | 331 | 23 | 15 |
| **(1 377)** | (4 093) | <(100) | (66) | **33 379** | 28 380 | 36 | 18 |
| **614** | (3 518) | <(100) | <(100) | **142 394** | 140 704 | 12 | 1 |
| **n/a** | n/a | | | **1,77** | 1,64 | | |
| **n/a** | n/a | | | **1,71** | 1,62 | | |

# Rest of Africa Banking

for the reporting period ended 31 December

## Business profile

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

### *Key segment areas*

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

### *Key business areas*

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

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

## Operating environment

Economic growth improved somewhat in a number of our key rest of Africa entities supported by commodity price recovery and ongoing infrastructure investments. Economic performance across the continent is, however, not homogenous and the current climate has resulted in a dichotomy between resource intensive and non-resource intensive countries. While commodity exporting countries, approximately half of the region, have struggled, growth continues for non-resource reliant economies which have benefited from lower energy prices and continued infrastructure investment. Fiscal challenges remain key constraints in several markets notably Ghana, Mozambique and Zambia.

The following changes to the operating environment have influenced performance:

- Regulatory changes continue to negatively influence performance and returns most notably interest rate caps on lending and floors on deposits in Kenya;
- A recovery in the agriculture sector, improved commodity output and prices and more accommodative monetary policy stances supported economic growth to some extent, however, the global environment remained largely unsupportive, with political uncertainties in key markets, low fiscal buffers and poor policy responses to the economic challenges;
- Fiscal challenges remained a significant constraint in markets such as Ghana, Kenya, Mozambique and Zambia;
- Ghana and Mozambique experienced some monetary policy easing, while Zambia and Uganda are close to the end of the cycle;
- Monetary policy tightening in the latter half of 2016 in Mozambique which resulted in a decline in household purchasing power, reduced enterprise profitability, rising inflation and foreign exchange and liquidity constraints, has seen significant improvements towards the latter part of 2017;
- Interest rate reductions in the current year were evident in most of the markets in which we operate, most notably in Ghana, Zambia and Uganda; and
- Higher levels of competition from local, international banks and Mobile Network Operators (MNO's) in certain markets.

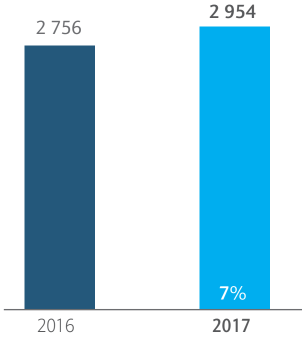
# Rest of Africa Banking

for the reporting period ended 31 December

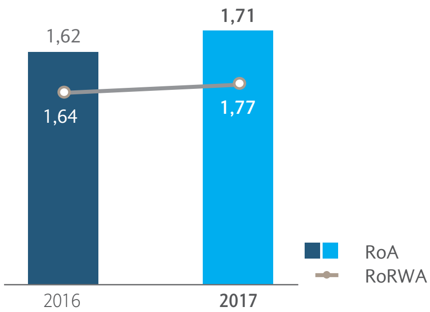
## Financial performance

Headline earnings grew year on year by **7%** (CCY: 24%) to **R2 954m** (2016: R2 756m), RBB Rest of Africa headline earnings declined year on year by **6%** (CCY: grew by 19%) to **R670m** (2016: R709m) and CIB Rest of Africa headline earnings grew by **8%** (CCY: 21%). Strong headline earnings growth and improved capital management increased return on average equity to **16,6%** (2016: 15,1%) and return on average risk weighted assets to **1,77%** (2016: 1,64%).

### Headline earnings (Rm and change %)

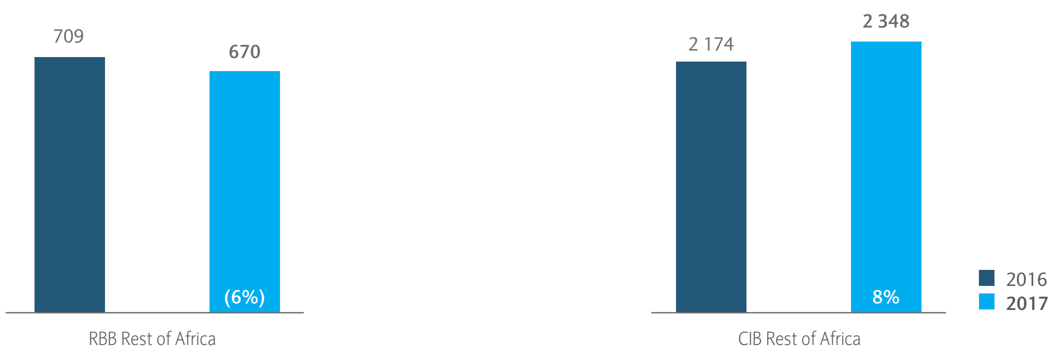



### RoA and RoRWA (%)




| Headline earnings by segment | 2017 | 2016[1] | C% | Change % |
|---|---|---|---|---|
| Rest of Africa Banking (Rm) | **2 954** | 2 756 | 24 | 7 |
| RBB Rest of Africa (Rm) | **670** | 709 | 19 | (6) |
| CIB Rest of Africa (Rm) | **2 348** | 2 174 | 21 | 8 |
| Corporate Rest of Africa (Rm) | **1 652** | 1 397 | 32 | 18 |
| Investment Bank Rest of Africa (Rm) | **696** | 777 | 2 | (10) |
| Head Office, Treasury and other operations in Rest of Africa (Rm) | **(64)** | (127) | (48) | (50) |

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




Note

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

# Rest of Africa Banking

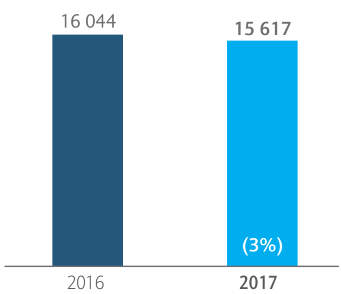
for the reporting period ended 31 December

## Financial performance *(continued)*

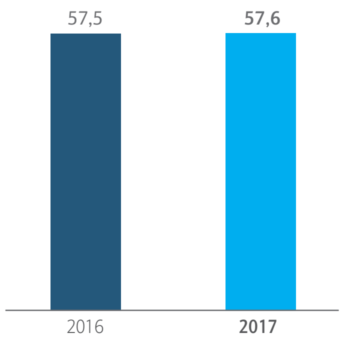
Net interest income decreased marginally year on year (CCY: increased by 10%) to **R10 764m** (2016: R10 818m) with a marginal decline in margins by 7 bps to 7,18% (2016: 7,25%). CIB's net interest income grew year on year by **16%** (CCY: 27%) to **R4 021m** (2016: R3 480m) on the back of solid lending growth and margins improving by 105 bps to **6,58%** (2016: 5,53%). RBB Rest of Africa net interest income declined year on year by **8%** (CCY: increased by 2%) to **R6 747m** (2016: R7 350m) with margins declining by 61 bps to **8,51%** (2016: 9,12%) as a result of interest rate caps on lending and interest rate floors on deposits in Kenya, coupled with lower lending growth from the application of prudent lending criteria in strained markets and markets experiencing liquidity constraints.

Non-interest income decreased year on year by **7%** (CCY: increased by 3%) to **R4 853m** (2016: R5 226m). CIB Rest of Africa non-interest income decreased year on year by **6%** (CCY: increased by 5%) to **R2 297m** (2016: R2 447m). Investment Banking growth slowed in the second half of the year as large trades concluded in the first half of the year did not recur. RBB Rest of Africa non-interest income declined year on year by **8%** (CCY: increased by 1%) to **R2 550m** (2016: R2 782m) due to lower fees collected on transactional accounts offset by improved performances in the Card payments business, Trade and Forex products.

### Income (Rm and change %)




### Cost-to-income (%)




Impairments improved by **26%** (CCY: 18%) to **R1 289m** (2016: R1 732m) resulting in an improved loan loss rate of **1,34%** (2016: 1,62%). Impairments improved across most portfolios driven by improved portfolio construct, an increased focus on collections capabilities and lower identified impairments compared to the comparative period.

The continued focus on cost containment and right sizing the business drove sub-inflationary underlying cost growth partially from a reduction of 18 branches across the region since December 2016. Operating expenses were adversely impacted by incremental costs in the second half of the year following the Barclays separation. Operating expenses decreased year on year by **2%** (CCY: increased by 7%) to **R9 000m** (2016: R9 223m) resulting in a stable cost-to-income ratio of **57,6%** (2016: 57,5%).

Loans and advances to customers decreased marginally (CCY: increased by 9%) to **R77,9bn** (2016: R77,9n). CIB Rest of Africa loans and advances grew year on year by **4%** (CCY: 14%) to **R39,2bn** (2016: R37,7bn) driven by strong local client flows as well as a reinforced regional client coverage model. RBB Rest of Africa loans and advances declined year on year by **4%** (CCY: increased by 4%) to **R38,6bn** (2016: R40,2bn) from the application of prudent lending criteria in strained markets and markets experiencing liquidity constraints, most notably in personal lending. This was partially offset by solid growth in business lending, up year on year by 16% excluding the impact of foreign exchange translations.

Deposits due to customers decreased year on year by **3%** (CCY: increased by 6%) to **R108,6bn** (2016: R112,0bn). CIB Rest of Africa deposits due to customers decreased year on year by **5%** (CCY: increased by 3%) to **R47,6bn** (2016: R50,0bn) with muted growth driven by regulations aimed at moving public sector deposits away from commercial banks. Despite this, underlying growth was achieved through sustained investment in transactional platforms and enhanced client solutions driving improved wallet share. RBB Rest of Africa deposits due to customers declined year on year by **4%** (CCY: grew year on year by 5%) to **R59,4bn** (2016: R61,7bn) largely driven by market liquidity challenges faced in certain key markets.

# RBB Rest of Africa

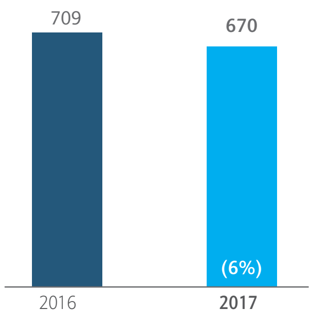
for the reporting period ended 31 December

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

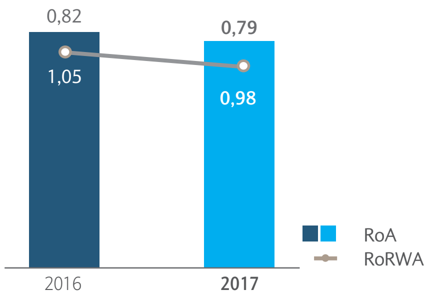
Key performance highlights for the reporting period include:

- Growth of the Card acquiring business as number of active merchants increased by 12% resulting in a 22% growth in turnover.
- Commercial showed substantial lending growth of 12% in CCY.
- Current account deposits growth of 10% driven by an active account growth of 7% and  a drive to source cheaper liabilities.
- Improved credit loss ratio of **2,22%** (2016: 2,92%).
- Decline in revenue of **8%** (CCY: increased by 2%) to **R9 297m** partially reflects the introduction of an interest rate caps on lending and interest rate floors on deposits in Kenya.
- Return on risk-weighted assets (RoRWA) declined to **0,98%** (2016: 1,05%) and return on average assets (RoA) decreased to **0,79%** (2016: 0,82%).
- Launched a first to market Fintech Partnership in Zambia.
- Launched the Twin Plus Account; a unique savings loyalty programme to drive business.
- Launched the Africa referral unit, helping our South African outbound clients expand into the Rest of Africa.
- Several accolades received, namely:
  - NBC named Best Retail Islamic Bank in Tanzania in the National Islamic Banking and Finance Awards;
  - Barclays Kenya named winner in the achievement of Credit Risk Management Award in the Middle East and Africa by The Asian Banker;
  - Barclays Kenya recognised as the second best financial institution in Asset Quality and Net Interest margin by CYTON the 2017 quarter 3 Banking sector report;
  - Barclays Kenya  won various accolades at the African Leadership Awards, including the Business Innovation Award for the Twin Plus Account;
  - Barclays Kenya won the Operational Excellence award for the Introduction of Robotics Automations and TIMIZA;
  - Barclays Kenya won the Excellence in Business Leadership Award and Business Super Achievers Award;
  - Barclays Botswana was named Bank of the year 2016 by Acquisition International (AI) finance; and
  - Barclays Ghana named the best Agricultural bank in Ghana by USAID.

## Headline earnings (Rm and change %)




## RoA and RoRWA (%)




| Salient features | 2017 | 2016[1] | C% | Change % |
|---|---|---|---|---|
| Income (Rm) | **9 297** | 10 132 | 2 | (8) |
| Attributable earnings (Rm) | **688** | 713 | 20 | (4) |
| Headline earnings (Rm) | **670** | 709 | 19 | (6) |
| Credit loss ratio (%) | **2,22** | 2,92 | | |
| Cost-to-income ratio (%) | **72,4** | 69,1 | | |
| RoRWA (%) | **0,98** | 1,05 | | |
| RoA (%) | **0,79** | 0,82 | | |

Note

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

# RBB Rest of Africa

for the reporting period ended 31 December

| | RBB Rest of Africa | | | |
|---|---|---|---|---|
| | **2017** | 2016[1] | C% | Change % |
| **Statement of comprehensive income (Rm)** | | | | |
| Net interest income | **6 747** | 7 350 | 2 | (8) |
| Non-interest income | **2 550** | 2 782 | 1 | (8) |
| **Total income** | **9 297** | 10 132 | 2 | (8) |
| Impairment losses on loans and advances | **(950)** | (1 349) | (23) | (30) |
| Operating expenses | **(6 729)** | (7 004) | 5 | (4) |
| Other expenses | **(147)** | ( 131) | 23 | 12 |
| **Operating profit before income tax** | **1 471** | 1 648 | 4 | (11) |
| Tax expenses | **(580)** | (700) | (8) | (17) |
| **Profit for the reporting period** | **891** | 948 | 14 | (6) |
| **Profit attributable to:** | | | | |
| Ordinary equity holders | **688** | 713 | 20 | (4) |
| Non-controlling interest – ordinary shares | **203** | 235 | (6) | (14) |
| | **891** | 948 | 14 | (6) |
| **Headline earnings** | **670** | 709 | 19 | (6) |
| **Operating performance (%)** | | | | |
| Net interest margin on average interest-bearing assets | **8,51** | 9,12 | | |
| Credit loss ratio | **2,22** | 2,92 | | |
| Non-interest income as % of income | **27,4** | 27,5 | | |
| Income growth | **(8)** | 15 | | |
| Cost growth | **(4)** | 9 | | |
| Cost-to-income ratio | **72,4** | 69,1 | | |
| **Statement of financial position (Rm)** | | | | |
| Loans and advances to customers | **38 627** | 40 201 | 4 | (4) |
| Loans and advances to banks | **1** | — | 100 | 100 |
| Investment securities | **11** | 6 | 65 | 83 |
| Other assets | **35 416** | 40 084 | (3) | (12) |
| **Total assets** | **74 055** | 80 291 | — | (8) |
| Deposits due to customers | **59 375** | 61 715 | 5 | (4) |
| Debt securities in issue | **28** | — | 100 | 100 |
| Other liabilities | **15 034** | 19 589 | (19) | (23) |
| **Total liabilities** | **74 437** | 81 304 | (1) | (8) |

Note

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

# RBB Rest of Africa

for the reporting period ended 31 December

## Business profile

RBB Rest of Africa offers a comprehensive suite of retail and commercial products and services to individual and business customers on the African continent outside of South Africa. A range of solutions are provided to meet customers' transactional, borrowing, savings, protection and payments needs. This is facilitated through branch and self-service channels; including internet and mobile banking solutions. Our Affluent and Commercial banking clients are serviced via our relationship model based on specific customer value propositions.

### *Key product/segment areas*

- **Premier banking:** Represents the affluent retail customer segment bespoke to each market. They are offered exclusive banking with tailor-made solutions through dedicated relationship managers and Premier suites.
- **Prestige banking:** Represents the emerging affluent retail customer segment serviced through dedicated banking teams, affordable products and express service.
- **Personal banking**: Represents the middle-market segment serviced through convenient banking solutions.
- **Small and Medium Enterprise banking (SME):** Represents business clients with an annual turnover of up to R50m. Servicing is via a direct coverage model, largely through our branch network.
- **Commercial banking**: Represents business clients with an annual turnover of between R50m and R250m. Servicing is via a relationship-based model, where dedicated sales and service teams provide customised solutions.

The primary industry sectors include agriculture, construction, manufacturing, transport and logistics, retail and franchising.

## Financial performance

RBB Rest of Africa headline earnings declined **6%** (CCY: grew by 19%) to **R670m** (2016: R709m), largely due to subdued revenue growth as a result of regulatory changes, foreign currency volatility and liquidity constraints in some markets which was offset by lower impairments.

Income declined by **8%** (CCY: increase of 2%) to **R9 297m** (2016: R10 132m), impairments improved by 30% to **R950m** (2016: R1 349m) while operating expenses decreased by **4%** (CCY: increased by 5%) to **R6 729m** (2016: R7 004m) resulting in negative Jaws of **4%** (CCY: 4%).

The reduction in revenue is attributable to the weakening of emerging market currencies against the South African Rand. On a constant currency basis revenue growth of 2% partially reflects interest rate caps and floors implemented in Kenya. Normalising for this impact, revenue growth was up 6% on a constant currency basis. Underlying revenue growth was achieved mainly on the back of:

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

Net interest income was down **8%** year on year (CCY: growth of 2%) to **R6 747m** (2016: R7 350m) predominantly due to the weakening of emerging market currencies against the South African Rand. Enhanced credit risk management practices resulted in growth in the Consumer lending portfolio in the second half of 2017, following a period of decline seen in the previous 12 months, however, growth in net interest income was muted due to:

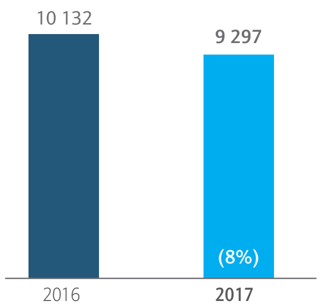
- Reduced margins largely driven by the interest rate cap that was introduced in Kenya in September 2016 partially offset by new innovative products and marketing of appropriate lending solutions;
- Liquidity constraints in Zambia led to a slowdown in lending from the second half of 2016 which continued into the first half of 2017; although the situation had eased in the second half of the year driving higher asset sales; and
- The interest rate hikes in some of our markets impacted consumer affordability, most notably in Mozambique.

# RBB Rest of Africa

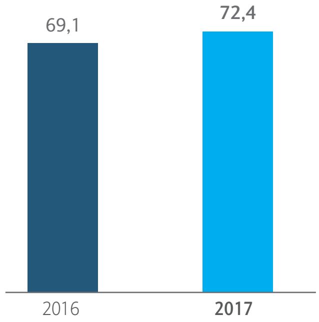
for the reporting period ended 31 December

## Financial performance *(continued)*

### Income (Rm and change %)




### Cost-to-income (%)




Non-interest income was down **8%** year on year (CCY: growth of 1%) to **R2 550m** (2016: R2 782m) due to lower fees collected on transactional accounts offset by improved performances in the Card payments and Trade businesses. Digital and self-service usage has increased, resulting in improved service levels within our branches. However, the migration to lower fee channels resulted in a reduction in total fee income. The increased focus to drive customer awareness and education on debit card usage has contributed to an increase of 13% on point of sale spend. The Card acquiring business increased the number of active merchants by 12% driving a 22% growth in turnover – largely coming from the Government and Retail sectors and e-commerce payment channels. Trade income increased in the Commercial segment by 40% driven by greater focus on client needs.

Impairment losses decreased year on year by **30%** (CCY: 23%) as a result of improving macroeconomic conditions and greater focus on our collections capability resulting in an improved credit loss ratio of **2,22%** (2016: 2,92%).

Operating expenses were down **4%** (CCY: growth of 5%) to **R6 729m** (2016: R7 004m). These were adversely impacted by new incremental operating costs relating mainly to technology services incurred directly by the business following the sell down by Barclays PLC. These cost increases were offset by a continued focus on branch optimisation, our enhanced digital capability as well as increased focus on managing cost efficiencies. However, due to declining income, the cost-to-income ratio has deteriorated to **72,4%** (2016: 69,1%).

Balance sheet growth remains low due to high interest rate environments coupled with high inflationary pressures and lower customer disposable income. Loans and advances to customers declined year on year by **4%** (CCY: growth of 4%) to **R38,6bn** (2016: R40,2bn).

The consumer lending portfolio growth was low in the first half of the year, however, the effects of enhanced credit risk practices was reflected in the last quarter of the year with increased sales momentum in key markets. Key asset balance sheet highlights include:

- Strong asset growth in Business Bank in respect of working capital and sector-specific lending in Agriculture and Commercial Property Finance; and
- Good growth in personal loans and mortgages.

Deposits due to Customers decreased year on year by 4% to **R59,4bn** (2016: R61,7bn) due to emerging market currency depreciation against the South African Rand. Despite market liquidity challenges in some of our key markets and aggressive competitor pricing, deposits due to customers grew by 5% on a constant currency basis. Deliberate efforts were made to source cheaper deposits to drive down the cost of funding.

# RBB Rest of Africa

for the reporting period ended 31 December

## Business performance

Growth was supported by:

- First to market Fintech Partnership in Zambia;
- Early traction achieved with the Africa referral unit to drive South African outbound business into our African markets;
- Launch of the Twin Account in Kenya with the specific purpose of encouraging our customers to save more;
- Launch of the virtual account in Kenya to provide customers with mobile lending and savings solutions; and
- Roll out of enhanced Customer Value Proposition in the Affluent, Small and Medium Enterprise segments.

Efficiency was supported by:

- Significant growth in digital adoption by customers across a number of channels including iATM (withdrawal and deposits), Mobile Banking, POS and internet banking. This had been supported by additional functionality such as Automated Cash Acceptance, Bill Payments, integrations into Mobile Money operators to enable transfers to and from Barclays accounts. Digital channels now account for 81% of total transaction volumes;
- Digital onboarding of transaction and savings account customers on i-Pads reducing the turn-around time substantially and providing a superior customer experience; and
- Continued optimisation of the branch network to serve customers more economically and efficiently, 21 branches were closed across the region with two new branches being opened in Ghana and Seychelles.

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

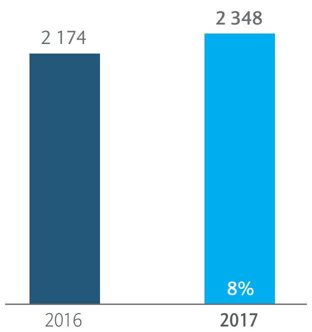
- Customer Lifecycle Management to improve the relationship we have with our customers, supported by enhanced digital solutions, including mobile and internet channels;
- Enhancing our customer servicing capability through the launch of HEART (Helpful, Empathetic, Accurate, Responsible, Timely) service principles that focus on placing our customers at the centre of what we do;
- Evolving the branch optimisation approach to ensure the establishment of fit-for-purpose branches, in the right location to serve our targeted customer segments and reduce service costs;
- Continuing the omni-channel journey through innovation and investing in digital infrastructure;
- Enhancing the sector focus approach in Commercial and Small and Medium Enterprise Banking;
- Driving the retail segment with particular focus on affluent customers;
- Growing our card base and usage through the Customer Lifecycle Management strategy; and
- Supporting our Small and Medium Enterprise customers within targeted commercial ecosystems.

# CIB Rest of Africa

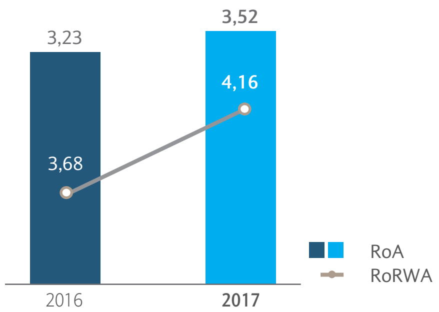
for the reporting period ended 31 December

- Headline earnings growth of **8%** (CCY: 21%), underpinned by strong revenue growth and lower impairments.
- Revenue growth of **7%** (CCY: 18%) driven by strong in-country balance sheet growth, increased margins in Corporate and fees earned off the back of a large IPO transaction. Underlying Markets income performance (CCY: 9%) reflects large client trades and good trading activities in certain countries.
- RoA and RoRWA of 3,52% and 4,16%. Growth in income has been achieved with improved efficiency from a cost and capital consumption perspective.
- Cost-to-income ratio improved to **36,5%** (2016: 37,7%) as a result of the strong income growth despite sustained investments in improving customer satisfaction, employee welfare and local communities.
- Several accolades received at the Banker Africa Awards, namely:
  - Best Commercial Bank and Best Investment Bank in Southern Africa;
  - Best Investment Bank in East Africa;
  - Best Commercial Bank in Tanzania for Barclays Bank Tanzania; and
  - Best Corporate Bank in Uganda.
- First place in the following EMEA Finance African Banking Awards:
  - Best Foreign Investment Bank, Pan-Africa
  - Best Investment Bank, Tanzania
- Awarded Best Transaction Bank in the Asian Banker Transaction Banking Awards Programme 2017 for Middle East and Africa in four of our markets, namely Zambia, Botswana, Ghana and Uganda.
- Mozambique named the Fastest Growing Corporate Bank and Fastest Growing Commercial Bank by the Global Banking & Finance Review.
- Barclays Bank Kenya awarded Corporate Banker of the year at the Think Business Awards.
- Markets Sales margins decreased across markets due to low volatility and the introduction of new regulations in some markets that restricted trading. The full impact of lower trading revenues was offset by some large single deals, market share gains across most markets, new products and effective trading risk management.

## Headline earnings (Rm and change %)




## RoA and RoRWA (%)




| Salient features | 2017 | 2016[1] | C% | Change % |
|---|---|---|---|---|
| Income (Rm) | **6 318** | 5 927 | 18 | 7 |
| Headline earnings (Rm) | **2 348** | 2 174 | 21 | 8 |
| Attributable earnings (Rm) | **2 348** | 2 174 | 21 | 8 |
| Credit loss ratio (%) | **0,84** | 0,94 | | |
| Cost-to-income ratio (%) | **36,5** | 37,7 | | |
| RoRWA (%) | **4,16** | 3,68 | | |
| RoA (%) | **3,52** | 3,23 | | |

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

# CIB Rest of Africa

for the reporting period ended 31 December

## Business profile

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

### *Key product/segment areas*

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

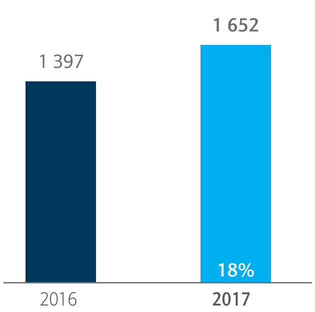
- **Investment Bank comprising:**
  - Markets – engages in trading, sales and research activities across all major asset classes and products in Africa, delivering pricing, hedging and risk management capabilities to both corporate and institutional clients;
  - Banking – structures innovative solutions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

## Financial performance

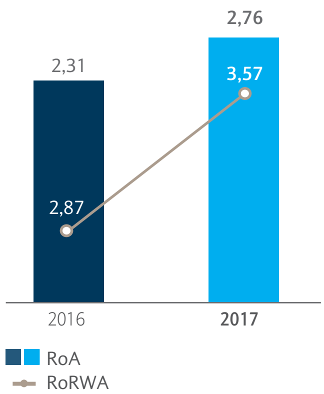
### *Corporate*

Headline earnings increased year on year by **18%** (CCY: 32%) to **R1 652m** (2016: R1 397m) off the back of positive operating leverage with revenue growth exceeding cost growth, coupled with lower impairments.

Headline earnings
(Rm and change %)




RoA and RoRWA (%)




| Salient features | 2017 | 2016[1] | C% | Change % |
|---|---|---|---|---|
| Income (Rm) | **4 576** | 4 146 | 21 | 10 |
| Attributable earnings (Rm) | **1 652** | 1 397 | 32 | 18 |
| Headline earnings (Rm) | **1 652** | 1 397 | 32 | 18 |
| Credit loss ratio (%) | **0,84** | 0,94 | | |
| Cost-to-income ratio (%) | **36,6** | 40,1 | | |
| RoRWA (%) | **3,57** | 2,87 | | |
| RoA (%) | **2,76** | 2,31 | | |

# CIB Rest of Africa

for the reporting period ended 31 December

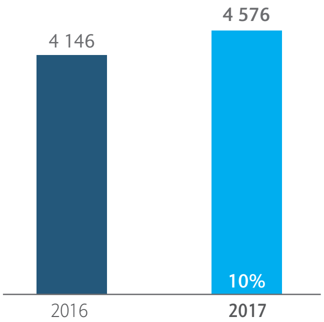
## Financial performance *(continued)*

### *Corporate (continued)*

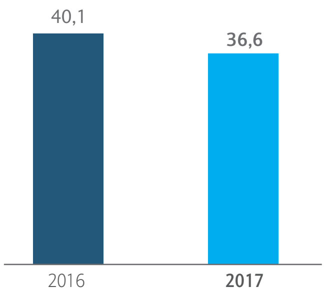
Income increased year on year by **10%** (CCY: 21%) to **R4 576m** (2016: R4 146m), mainly due to net interest income growth of 13% year on year (CCY: 24%) to **R3 999m** (2016: R3 527m). The primary driver of this strong performance was balance sheet growth coupled with increased margins as a result of sustained structural changes in client mix and a favourable interest rate environment in some of our markets.

Non-interest income decreased year on year by **7%** (CCY: up 4%) to **R577m** (2016: R619m). The underlying increase was mainly off the back of the strong balance sheet, accompanied by fees earned from a large IPO transaction. Overall growth was, however, low reflecting fee concessions to incentivise customers to change to digital channels.

Income (Rm and change %)




Cost-to-income (%)




Impairments on loans and advances were down year on year by **11%** (CCY: 3%) to **R339m** (2016: R383m), despite asset growth of **4%** (CCY: 14%). The prior year charge included emergence period updates and a few large single client defaults that did not recur.

Operating expenses increased year on year by **1%** (CCY: 9%) to **R1 676m** (2016: R1 662m) resulting in positive Jaws of 9% and an improved cost-to-income ratio of **36,6%** (2016: 40,1%). While internally allocated support costs increased on the back of higher transaction volumes and increased branch usage, costs were contained in many countries on the back of cost efficiency initiatives and more rigorous controls over discretionary spend. We have sustained our investment in improving customer service, employee welfare and local communities.

Advances to customers increased year on year by **4%** (CCY: 14%) to **R39,2bn** (2016: R37,7bn) with underlying growth driven by strong client flows in-country as well as a reinforced regional client coverage model. Deposits due to customers decreased year on year by **5%** (CCY 3% growth) to **R47,6bn** (2016: R50,0bn), partly due to a reclassification of R1,4bn of in-country deposits to Treasury. On an average basis though, underlying growth in deposits was 10%, in spite of regulations aimed at moving public sector deposits from commercial banks to state institutions and the inherent volatility of large call balances held by certain public sector and offshore clients. Improved wallet share due to sustained investment in our transactional platforms as well as improved client solutions have been the major drivers of our liability growth.

Note

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

# CIB Rest of Africa

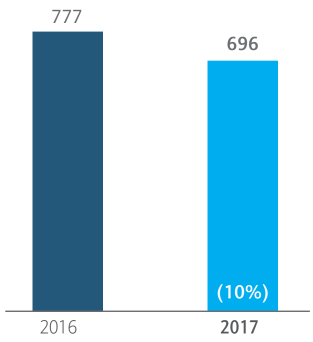
for the reporting period ended 31 December

## Financial performance *(continued)*

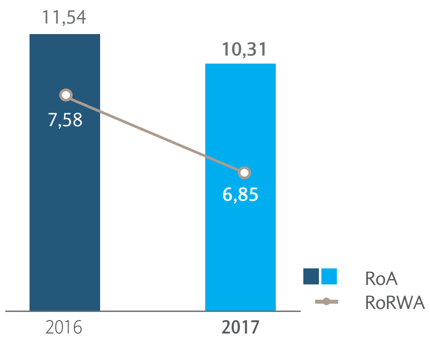
### *Investment Banking*

Headline earnings decreased year on year by **10%** (CCY up 2%) to **R696m** (2016: R777m) while income decreased year on year by **2%** (CCY: increased by 9%) to **R1 742m** (2016: R1 781m). Income growth of 9%, excluding the impact of foreign exchange translation differences, was achieved through large single deals, market share gains across most markets, new products and effective risk management. Post-separation costs adversely impacted the cost growth in this business.

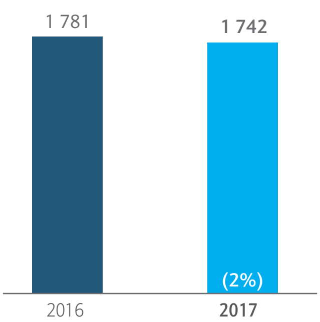
Headline earnings (Rm and change %)



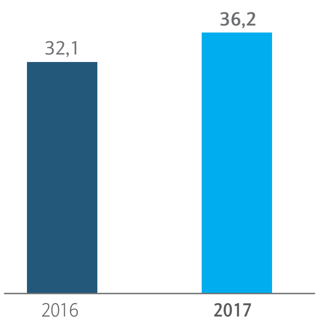

RoA and RoRWA (%)




Income (Rm and change %)




Cost-to-income (%)




| Salient features | 2017 | 2016[1] | C% | Change % |
|---|---|---|---|---|
| Income (Rm) | **1 742** | 1 781 | 9 | (2) |
| Attributable earnings (Rm) | **696** | 777 | 2 | (10) |
| Headline earnings (Rm) | **696** | 777 | 2 | (10) |
| Credit loss ratio (%) | **n/a** | n/a | | |
| Cost-to-income ratio (%) | **36,2** | 32,1 | | |
| RoRWA (%)[1] | **6,85** | 7,58 | | |
| RoA (%) | **10,31** | 11,54 | | |

Operating expenses increased year on year by **10%** (CCY: 19%) to **R630m** (2016: R572m) as a result of the incremental costs following the Barclays separation. This has resulted in negative Jaws of 12% and an increase in the cost-to-income ratio to **36,2%** (2016: 32,1%).

Note

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

# CIB Rest of Africa

for the reporting period ended 31 December

| | Corporate | | | |
|---|---|---|---|---|
| | **2017** | 2016[1] | C% | Change % |
| **Statement of comprehensive income (Rm)** | | | | |
| Net interest income | **3 999** | 3 527 | 24 | 13 |
| Non-interest income | **577** | 619 | 4 | (7) |
| **Total income** | **4 576** | 4 146 | 21 | 10 |
| Impairment losses on loans and advances | **(339)** | (383) | (3) | (11) |
| Operating expenses | **(1 676)** | (1 662) | 9 | 1 |
| Other expenses | **(21)** | (29) | (20) | (28) |
| **Operating profit before income tax** | **2 540** | 2 072 | 36 | 23 |
| Tax expenses | **(655)** | (464) | 54 | 41 |
| **Profit for the reporting period** | **1 885** | 1 608 | 30 | 17 |
| **Profit attributable to:** | | | | |
| Ordinary equity holders | **1 652** | 1 397 | 32 | 18 |
| Non-controlling interest – ordinary shares | **233** | 211 | 20 | 10 |
| | **1 885** | 1 608 | 30 | 17 |
| **Headline earnings** | **1 652** | 1 397 | 32 | 18 |
| **Operating performance (%)** | | | | |
| Net interest margin on average interest-bearing assets | **6,65** | 5,79 | | |
| Credit loss ratio | **0,84** | 0,94 | | |
| Non-interest income as % of income | **12,6** | 14,9 | | |
| Income growth | **10** | 24 | | |
| Operating expenses growth | **1** | 16 | | |
| Cost-to-income ratio | **36,6** | 40,1 | | |
| **Statement of financial position (Rm)** | | | | |
| Loans and advances to customers | **39 237** | 37 675 | 14 | 4 |
| Loans and advances to banks | **120** | — | <(100) | 100 |
| Investment securities | **430** | 2 | >100 | >100 |
| Other assets | **18 476** | 20 458 | (2) | (10) |
| **Total assets** | **58 263** | 58 135 | 9 | 0 |
| Deposits due to customers | **47 621** | 50 031 | 3 | (5) |
| Debt securities in issue | **—** | — | — | — |
| Other liabilities | **9 393** | 6 787 | 51 | 38 |
| **Total liabilities** | **57 014** | 56 818 | 9 | 0 |

Note

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

| Investment Bank | | | | CIB Rest of Africa | | | |
|---|---|---|---|---|---|---|---|
| **2017** | 2016[1] | C% | Change % | **2017** | 2016[1] | C% | Change % |
| **22** | (47) | <(100) | <(100) | **4 021** | 3 480 | 27 | 16 |
| **1 720** | 1 828 | 5 | (6) | **2 297** | 2 447 | 5 | (6) |
| **1 742** | 1 781 | 9 | (2) | **6 318** | 5 927 | 18 | 7 |
| **—** | — | — | — | **(339)** | (383) | (3) | (11) |
| **(630)** | (572) | 19 | 10 | **(2 306)** | (2 234) | 12 | 3 |
| **(8)** | (10) | (12) | (20) | **(29)** | (39) | (18) | (26) |
| **1 104** | 1 199 | 5 | (8) | **3 644** | 3 271 | 24 | 11 |
| **(330)** | (327) | 15 | 1 | **(985)** | (791) | 38 | 25 |
| **774** | 872 | 1 | (11) | **2 659** | 2 480 | 20 | 7 |
| **696** | 777 | 2 | (10) | **2 348** | 2 174 | 21 | 8 |
| **78** | 95 | (9) | (18) | **311** | 306 | 11 | 2 |
| **774** | 872 | 1 | (11) | **2 659** | 2 480 | 20 | 7 |
| **696** | 777 | 2 | (10) | **2 348** | 2 174 | 21 | 8 |
| **n/a** | n/a | | | **6,58** | 5,53 | | |
| **n/a** | n/a | | | **0,84** | 0,94 | | |
| **98,7** | 102,7 | | | **36,4** | 41,3 | | |
| **(2)** | 24 | | | **7** | 24 | | |
| **10** | 16 | | | **3** | 16 | | |
| **36,2** | 32,1 | | | **36,5** | 37,7 | | |
| **—** | — | — | — | **39 237** | 37 675 | 14 | 4 |
| **1 291** | 1 | >100 | >100 | **1 411** | 1 | >100 | >100 |
| **12** | 62 | (79) | (81) | **442** | 64 | >100 | >100 |
| **9 253** | 5 869 | 75 | 58 | **27 729** | 26 327 | 15 | 5 |
| **10 556** | 5 932 | 96 | 78 | **68 819** | 64 067 | 17 | 7 |
| **—** | 3 | (100) | (100) | **47 621** | 50 034 | 3 | (5) |
| **—** | — | — | — | **—** | — | — | — |
| **10 329** | 6 097 | 85 | 69 | **19 722** | 12 884 | 67 | 53 |
| **10 329** | 6 100 | 85 | 69 | **67 343** | 62 918 | 16 | 7 |

# CIB Rest of Africa

for the reporting period ended 31 December

## Business performance

### *Corporate*

The business produced strong growth, increasing revenue year on year by 10% (CCY: 21%). This was achieved by focusing on the delivery of key Corporate and Markets product capabilities across the region, which further strengthened our client value proposition. Highlights include the following:

- Advisory fees and ancillary revenue earned off a large IPO deal;
- A more robust and synergised pan-African coverage model that has allowed us to secure key deals across the different markets in the Global Corporates and SA outbound portfolio;
- Our understanding of the customer ecosystem has allowed us to deliver the BAGL 'one bank' proposition to clients resulting in increased market penetration. In addition, the broadening of the CIB value proposition has positioned the business to increase the number of primary banking relationships in presence markets;
- More effective partnering with clients, through the growth of deeper relationships and the leveraging of our regional expertise and local execution capabilities to support their ambitions;
- Increased margins as a result of optimised client portfolio mix; and
- Improved Turn Around Time (TAT) through simplification of our business processes such as credit and onboarding, which has allowed us to be more competitive in the marketplace.
- Accolades including:
  - Banker Africa Awards: Best Commercial Bank in Southern Africa, Best Corporate Bank in Uganda, Best Commercial Bank in Tanzania for Barclays Bank Tanzania;
  - Asian Banker Transaction Banking Awards Programme 2017 for Middle East and Africa: Best Transaction Bank in Zambia, Botswana, Ghana and Uganda;
  - Global Banking & Finance Review: Mozambique named the Fastest Growing Corporate Bank and the Fasting Growing Commercial Bank; and
  - Think Business Awards in Kenya: Barclays Bank Kenya awarded Corporate Banker of the year.

Factors that adversely affected the business during the period:

- Delay in the materialisation of certain large deals due to a changing market environment and liquidity challenges;
- Economic headwinds leading to reduced transactional volumes in certain markets;
- Increased lobbying to move public deposits away from commercial banks;
- Regulations to cap interest rates in certain jurisdictions; and
- Political instability pre and post elections has resulted in some of our customers adopting a 'wait and see' approach which has impacted transaction volumes.

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

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

# CIB Rest of Africa

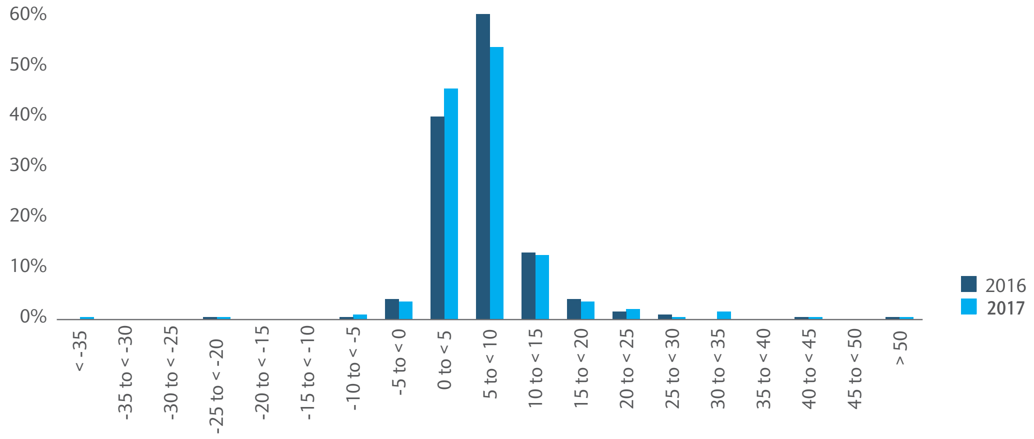
for the reporting period ended 31 December

## Business performance *(continued)*

### *Investment Banking*

Revenue decreased by **2%** (CCY: up 9%) year on year. Underlying business performance was strong despite difficult trading conditions. Significant margin pressure was experienced across the portfolio.

Daily markets income distribution (%)




Growth was supported by the following factors:

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

Adverse factors included:

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

Accolades included awards for Best Investment Bank in both East Africa and Southern Africa at the Banker Africa Awards, as well as Best Foreign Investment Bank, Pan-Africa, and Best Investment Bank, Tanzania, in the EMEA Finance African Banking Awards.

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

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

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# WIMI

for the reporting period ended 31 December

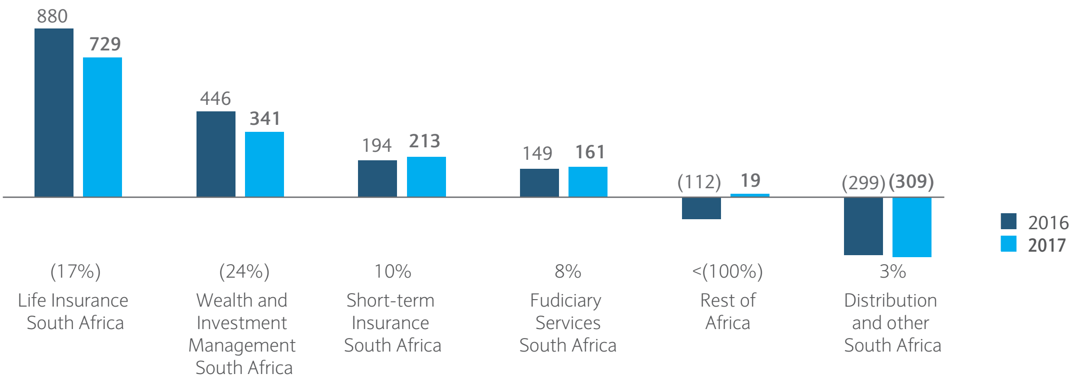
**Underlying Headline earnings growth of 6% driven by:**

- Improved underlying claims experience.
- Rest of Africa returned to profitability.
- Increased investment market returns.

**Decline in Headline earnings can be attributed to:**

- Single client impairment in Wealth (-6%).
- Unwinding of Life deferred tax asset raised in the prior year (-4%).
- Catastrophe event claims in Short-term Insurance (-4%).

## Headline earnings (Rm and change %)




| Salient features | 2017 | 2016[1] | Change % |
|---|---|---|---|
| Headline earnings (Rm) | **1 156** | 1 258 | (8) |
| Gross operating income (Rm) | **6 171** | 6 061 | 2 |
| Cost-efficiency ratio (%) | **36,2** | 33,2 | |
| Combined ratio (%) | **100,2** | 100,7 | |
| Assets under management and administration (Rbn) | **335** | 288 | 16 |
| Embedded value of new business (EVNB) (Rm) | **599** | 547 | 10 |
| Return on embedded value (%) | **33,5** | 33,4 | |
| Return on embedded value (excluding impact of acquired business) (%) | **33,5** | 26,8 | |
| RoE (%) | **20,1** | 21,7 | |

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

# WIMI

for the reporting period ended 31 December

## Business profile

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

### *Key business areas*

- **Life Insurance** – offers life insurance, covering death, disability and retrenchment, as well as funeral and investment products.
- **Wealth and Investments** – consists of two business clusters, which operate on a collaborative basis to offer individual and institutional clients access to high-quality wealth and investment products and solutions.
  - **Investment cluster** offers investment management, multi-management, unit trusts and linked investments products and solutions to individual and institutional clients.
  - **Wealth management cluster** provides advice-led private client asset management, risk management, structured lending and stockbroking solutions to the wealth segment of the market.
- **Short-term Insurance** – provides short-term insurance solutions to the retail and commercial market segments. A direct-to-client short-term solution, Absa idirect, is available to the retail market.
- **Fiduciary Services** – consists of estate administration, trust services and employee benefit businesses. The employee benefit business offers individual retirement fund administration, health care consulting and actuarial services. Absa Trust administers deceased estates and provides trustee services for personal, family, charitable and employee benefit trusts.
- **Distribution** – one of the larger financial, wealth, investment and risk advisory companies in South Africa. It provides the full spectrum of financial advisory services and acts as an intermediary between the Group's customers, clients and other product providers.
- **Other** – includes WIMI's head office shareholder investment portfolios, consolidation entries, holding companies as well as allocated shareholder overhead expenses.

## Operating environment

### *South Africa*

Against the SA economic backdrop of muted economic growth, flat interest rate outlook, rising unemployment and benign household consumption growth, the consumer is expected to remain under pressure, adversely impacting new business volumes (especially credit life linked to consumer lending). While the South African credit rating downgrade has not significantly impacted WIMI investment returns, decisions to further downgrade South Africa's local currency rating during 2018 will adversely impact return on policyholder and shareholder assets held by WIMI and could result in currency volatility. The focus for WIMI in this challenging operating environment is the retention of customers, while optimising the integration of our offering into RBB for improved customer solutions and outcomes.

From a market conduct perspective, the Retail Distribution Review (RDR) has set out some far-reaching reforms to the regulatory framework, for distributing retail financial products to customers, with some key milestones scheduled over the course of 2018. WIMI has progressed well in this regard and is on track to meet the relevant RDR compliance milestones, while managing and mitigating the impact on sales channels, revenues and operations.

On the competitive front, the further integration of financial services, the entry of new market players and the formation of formidable partnerships and alliances continue to increase competition for retail financial services profit pool that is facing muted growth in 2018. Regulation, technology and evolving consumer demand are expected to be key drivers of future performance and market players' strategic responses to them will determine winners and losers. WIMI will continue to evolve by harnessing data, innovative technology and digital capabilities to meet the demands of shifting consumer dynamics, new regulations and changing distribution models that will impact our business landscape over the short to medium term.

### *Rest of Africa*

Sub-Saharan Africa's economy has seen some improvement in outlook and appears more favourable after the fragile and hesitant recovery for most of last year. Economic growth is projected to improve in 2018, underpinned by the further strengthening of the global economy, rising commodity prices, better weather conditions, ongoing infrastructure investment and monetary policy accommodation. However, fiscal challenges remain a key constraint in WIMI's presence countries in the Rest of Africa. WIMI will continue its focus on improving claims cost control in its presence countries, while maximising its Bancassurance channel to increase value extraction from the Bank as credit lending improves.

## Business performance

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

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

- We continued to accelerate our efforts to **gather and retain Assets under Management** (AuM), resulting in 16% growth in assets under management on a year-on-year basis. We have had success with our Absa Virtual Advisers team, with latest statistics reflecting that we have engaged over 15k clients through this channel, which was critical in supporting our asset retention efforts, resulting in over R550m of assets retained through this channel.
- In our efforts to grow **premium income**, 2017 has been a volatile year for our SA short-term business as we absorbed the catastrophic events, namely weather events in various parts of the country and the fires in Knysna and surrounding areas. We have implemented risk-based pricing, deep analytics and the utilisation of machine learning algorithms in our leads generation activities. As a result of these actions taken our underlying underwriting margin improved to **8,7%** (2016: 4,9%) (Excluding the impact of catastrophic events).
- We have entrenched the new operating models in the Rest of Africa businesses and have made progress in bringing our processes and controls in line with our best practice standards. Our operations in the Rest of Africa returned to profitability as a result of the actions taken recording a 117% year-on-year increase in headline earnings to **R19m** (2016: R112m loss).
- In **building on our partnership relationship with RBB**, our combined efforts to improve the interlock and sales through Retail Bank branch channels continued to deliver strong results with sales increasing by circa 88% year on year. Key highlights include the recent launch of the new Premium Banking product (including wealth enhancement services, as well as family, lifestyle and travel benefits) and the Rewards proposition, giving clients an option to save their rewards through investing in our Unit Trusts. Credit lending momentum showed strong improvement in the last quarter of the financial year.
- In our efforts to optimise our **internal and external Distribution**, a fundamental shift in 2017 was the decision to exit the Commercial and Industrial short-term brokerage business. Extensive work has been done to further enhance our Financial Adviser Value Proposition, by simplifying the remuneration structure for advisers and developing both the Retirement and Associate models. We have continued strong performance in Direct Delivery (telephony and digital channels), tracking at a 51% sales volume increase year on year.
- Our focus to place the **customer at the centre of everything we do**, has resulted in a Net Promoter Score of **34%** (2016: 31%).
- We have pioneered the WIMI One View Programme that provides us with a single view of the customer. It helps significantly in our retention efforts and provides **better data insights** into providing the customer with a better experience with us.
- We have enhanced our omni-channel offering, while diversifying from face-to-face to **digital platforms** through the Virtual Investor, allowing customers unfamiliar with a choice to access savings and investments solutions in a non-intrusive, easy-to-use platform.
- The agreements entered into to **dispose** of our Employee Benefits (Actuaries and Consultants) and Commercial and Industrial brokerage businesses effectively concludes our efforts to **refocus** our business on core and scalable lines of business.
- We are pleased to have been awarded with the following **accolades for 2017**:
  - Our Wealth Advisory business has achieved the following rankings during the 2018 Euromoney Private Banking and Wealth Management Survey:
    - Number 1 for Super Affluent Clients across sub-Saharan Africa
    - Number 1 for Social Impact Investing
    - Number 2 for Family Office Services
    - Number 2 for High Net Worth Clients across sub-Saharan Africa
    - Number 2 for Ultra High Net Worth Clients across sub-Saharan Africa
  - Absa Consultants and Actuaries (ACA) has received a PMR. Africa Golden Arrow Award for 'Business Excellence in South Africa'
  - Absa Insurance Company was the winner of the 'Building and Contents Insurance' category for 2017 Icon brands during the Target Group Index (TGI) Icon Brand Survey Awards
  - Our Distribution business has achieved the following accolades during the World Contact Centre Awards for Europe, Middle East and Africa:
    - Gold Award for Best Contact Centre (Malcolm Vining)
    - Gold Award for Best Sales Manager (Bharat Parshotam).

# WIMI

for the reporting period ended 31 December

| | Life Insurance 2017 Rm | 2016 Rm | Change % |
|---|---|---|---|
| **Statement of comprehensive income** | | | |
| Net insurance premium income | **3 330** | 3 141 | 6 |
| Net insurance claims and benefits paid | **(1 166)** | (1 039) | 12 |
| Investment income | | | |
| Policyholder investment contracts | **2 099** | 316 | >100 |
| Policyholder insurance contracts | **238** | 144 | 65 |
| Changes in investment and insurance contract liabilities | | | |
| Policyholder investment contracts | **(1 967)** | (327) | >100 |
| Policyholder insurance contracts | **(130)** | (134) | (3) |
| Other income[2] | **28** | 66 | (58) |
| **Gross operating income** | **2 432** | 2 167 | 12 |
| Net commission paid by insurance companies[2] | **(813)** | (661) | 23 |
| Operating expenses | **(575)** | (538) | 7 |
| Other expenses | **(91)** | (90) | 1 |
| **Net operating income** | **953** | 878 | 9 |
| Investment income on shareholder funds | **105** | 80 | 31 |
| Shareholder expenses | **—** | — | — |
| Taxation expense | **(275)** | (129) | >100 |
| **Profit for the period** | **783** | 829 | (6) |
| **Headline earnings** | **774** | 848 | (9) |
| **Note** | | | |
| **Investment income** | | | |
| Policyholder investment contracts | **2 099** | 316 | >100 |
| Net interest income | **1 035** | 712 | 45 |
| Dividend income | **295** | 206 | 43 |
| Fair value gains | **769** | (602) | <(100) |
| Policyholder insurance contracts | **238** | 144 | 65 |
| Net interest income | **105** | 100 | 5 |
| Dividend income | **12** | 19 | (37) |
| Fair value gains | **121** | 25 | >100 |
| Shareholder funds | **105** | 80 | 31 |
| Net interest income | **50** | 57 | (12) |
| Dividend income | **20** | 23 | (13) |
| Fair value gains/(losses) | **35** | — | 100 |
| Total | **2 441** | 540 | >100 |
| Net interest income | **1 191** | 869 | 37 |
| Dividend income | **327** | 248 | 32 |
| Fair value gains/(losses) | **923** | (577) | <(100) |

| Net fee and commission income | 2017 Rm | 2016[1] Rm | Change % |
|---|---|---|---|
| Employee benefit-related fees | **332** | 375 | (11) |
| Investment management and related fees | **1 295** | 1 275 | 2 |
| Net commission from distribution business | **444** | 392 | 13 |
| Net commission paid by insurance companies[3] | **(1 254)** | (1 180) | 6 |
| Trust and estate income | **355** | 335 | 6 |
| Other | **89** | 70 | 27 |
| **Total** | **1 261** | 1 267 | (0) |

Notes

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

[2] Includes impairment losses on loans and advances.

[3] Includes internal commission, eliminated on consolidation.

| | Wealth and Investment Management | | | Short-term Insurance | | | Fiduciary Services | | |
|---|---|---|---|---|---|---|---|---|---|
| | **2017 Rm** | 2016[1] Rm | Change % | **2017 Rm** | 2016[1] Rm | Change % | **2017 Rm** | 2016 Rm | Change % |
| | **—** | — | — | **3 018** | 3 332 | (9) | **—** | — | — |
| | **—** | — | — | **(2 053)** | (2 425) | (15) | **—** | — | — |
| | **—** | — | — | **—** | — | — | **—** | — | — |
| | **—** | — | — | **54** | 53 | 2 | **—** | — | — |
| | **—** | — | — | **—** | — | — | **—** | — | — |
| | **—** | — | — | **—** | — | — | **—** | — | — |
| | **1 473** | 1 576 | (7) | **117** | 121 | (3) | **699** | 713 | (2) |
| | **1 473** | 1 576 | (7) | **1 136** | 1 081 | 5 | **699** | 713 | (2) |
| | **2** | — | 100 | **(444)** | (480) | (8) | **—** | — | — |
| | **(1 032)** | (993) | 4 | **(497)** | (442) | 12 | **(490)** | (532) | (8) |
| | **(5)** | (8) | (38) | **(104)** | (37) | >100 | **(3)** | 4 | <(100) |
| | **438** | 575 | (24) | **91** | 122 | (25) | **206** | 185 | 11 |
| | **53** | 48 | 10 | **145** | 126 | 15 | **18** | 22 | (18) |
| | **—** | — | — | **—** | — | — | **—** | — | — |
| | **(145)** | (172) | (16) | **(69)** | (58) | 19 | **(63)** | (58) | 9 |
| | **346** | 451 | (23) | **167** | 190 | (12) | **161** | 149 | 8 |
| | **341** | 446 | (24) | **233** | 229 | 2 | **161** | 149 | 8 |
| | **—** | — | — | **—** | — | — | **—** | — | — |
| | **—** | — | — | **—** | — | — | **—** | — | — |
| | **—** | — | — | **—** | — | — | **—** | — | — |
| | **—** | — | — | **—** | — | — | **—** | — | — |
| | **—** | — | — | **54** | 53 | 2 | **—** | — | — |
| | **—** | — | — | **54** | 53 | 2 | **—** | — | — |
| | **—** | — | — | **—** | — | — | **—** | — | — |
| | **—** | — | — | **—** | — | — | **—** | — | — |
| | **53** | 48 | 10 | **145** | 126 | 15 | **19** | 22 | (14) |
| | **46** | 46 | — | **130** | 90 | 44 | **6** | 6 | — |
| | **—** | — | — | **9** | 10 | (10) | **—** | — | — |
| | **7** | 2 | >100 | **6** | 26 | (77) | **13** | 16 | (19) |
| | **53** | 48 | 10 | **199** | 179 | 11 | **19** | 22 | (14) |
| | **46** | 46 | — | **184** | 143 | 29 | **6** | 6 | — |
| | **—** | — | — | **9** | 10 | (10) | **—** | — | — |
| | **7** | 2 | >100 | **6** | 26 | (77) | **13** | 16 | (19) |

| Segment report per geographical segment | South Africa | | | Rest of Africa | | |
|---|---|---|---|---|---|---|
| | **2017 Rm** | 2016[1] Rm | Change % | **2017 Rm** | 2016 Rm | Change % |
| **Statement of comprehensive income** | | | | | | |
| Net insurance premium income | **5 498** | 5 603 | (2) | **850** | 1 098 | (23) |
| Net insurance claims and benefits paid | **(2 881)** | (2 952) | (2) | **(354)** | (687) | (48) |
| **Gross operating income** | **5 580** | 5 649 | (1) | **591** | 412 | 43 |
| Operating expenses | **(2 880)** | (2 816) | 2 | **(399)** | (383) | 4 |
| **Net operating income** | **1 441** | 1 696 | (15) | **(22)** | (185) | (88) |
| **Profit for the reporting period** | **1 090** | 1 378 | (21) | **5** | (169) | <(100) |
| **Headline earnings** | **1 137** | 1 370 | (17) | **19** | (112) | <(100) |

| Distribution 2017 Rm | Distribution 2016 Rm | Distribution Change % | Other 2017 Rm | Other 2016[1] Rm | Other Change % |
|---|---|---|---|---|---|
| — | — | — | — | — | — |
| — | — | — | — | — | — |
| | | — | | | — |
| — | — | — | 16 | 38 | (58) |
| — | — | — | — | — | — |
| | | — | | | — |
| — | — | — | (16) | (38) | (58) |
| — | — | — | — | — | — |
| 446 | 434 | 3 | — | 3 | (100) |
| 446 | 434 | 3 | — | 3 | (100) |
| 1 | — | 100 | — | — | — |
| (463) | (457) | 1 | (227) | (190) | 19 |
| (8) | (16) | (50) | (8) | (4) | 100 |
| (24) | (39) | (38) | (235) | (191) | 23 |
| 64 | 85 | (25) | 68 | (31) | <(100) |
| — | — | — | (352) | (341) | 3 |
| (4) | — | 100 | 128 | 128 | — |
| 36 | 46 | (22) | (391) | (435) | (10) |
| 43 | 52 | (17) | (389) | (435) | (11) |
| | | | | | |
| — | — | — | 16 | 38 | (58) |
| — | — | — | 2 | 9 | (78) |
| — | — | — | 72 | 67 | 7 |
| — | — | — | (58) | (38) | 53 |
| — | — | — | — | — | — |
| — | — | — | — | — | — |
| — | — | — | — | — | — |
| — | — | — | — | — | — |
| 64 | 85 | (25) | 67 | (31) | <100 |
| 64 | 85 | (25) | 12 | 10 | 20 |
| — | — | — | — | — | — |
| — | — | — | 55 | (41) | <100 |
| 64 | 85 | (25) | 84 | 7 | >100 |
| 64 | 85 | (25) | 14 | 19 | (26) |
| — | — | — | 72 | 67 | 7 |
| — | — | — | (2) | (79) | (97) |

| Total WIMI 2017 Rm | Total WIMI 2016[1] Rm | Total WIMI Change % |
|---|---|---|
| 6 348 | 6 701 | (5) |
| (3 235) | (3 639) | (11) |
| 6 171 | 6 061 | 2 |
| (3 279) | (3 199) | 3 |
| 1 419 | 1 511 | (6) |
| 1 095 | 1 209 | (9) |
| 1 156 | 1 258 | (8) |

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# WIMI

for the reporting period ended 31 December

| | Total Continuing Business Lines | | |
|---|---|---|---|
| | **2017 Rm** | 2016[1] Rm | Change % |
| **Statement of comprehensive income** | | | |
| Net insurance premium income | **6 348** | 6 473 | (2) |
| Net insurance claims and benefits paid | **(3 219)** | (3 464) | (7) |
| Investment income | | | — |
| Policyholder investment contracts | **2 115** | 354 | >100 |
| Policyholder insurance contracts | **292** | 197 | 48 |
| Changes in investment and insurance contract liabilities | | | — |
| Policyholder investment contracts | **(1 983)** | (365) | >100 |
| Policyholder insurance contracts | **(130)** | (134) | (3) |
| Other income[2] | **2 763** | 2 913 | (5) |
| **Gross operating income** | **6 186** | 5 974 | 4 |
| Net commission paid by insurance companies[2] | **(1 254)** | (1 141) | 10 |
| Operating expenses | **(3 284)** | (3 152) | 4 |
| Other expenses | **(219)** | (151) | 45 |
| **Net operating income** | **1 429** | 1 530 | (7) |
| Investment income on shareholder funds | **453** | 330 | 37 |
| Shareholder expenses | **(352)** | (341) | 3 |
| Taxation expense | **(428)** | (289) | 48 |
| **Profit for the period** | **1 102** | 1 230 | (10) |
| **Headline earnings** | **1 163** | 1 289 | (10) |
| **Note** | | | |
| **Investment income** | | | |
| Policyholder investment contracts | **2 115** | 354 | >100 |
| Net interest income | **1 037** | 721 | 44 |
| Dividend income | **367** | 273 | 34 |
| Fair value gains | **711** | (640) | <(100) |
| Policyholder insurance contracts | **292** | 197 | 48 |
| Net interest income | **159** | 153 | 4 |
| Dividend income | **12** | 19 | (37) |
| Fair value gains | **121** | 25 | >100 |
| Shareholder funds | **453** | 330 | 37 |
| Net interest income | **308** | 294 | 5 |
| Dividend income | **29** | 33 | (12) |
| Fair value gains/(losses) | **116** | 3 | >100 |
| Total | **2 860** | 881 | >100 |
| Net interest income | **1 505** | 1 168 | 29 |
| Dividend income | **408** | 325 | 26 |
| Fair value gains/(losses) | **947** | (612) | <(100) |

**Notes**

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

[2] Includes impairment losses on loans and advances.

| Terminating business lines | | | Total WIMI | | |
|---|---|---|---|---|---|
| 2017 Rm | 2016[1] Rm | Change % | 2017 Rm | 2016[1] Rm | Change % |
| — | 228 | (100) | 6 348 | 6 701 | (5) |
| (16) | (175) | (91) | (3 235) | (3 639) | (11) |
| | | — | | | — |
| — | — | — | 2 115 | 354 | >100 |
| 1 | 4 | (75) | 293 | 201 | 46 |
| | | — | | | — |
| — | — | — | (1 983) | (365) | >100 |
| — | — | — | (130) | (134) | (3) |
| — | 30 | (100) | 2 763 | 2 943 | (6) |
| (15) | 87 | <(100) | 6 171 | 6 061 | 2 |
| — | (39) | (100) | (1 254) | (1 180) | 6 |
| 5 | (47) | <(100) | (3 279) | (3 199) | 3 |
| — | (20) | (100) | (219) | (171) | 28 |
| (10) | (19) | (47) | 1 419 | 1 511 | (6) |
| — | — | — | 453 | 330 | 37 |
| — | — | — | (352) | (341) | 3 |
| 3 | (2) | <(100) | (425) | (291) | 46 |
| (7) | (21) | (67) | 1 095 | 1 209 | (9) |
| (7) | (31) | (77) | 1 156 | 1 258 | (8) |
| | | | | | |
| — | — | — | 2 115 | 354 | >100 |
| — | — | — | 1 037 | 721 | 44 |
| — | — | — | 367 | 273 | 34 |
| — | — | — | 711 | (640) | <(100) |
| 1 | 4 | (75) | 293 | 201 | 46 |
| 1 | 4 | (75) | 160 | 157 | 2 |
| — | — | — | 12 | 19 | (37) |
| — | — | — | 121 | 25 | >100 |
| — | — | — | 453 | 330 | 37 |
| — | — | — | 308 | 294 | 5 |
| — | — | — | 29 | 33 | (12) |
| — | — | — | 116 | 3 | >100 |
| 1 | 4 | (75) | 2 861 | 885 | >100 |
| 1 | 4 | (75) | 1 506 | 1 172 | 28 |
| — | — | — | 408 | 325 | 26 |
| — | — | — | 947 | (612) | <(100) |

# WIMI

for the reporting period ended 31 December

| | 2017 Rm | 2016[1] Rm | Change % |
|---|---|---|---|
| **Statement of financial position** | | | |
| **Assets** | | | |
| Cash balances and loans and advances to banks[2] | **2 612** | 2 662 | (2) |
| Non-current assets held for sale | **153** | — | 100 |
| Investment securities[2] | **386** | 394 | (2) |
| Financial assets backing investment and insurance liabilities | | | |
| Policyholder Investment contracts | **30 511** | 29 167 | 5 |
| Cash balances and loans and advances to banks | **1 984** | 1 663 | 19 |
| Investment securities | **28 527** | 27 504 | 4 |
| Policyholder Insurance Contracts | **3 750** | 3 633 | 3 |
| Cash balances and loans and advances to banks | **904** | 849 | 6 |
| Investment securities | **1 994** | 1 834 | 9 |
| Reinsurance assets | **852** | 950 | (10) |
| Shareholder funds | **3 867** | 4 512 | (14) |
| Cash balances and loans and advances to banks | **1 482** | 2 053 | (28) |
| Investment securities | **2 385** | 2 459 | (3) |
| Other assets[3] | **9 114** | 10 358 | (12) |
| Property and equipment | **289** | 281 | 3 |
| **Total assets** | **50 682** | 51 007 | (1) |
| **Liabilities** | | | |
| Non-current liabilities held for sale | **48** | — | 100 |
| Liabilities under investment contracts | **30 607** | 29 213 | 5 |
| Policyholder liabilities under insurance contracts | **4 544** | 4 451 | 2 |
| Other liabilities | **10 539** | 11 961 | (12) |
| Other liabilities[3] | **10 443** | 11 834 | (12) |
| Other liabilities relating to investment contracts | **96** | 127 | (24) |
| Deferred tax liabilities | **99** | 67 | 48 |
| **Total liabilities** | **45 837** | 45 692 | 0 |
| **Equity** | | | |
| Capital and reserves | **4 670** | 5 147 | (9) |
| Non-controlling interest | **175** | 168 | 4 |
| **Total equity** | **4 845** | 5 315 | (9) |
| **Total liabilities and equity** | **50 682** | 51 007 | (1) |

Notes

1 These numbers have been restated, refer to the reporting changes overview on the inside front cover.
2 Non-insurance-related balances.
3 Other assets and liabilities include settlement account balances in Absa Stockbrokers (Pty) Ltd as well as loans and advances to customers and deposits due to customers relating to the Wealth Banking portfolio.

# WIMI

for the reporting period ended 31 December

| Reconciliation with Group | 2017<br>WIMI<br>Rm | 2017<br>Inter-segment elimination<br>Rm | 2017<br>Other[1]<br>Rm | 2017<br>Group<br>Rm |
|---|---|---|---|---|
| **Statement of financial position[2]** | | | | |
| Investment securities | | | | |
| Investment linked to investment contracts | **28 527** | **(9 591)** | **—** | **18 936** |
| Policyholder liabilities under insurance contract | **3 683** | **(136)** | **210** | **3 757** |
| **Statement of comprehensive income[2]** | | | | |
| Net insurance premium income | **6 348** | **(100)** | **350** | **6 598** |
| Net insurance claims and benefit paid | **(3 235)** | **—** | **(99)** | **(3 334)** |
| Gains and losses from investment activities – net gains on investments from insurance activities – policyholder investment contracts | **2 115** | **(971)** | **—** | **1 144** |

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

| Cost-efficiency ratio – WIMI | 2017<br>Rm | 2016[1]<br>Rm | Change<br>% | Where included in Group's statement of comprehensive income |
|---|---|---|---|---|
| Income | **10 036** | 10 651 | (6) | Net fee and commission income; other operating income; net interest income |
| Gross premium income | **7 233** | 7 771 | (7) | Net insurance premium income |
| Net commission from distribution business | **355** | 381 | (7) | Net fee and commission income |
| Non-insurance-related income[2] | **1 684** | 1 721 | (2) | Net fee and commission income |
| Banking-related income | **282** | 291 | (3) | Net fee and commission income |
| Other income | **482** | 487 | (1) | Net fee and commission income; other operating income; net interest income |
| Operating expenses | **3 631** | 3 540 | 3 | Operating expenses |
| **Cost-efficiency ratio (%)** | **36,2** | 33,2 | 9 | |

| Reconciliation of WIMI non-interest income to Group | 2017<br>Rm | 2016[1]<br>Rm | Change<br>% | Where included in Group's statement of comprehensive income |
|---|---|---|---|---|
| Aforementioned income | **10 036** | 10 651 | (6) | |
| Net commission paid by insurance companies | **(1 254)** | (1 180) | 6 | Net fee and commission income |
| Reinsurance premiums | **( 885)** | (1 070) | (17) | Net insurance premium income |
| Net insurance claims and benefits paid | **(3 235)** | (3 639) | (11) | Net claims and benefits paid on insurance contracts |
| Changes in investment and insurance contract liabilities | **(2 112)** | (499) | >100 | Changes in investment and insurance contract liabilities |
| Gains and losses from investments activities | **2 862** | 885 | >100 | Gains and losses from investment activities |
| Other income | **(2)** | (10) | (80) | Other operating income |
| Banking-related income | **(282)** | (291) | (3) | Net interest income |
| **Non-interest income** | **5 128** | 4 847 | 6 | |

Notes
[1] Consists of Absa Manx Insurance Company and Woolworths Financial Services.
[2] Debit amounts are disclosed as positive, credit amounts are disclosed as negative.

# WIMI

for the reporting period ended 31 December

## Financial performance

**WIMI's headline earnings declined by 8%** to **R1 156m** (2016: R1 258m), mainly impacted by a single client impairment in Wealth (-6%) , increased claims associated with the catastrophic events in the Western and Southern Cape (-4%) and the unwinding of the deferred tax asset raised in the prior year for Absa Life (-4%). Improved underwriting experience in South Africa and improved profitability outside of South Africa have assisted to partially offset these items.

Key features of our results were:

- **Assets under management** increased by 16% to R335bn as a result of strong institutional and derivative strategy flows
- **Embedded value of new business** increased by 10% due to growth in Risk new business in South Africa and Rest of Africa which assisted to offset the decline in investment Guarantee flows
- Overall **operating expenses** increased by 3% to **R3 279m** (2016: R3 199m). Operating expenses for South Africa grew at 2%, while operations in the Rest of Africa recorded an increase of 4% to **R399m** (2016: R383m).
- **Income from shareholder funds** increased by 37% to **R453m** (2016: R330m). This was mainly driven by improved returns from our offshore equities and local fixed-income assets.
- **Return on equity** of **20,1%** (2016: 21,7%) was marginally lower than the previous reporting period due to reduced earnings.

### *Life insurance*

**African Life insurance** net premium income increased by 6% to **R3 330m** (2016: R3 141m), while headline earnings reflected a decline of R74m to R774m. New business volumes increased year on year by 8% due to a significant increase in branch sales in South Africa. Our Rest of Africa businesses grew EVNB (Embedded Value of New Business) from R15m to R43m, with South Africa increasing by 4% from R533m to R556m, resulting in 10% consolidated growth in EVNB. Operating expenses increased by 7% to **R575m** (2016: R538m), mainly attributed to Rest of Africa and investment in our online capabilities (Instant Life). The embedded value of the African Life businesses now exceeds R5 billion, a 15% increase year on year.

### South Africa Life

Headline earnings for the South African Life business decreased by 17% mainly due to the unwinding of the deferred tax asset recognised in the prior year. Net premium income increased by 6% to **R2 841m** (2016: R2 680m) due to growth in standalone products, Group schemes and Instant Life (online, direct products). The realisation of the bancassurance opportunity has contributed to growth in standalone new business with the EVNB increasing 38% year on year. Credit life volumes reflected improved momentum during the second half of 2017. Single premium investment business declined significantly when compared to the previous reporting period, mainly due to changes in the tax legislation impacting the attractiveness of investment guarantee products distributed. Embedded value of Investment new business decreased by R56m. New business strain increased by 25% in 2017 due to the increased sales of standalone products through telephony and branch channels.

### Rest of Africa Life

Headline earnings for **Rest of Africa Life** business improved to **R45m** (2016: R32m loss). This was driven by unwinding of in-force profits included in life fund reserves raised for Barclays Life Kenya in the prior year, continued growth in in-force books, improved claims performance and increased deferred tax assets recognised in line with improved capital position and profitability. EVNB increased from R15m to R43m, mainly due to new business sales and an improvement in the margins from product restructuring actions taken in Kenya.

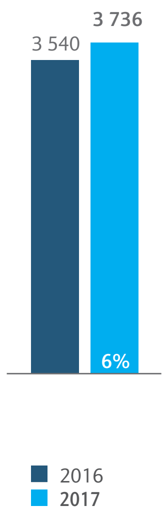
Notes

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

[2] Fee income relating to employee benefits, trust, estate and portfolio management fees.

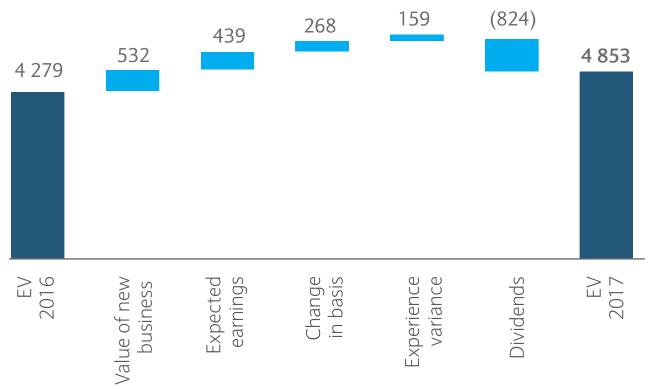
## Financial performance *(continued)*

### Gross premium income (Rm and change %)




### Value of new business (Rm and change %)


### Embedded value (Absa Life)[1] (Rm)




| Salient features – Africa Life insurance[1] | 2017 | 2016 | Change % |
|---|---|---|---|
| Shareholders' net assets (Rm) | **1 414** | 1 369 | 3 |
| Cost of solvency capital (Rm) | **(275)** | (283) | (3) |
| Value of business in force (Rm) | **4 413** | 3 763 | 17 |
| **Embedded value (Rm)** | **5 552** | 4 849 | 14 |
| Embedded value earnings (Rm) | **1 620** | 1 450 | 12 |
| Return on embedded value (%) | **33,5** | 33,4 | |
| Return on embedded value (excluding impact of acquired earnings) (%) | **33,5** | 26,8 | |
| EVNB (Rm) | **599** | 547 | 10 |
| Value of new business as a percentage of the present value of future premiums (%) (gross) | **10,1** | 5,0 | |

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

# WIMI

for the reporting period ended 31 December

## Financial performance *(continued)*

### *Wealth and Investments*

**Wealth and Investment Management** achieved headline earnings of **R341m** (2016: R446m).

### Investment Cluster

Group assets under management increased by 16% to **R335bn** (2016: 288bn) and year to date net inflows of R37bn were achieved, originating predominantly from Alternative Asset Management funds with 50% of new flows placed within derivatives strategies.

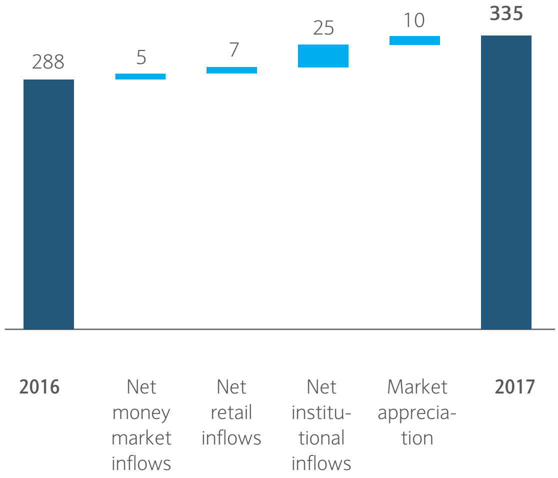
The assets under management reported below represents a consolidated view of Group assets under management. The reported assets includes the assets held through the ETF joint venture with CIB. We are in the process of implementing changes to the joint venture model. The revised model will create a clearer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

| Salient features – Investment cluster | 2017 | 2016 | Change % |
|---|---|---|---|
| Headline earnings (Rm) | **390** | 384 | 2 |
| Net flows (Rbn) – Group | **37,4** | 13,1 | >100 |
| Money market | **4,8** | 9,2 | (48) |
| Non-money market – retail | **7,2** | (2,6) | <(100) |
| Non-money market – institutional | **25,4** | 6,5 | >100 |
| Net assets under management and administration (Rbn) – Group | **335** | 288 | 16 |

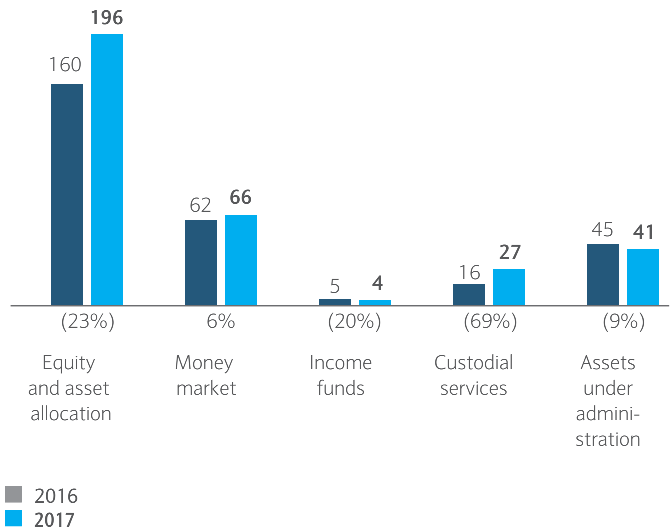
| Salient features | 2017 | 2016 | Change % |
|---|---|---|---|
| Assets under management and administration (Rbn) – Group | **335** | 288 | 16 |
| ETF | **28** | 28 | 0 |
| Money market | **66** | 64 | 3 |
| Non-money market | **249** | 204 | 22 |
| Intra-segment eliminations | **(9)** | (8) | 13 |
| Alternative asset management and exchange-traded funds (Rbn) | **94** | 75 | 26 |
| Deceased estates | **3** | 3 | — |
| Other | **32** | 25 | 28 |
| Portfolio management | **26** | 32 | (19) |
| Trusts | **4** | 4 | — |
| Unit trusts | **175** | 149 | 18 |
| Total | **335** | 288 | 16 |

# Financial performance *(continued)*

## Movement in assets under management and administration (Rbn)




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




## Wealth Management

Headline earnings for the Wealth Management cluster declined by 179% to a **R49m** loss (2016: R62m) as a result of a specific impairment on a single client and a 3% decline in revenue. Non-interest revenue declined by 2%, mainly due to lower investment income and brokerage fees coupled with changes in Barclays PLC profitsharing agreements during quarter 4 of 2016, resulting in a decline in revenue share. Net interest income decreased by 4%, as a result of lower client loans and advances.

| Salient features – Wealth management cluster | 2017 | 2016 | Change % |
|---|---|---|---|
| Headline earnings (Rm) | **(49)** | 62 | <(100) |
| Gross operating income (Rm) | **508** | 521 | (2) |
| Net interest income | **280** | 292 | (4) |
| Non-interest revenue | **228** | 229 | (0) |
| Credit impairments (Rm) | **(120)** | (10) | >100 |
| Average loans and advances to customers (Rbn) | **5,0** | 5,7 | (12) |
| Client assets (Rbn) | **5,2** | 5,1 | 1 |

# WIMI

for the reporting period ended 31 December

## Financial performance *(continued)*

### *Short-term Insurance*

**Africa Short-term Insurance** achieved headline earnings of **R226m** (2016: R197m) increasing 14% on the previous reporting period despite the significant increase in catastrophe event claims experienced during the year. Net insurance premium income decreased by 15%, while underwriting margin improved to **-0,2%** (2016: -0,7%). Net premium income decreased due to re-pricing actions taken in South Africa and difficulty to renew corporate business in Mozambique and Kenya. Underwriting margins improved despite the significantly higher catastrophe claims as a result of improved claims cost control and the exit of unprofitable business through pricing actions.

### South Africa Short-term insurance

Headline earnings for the South African business improved by 10% to **R213m** (2016: R194m). Underwriting margins have increased to **4,7%** (2016: 3,4%). This is largely as a result of focused portfolio management actions, including the implementation of best practice pricing methodology, sound underwriting practices and specific claims cost containment initiatives across the business. There has, however, been an increase in both the severity and frequency of catastrophic (CAT) events with the costs on these events growing 148% year on year. The underwriting margin excluding these CAT events is a healthy **8,7%** (2016: 4,9%) reflecting the impact of re-pricing actions and improved claims cost management.

Net insurance premium income decreased by 9,1% to **R2 657m** (2016: R2 924m). The decline in premiums is largely attributable to pricing interventions, particularly in the personal lines intermediated and idirect businesses.

### Rest of Africa Short-term insurance

Operations in the Rest of Africa reported a 232% improvement in headline earnings to **R13m** (2016: R4m). Headline earnings growth was assisted by revaluation of investment assets in Kenya and an improvement in loss ratios. The loss ratio improved to **58,4%** (2016: 82,3%) due to the effect of portfolio management actions taken across the short-term estate, primarily driven by improvement in the medical book in Kenya and the motor book across both Kenya and Mozambique.

| Salient features – Africa Short-term insurance | 2017 | 2016[2] | Change % |
|---|---|---|---|
| Headline earnings (Rm) | **226** | 197 | 14 |
| Net premium income (Rm) | **3 018** | 3 559 | (15) |
| Underwriting margin (%)[1] | **(0,2)** | (0,7) | |
| Loss ratio (%) | **69** | 73 | |

### *Fiduciary Services*

**Absa Trust** continued to be a significant cash-generating business and reported a 15% increase in headline earnings to **R112m** (2016: R97m). A return on average equity of 133% was achieved. Trust revenue increased by 11% and Estate revenue increased by 2% compared to the prior year as a result of new business inflows and additional estate asset distributions.

**Employee Benefits'** headline earnings decreased by 4% to **R50m** (2016: R52m). The business continued to deliver strong returns achieving a return on average equity of 41% and new business achieved of R16m for the reporting period under review. The business continued to deliver annuity revenue and generated net new assets under management from cross-sell opportunities of R484m and R7bn respectively. The total assets under management book contribution to the Group amounts to R30bn.

We are in the process of concluding the sale of our Employee Benefit business to a third party through a sale and partnership model. Our employee benefits business has not achieved the required scale and the proposed transaction will allow us to focus on our core drivers of growth being the gathering of assets under management and growing premium income. In addition through the third-party partnership we will obtain access to scale assets under management and Group Life insurance customer base.

Notes

[1] Underwriting margins are reported before adjusting for the once-off systems impairments.

[2] Results and ratios have been restated to exclude commercial lines intermediated business now reported with agricultural crop business reported under 'Terminating lines of business'.

# Financial performance *(continued)*

| Salient features – Fiduciary services | 2017 | 2016 | Change % |
|---|---|---|---|
| Headline earnings (Rm) | **161** | 149 | 8 |
| Average value of estates distributed (R'000) | **1 151** | 1 483 | (22) |
| Net assets under management (Rbn) | **13,1** | 12,1 | 8 |
| Third party | **3,7** | 3,7 | — |
| Investments | **9,4** | 8,4 | 12 |

### *Distribution*

In spite of challenging economic conditions and further adviser attrition, Distribution generated value to our product houses in the form of R8,0bn gross asset inflows into Wealth and Investment Management funds (on Absa Linked Investments), R240m of embedded value to Life Insurance from new policies and R2,3bn premium income from Short-term Insurance business placed by advisers. Distribution's **net commission income declined by 2%** year on year, this is mainly due to a declining advisor footprint. Advisors remaining in the business achieved year-on-year growth of 7% showing strong productivity. Total net revenue was, however, supported by continuing growth delivered in our direct distribution business.

Operating expenses increased marginally year on year at **R463m** (2016: R457m) due to a continued focus to rationalise costs post implementation of the revised operating model.

## Other

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

Headlines earnings improved by 11% to a loss of **R389m** (2016: R435m loss). Increased returns from our shareholder investment portfolios, specifically on the Africa Equity investment, and cost savings offset a marginal increase in shareholder expenses.

## Looking ahead

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

- Continue to extract value from integrating our offering into RBB for improved customer penetration and solutions;
- Leverage our restructured internal channel and grow external channel capabilities;
- Continue to execute our actions to deliver growth and returns in Rest of Africa, leveraging improved collaboration and integration with in-country Banks;
- Extract value from our investments in customer, data and digital capabilities;
- Conclude projects to de-couple from Barclays PLC, including a refreshed international proposition;
- Optimise technology to drive operational efficiencies and automation through the use of Robotics and upgrading of core platform environments;
- Improve market visibility to build the brand as more than a bank and attract new customers;
- Attract and retain top talent as a high performance organisation, living the WIMI culture of 'owning it', 'doing it' and 'taking account';
- Continue to focus on transformation and diversity through effective talent, succession and leadership pipeline, as well as recruitment;
- Drive a robust risk and control environment; and
- Consider and implement changes in strategy and operating model required in response to the revised Barclays Africa Group strategy.

# IFRS Group performance

# IFRS salient features

for the reporting period ended 31 December

| | **2017** | 2016 | Change % |
|---|---|---|---|
| **Statement of comprehensive income (Rm)** | | | |
| Income | **73 305** | 72 394 | 1 |
| Operating expenses | **43 304** | 39 956 | 8 |
| Profit attributable to ordinary equity holders | **13 823** | 14 708 | (6) |
| Headline earnings | **14 313** | 14 980 | (4) |
| **Statement of financial position** | | | |
| Loans and advances to customers (Rm) | **749 772** | 720 309 | 4 |
| Total assets (Rm) | **1 165 979** | 1 101 023 | 6 |
| Deposits due to customers (Rm) | **689 867** | 674 865 | 2 |
| Loans to deposits and debt securities ratio (%) | **90,6** | 88,4 | |
| **Financial performance (%)** | | | |
| Return on equity (RoE) | **14,2** | 16,6 | |
| Return on average assets (RoA) | **1,27** | 1,34 | |
| Return on risk-weighted assets (RoRWA) | **1,99** | 2,14 | |
| Non-performing loans (NPL) ratio on gross loans and advances | **3,75** | 3,94 | |
| **Operating performance (%)** | | | |
| Net interest margin on average interest-bearing assets[1] | **4,96** | 4,95 | |
| Credit loss ratio on gross loans and advances to customers and banks | **0,87** | 1,08 | |
| Non-interest income as a percentage of total income | **41,8** | 42,0 | |
| Cost-to-income ratio | **59,1** | 55,2 | |
| Jaws | **(7)** | 2 | |
| Effective tax rate | **28,1** | 26,9 | |
| **Share statistics (million)** | | | |
| Number of ordinary shares in issue | **847,8** | 847,8 | |
| Number of ordinary shares in issue (excluding treasury shares) | **832,8** | 846,7 | |
| Weighted average number of ordinary shares in issue[2] | **833,7** | 833,8 | |
| Diluted weighted average number of ordinary shares in issue[2] | **833,8** | 833,9 | |
| **Share statistics (cents)** | | | |
| Headline earnings per ordinary share[2] | **1 716,7** | 1 796,6 | (4) |
| Diluted headline earnings per ordinary share[2] | **1 716,5** | 1 796,4 | (4) |
| Basic earnings per ordinary share[2] | **1 657,8** | 1 764,0 | (6) |
| Diluted basic earnings per ordinary share[2] | **1 657,6** | 1 763,8 | (6) |
| Dividend per ordinary share relating to income for the reporting period | **1 070** | 1 030 | 4 |
| Dividend cover (times) | **1,6** | 1,7 | (6) |
| NAV per ordinary share | **13 018** | 10 980 | 19 |
| Tangible NAV per ordinary share | **12 372** | 10 501 | 18 |
| **Capital adequacy (%)** | | | |
| Barclays Africa Group Limited | **16,1** | 14,8 | |
| Absa Bank Limited | **16,9** | 15,1 | |
| **Common Equity Tier 1 (%)** | | | |
| Barclays Africa Group Limited | **13,5** | 12,1 | |
| Absa Bank Limited | **13,4** | 11,6 | |

Notes

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

[2] The treasury shares outstanding in 2016 has been represented to reflect the contribution from Barclays PLC of **12 716 260** (1,5%) BAGL shares to the Group in the current reporting period.

# Condensed consolidated IFRS statement of comprehensive income

for the reporting period ended 31 December

| | Note | 2017 Rm | 2016 Rm | Change % |
|---|---|---|---|---|
| Net interest income | | **42 644** | 42 003 | 2 |
| Interest and similar income | | **85 929** | 85 114 | 1 |
| Interest expense and similar charges | | **(43 285)** | (43 111) | (0) |
| Non-interest income | | **30 661** | 30 391 | 1 |
| Net fee and commission income | | **21 711** | 20 723 | 5 |
| Fee and commission income | | **24 724** | 23 972 | 3 |
| Fee and commission expense | | **(3 013)** | (3 249) | (7) |
| Net insurance premium income | | **6 598** | 6 986 | (6) |
| Net claims and benefits incurred on insurance contracts | | **(3 334)** | (3 691) | (10) |
| Changes in investment and insurance contract liabilities | | **(2 113)** | (493) | >100 |
| Gains and losses from banking and trading activities | 3.5 | **5 246** | 5 691 | (8) |
| Gains and losses from investment activities | | **1 905** | 51 | >100 |
| Other operating income | 3.7 | **648** | 1 124 | (42) |
| **Total income** | | **73 305** | 72 394 | 1 |
| Impairment losses on loans and advances | | **(7 022)** | (8 751) | (20) |
| **Operating income before operating expenditure** | | **66 283** | 63 643 | 4 |
| Operating expenditure | 5 | **(43 304)** | (39 956) | 8 |
| Other expenses | | **(2 270)** | (2 120) | 7 |
| Other impairments | | **(648)** | (690) | (6) |
| Indirect taxation | 6 | **(1 622)** | (1 430) | 13 |
| Share of post-tax results of associates and joint ventures | | **170** | 115 | 48 |
| **Operating profit before income tax** | | **20 879** | 21 682 | (4) |
| Taxation expense | 7 | **(5 857)** | (5 835) | (0) |
| **Profit for the reporting period** | | **15 022** | 15 847 | (5) |
| **Profit attributable to:** | | | | |
| Ordinary equity holders | | **13 823** | 14 708 | (6) |
| Non-controlling interest – ordinary shares | | **789** | 788 | 0 |
| Non-controlling interest – preference shares | | **362** | 351 | 3 |
| Non-controlling interest – Additional Tier 1 Capital | | **48** | — | 100 |
| | | **15 022** | 15 847 | (5) |
| **Earnings per share:** | | | | |
| Basic earnings per share (cents)[1] | 1 | **1 657,8** | 1 764,0 | (6) |
| Diluted basic earnings per share (cents)[1] | 1 | **1 657,6** | 1 763,8 | (6) |

Note

[1] The treasury shares outstanding in 2016 has been represented to reflect the contribution from Barclays PLC of **12 716 260** (1,5%) BAGL shares to the Group in the current reporting period.

# Condensed consolidated IFRS statement of comprehensive income

for the reporting period ended 31 December

| | 2017 Rm | 2016 Rm | Change % |
|---|---|---|---|
| **Profit for the reporting period** | **15 022** | 15 847 | (5) |
| **Other comprehensive income** | | | |
| **Items that will not be reclassified to profit or loss** | **(179)** | (220) | (19) |
| Fair value losses arising from changes in own credit risk on liabilities measured at fair value through profit or loss | **(147)** | — | 100 |
| Movement in retirement benefit fund assets and liabilities | **(32)** | (220) | (85) |
| Decrease in retirement benefit surplus | **(91)** | (120) | (24) |
| Decrease/(increase) in retirement benefit deficit | **44** | (141) | <(100) |
| Deferred tax | **15** | 41 | (63) |
| **Items that are or may be subsequently reclassified to profit or loss** | **(1 327)** | (2 942) | (55) |
| Movement in foreign currency translation reserve | **(2 219)** | (4 529) | (51) |
| Differences in translation of foreign operations | **(2 271)** | (4 209) | (46) |
| Release to profit or loss | **52** | (320) | <(100) |
| Movement in cash flow hedging reserve | **794** | 1 726 | (54) |
| Fair value gains | **1 465** | 2 721 | (46) |
| Amount removed from other comprehensive income and recognised in profit or loss | **(365)** | (321) | 14 |
| Deferred tax | **(306)** | (674) | (55) |
| Movement in available-for-sale reserve | **98** | (139) | <(100) |
| Fair value gains/(losses) | **154** | (197) | <(100) |
| Release to profit or loss | **67** | (3) | <(100) |
| Deferred tax | **(123)** | 61 | <(100) |
| **Total comprehensive income for the reporting period** | **13 516** | 12 685 | 7 |
| **Total comprehensive income attributable to:** | | | |
| Ordinary equity holders | **12 590** | 11 931 | 6 |
| Non-controlling interest – ordinary shares | **516** | 403 | 28 |
| Non-controlling interest – preference shares | **362** | 351 | 3 |
| Non-controlling interest – Additional Tier 1 Capital | **48** | — | 100 |
| | **13 516** | 12 685 | 7 |

# Condensed consolidated IFRS statement of financial position

as at 31 December

| | Note | 2017 Rm | 2016 Rm | Change % |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash, cash balances and balances with central banks | | **48 669** | 50 006 | (3) |
| Investment securities | | **111 409** | 114 315 | (3) |
| Loans and advances to banks | | **55 426** | 49 789 | 11 |
| Trading portfolio assets | | **132 183** | 96 236 | 37 |
| Hedging portfolio assets | | **2 673** | 1 745 | 53 |
| Other assets | | **20 960** | 25 542 | (18) |
| Current tax assets | | **314** | 894 | (65) |
| Non-current assets held for sale | | **1 308** | 823 | 59 |
| Loans and advances to customers | | **749 772** | 720 309 | 4 |
| Reinsurance assets | | **892** | 985 | (9) |
| Investments linked to investment contracts | | **18 936** | 18 816 | 1 |
| Investments in associates and joint ventures | | **1 235** | 1 065 | 16 |
| Investment property | | **231** | 478 | (52) |
| Property and equipment | | **15 303** | 14 643 | 5 |
| Goodwill and intangible assets | | **5 377** | 4 049 | 33 |
| Deferred tax assets | | **1 291** | 1 328 | (3) |
| **Total assets** | | **1 165 979** | 1 101 023 | 6 |
| **Liabilities** | | | | |
| Deposits from banks | | **67 390** | 53 192 | 27 |
| Trading portfolio liabilities | | **64 047** | 47 429 | 35 |
| Hedging portfolio liabilities | | **1 123** | 2 064 | (46) |
| Other liabilities | | **31 744** | 27 696 | 15 |
| Provisions | | **3 041** | 3 005 | 1 |
| Current tax liabilities | | **57** | 244 | (77) |
| Non-current liabilities held for sale | | **48** | 9 | >100 |
| Deposits due to customers | | **689 867** | 674 865 | 2 |
| Debt securities in issue | | **137 948** | 139 714 | (1) |
| Liabilities under investment contracts | | **30 585** | 29 198 | 5 |
| Policyholder liabilities under insurance contracts | | **4 617** | 4 469 | 3 |
| Borrowed funds | | **15 895** | 15 673 | 1 |
| Deferred tax liabilities | | **557** | 1 185 | (53) |
| **Total liabilities** | | **1 046 919** | 998 743 | 5 |
| **Equity** | | | | |
| Capital and reserves | | | | |
| Attributable to ordinary equity holders: | | | | |
| Share capital | 11 | **1 666** | 1 693 | (2) |
| Share premium | 11 | **10 498** | 4 467 | >100 |
| Retained earnings | | **91 882** | 81 604 | 13 |
| Other reserves | | **4 370** | 5 293 | (17) |
| | | **108 416** | 93 057 | 17 |
| Non-controlling interest – ordinary shares | | **4 500** | 4 579 | (2) |
| Non-controlling interest – preference shares | | **4 644** | 4 644 | — |
| Non-controlling interest – Additional Tier 1 Capital | | **1 500** | — | 100 |
| **Total equity** | | **119 060** | 102 280 | 16 |
| **Total liabilities and equity** | | **1 165 979** | 1 101 023 | 6 |

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# Condensed consolidated IFRS statement of changes in equity

for the reporting period ended 31 December

| | Number of ordinary shares '000 | Share capital Rm | Share premium Rm | Retained earnings Rm | Total other reserves Rm | General credit-risk reserve Rm |
|---|---|---|---|---|---|---|
| **Balance at the beginning of the reporting period** | 846 675 | 1 693 | 4 467 | 81 604 | 5 293 | 757 |
| Total comprehensive income | — | — | — | 13 650 | (1 060) | — |
| Profit for the period | — | — | — | 13 823 | — | — |
| Other comprehensive income | — | — | — | (173) | (1 060) | — |
| Dividends paid during the reporting period | — | — | — | (8 821) | — | — |
| Distributions paid during the reporting period | — | — | — | — | — | — |
| Issuance of Additional Tier 1 Capital | — | — | — | — | — | — |
| Purchase of Group shares in respect of equity-settled share-based payment arrangements | — | — | (741) | 12 | — | — |
| Elimination of the movement in treasury shares held by Group entities | (13 837) | (27) | (2 385) | — | — | — |
| Movement in share-based payment reserve | — | — | 742 | — | (55) | — |
| Transfer from share-based payment reserve | — | — | 742 | — | (742) | — |
| Value of employee services | — | — | — | — | 655 | — |
| Deferred tax | — | — | — | — | 32 | — |
| Movement in general credit risk reserve | — | — | — | (22) | 22 | 22 |
| Share of post-tax results of associates and joint ventures | — | — | — | (170) | 170 | — |
| Disposal of non-controlling interest[1] | — | — | — | — | — | — |
| Barclays separation[2] | — | — | 8 415 | 3 690 | — | — |
| Barclays separation – Empowerment Trust[3] | — | — | — | 1 891 | — | — |
| Shareholder contribution – fair value of investment[4] | — | — | — | 48 | — | — |
| **Balance at the end of the reporting period** | 832 838 | 1 666 | 10 498 | 91 882 | 4 370 | 779 |

**Notes**

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

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

3 As part of the separation, Barclays PLC made a contribution in the furtherance of the Group's objective of establishing a Broad-Based Black Economic Empowerment structure. In terms of IFRS, these shares have been accounted for as treasury shares and eliminated against the Group's share capital.

4 CLS Group Holding AG shares were transferred to Barclays PLC for no consideration in 2005. During the current reporting period these shares were transferred back to the Group for a nominal consideration of one British Pound Sterling (GBP). The shares have been recognised at a fair value of R48m. The related credit has been recognised in equity as a shareholder contribution.

5 The Additional Tier 1 Capital notes represent perpetual, subordinated instruments redeemable in full at the option of Barclays Africa Group Limited (the issuer) on 12 September 2022 subject to regulatory approval. Interest is paid at the discretion of the issuer and is non-cumulative.

2017

| Available-for-sale reserves Rm | Cash flow hedging reserve Rm | Foreign currency translation reserve Rm | Foreign insurance subsidiary regulatory reserve Rm | Share-based payment reserve Rm | Associates and joint ventures' reserve Rm | Capital and reserves attributable to ordinary equity holders Rm | Non-controlling interest – ordinary shares Rm | Non-controlling interest – preference shares Rm | Non-controlling interest – additional Tier 1 capital[5] Rm | Total equity Rm |
|---|---|---|---|---|---|---|---|---|---|---|
| 377 | (144) | 2 353 | 6 | 892 | 1 052 | 93 057 | 4 579 | 4 644 | — | 102 280 |
| 68 | 794 | (1 922) | — | — | — | 12 589 | 516 | 362 | 48 | 13 516 |
| — | — | — | — | — | — | 13 823 | 789 | 362 | 48 | 15 022 |
| 68 | 794 | (1 922) | — | — | — | (1 233) | (273) | — | — | (1 506) |
| — | — | — | — | — | — | (8 821) | (567) | (362) | — | (9 750) |
| — | — | — | — | — | — | — | — | — | (48) | (48) |
| — | — | — | — | — | — | — | — | — | 1 500 | 1 500 |
| — | — | — | — | — | — | (729) | — | — | — | (729) |
| — | — | — | — | — | — | (2 412) | — | — | — | (2 412) |
| — | — | — | — | (55) | — | 687 | (4) | — | — | 683 |
| — | — | — | — | (742) | — | — | — | — | — | — |
| — | — | — | — | 655 | — | 655 | (4) | — | — | 651 |
| — | — | — | — | 32 | — | 32 | — | — | — | 32 |
| — | — | — | — | — | — | — | — | — | — | — |
| — | — | — | — | — | 170 | — | — | — | — | — |
| — | — | — | — | — | — | — | (24) | — | — | (24) |
| — | — | — | — | — | — | 12 105 | — | — | — | 12 105 |
| — | — | — | — | — | — | 1 891 | — | — | — | 1 891 |
| — | — | — | — | — | — | 48 | — | — | — | 48 |
| 445 | 650 | 431 | 6 | 837 | 1 222 | 108 416 | 4 500 | 4 644 | 1 500 | 119 060 |

# Condensed consolidated IFRS statement of changes in equity

for the reporting period ended 31 December

| | Number of ordinary shares '000 | Share capital Rm | Share premium Rm | Retained earnings Rm | Total other reserves Rm | General credit-risk reserve Rm |
|---|---|---|---|---|---|---|
| **Balance at the beginning of the reporting period** | 845 725 | 1 691 | 4 250 | 75 785 | 7 566 | 727 |
| Total comprehensive income | — | — | — | 14 496 | (2 565) | — |
| Profit for the period | — | — | — | 14 708 | — | — |
| Other comprehensive income | — | — | — | (212) | (2 565) | — |
| Dividends paid during the reporting period | — | — | — | (8 536) | — | — |
| Distributions paid during the reporting period | — | — | — | — | — | — |
| Issuance of Additional Tier 1 Capital | — | — | — | — | — | — |
| Purchase of Group shares in respect of equity-settled share-based payment arrangements | — | — | (409) | (12) | — | — |
| Elimination of the movement in treasury shares held by Group entities | 950 | 2 | 151 | — | — | — |
| Movement in share-based payment reserve | — | — | 409 | — | 163 | — |
| Transfer from share-based payment reserve | — | — | 409 | — | (409) | — |
| Value of employee services | — | — | — | — | 495 | — |
| Conversion from cash-settled to equity-settled schemes | — | — | — | — | 37 | — |
| Deferred tax | — | — | — | — | 40 | — |
| Movement in general credit-risk reserve | — | — | — | (30) | 30 | 30 |
| Movement in foreign insurance subsidiary regulatory reserve | — | — | — | 16 | (16) | — |
| Share of post-tax results of associates and joint ventures | — | — | — | (115) | 115 | — |
| Acquisition of a subsidiary[2] | — | — | 66 | — | — | — |
| **Balance at the end of the reporting period** | 846 675 | 1 693 | 4 467 | 81 604 | 5 293 | 757 |

**Notes**

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

[2] During the previous reporting period the Group acquired a 75% controlling stake in Absa Instant Life (Pty) Ltd which resulted in a R25m increase in non-controlling interest.

2016

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

# Condensed consolidated IFRS statement of cash flows

for the reporting period ended 31 December

| | Note | 2017 Rm | 2016 Rm | Change % |
|---|---|---|---|---|
| Net cash (utilised in)/generated from operating activities | | **(534)** | 4 701 | >(100) |
| Net cash utilised in investing activities | | **(2 634)** | (1 779) | 48 |
| Net cash generated from/(utilised) in financing activities[3] | | **2 593** | (5 136) | >(100) |
| Net cash generated from Barclays separation | | **12 105** | — | 100 |
| Net cash utilised in other financing activities | | **(9 512)** | (5 136) | 85 |
| **Net decrease in cash and cash equivalents** | | **(575)** | (2 214) | (74) |
| Cash and cash equivalents at the beginning of the reporting period | 1 | **17 734** | 21 366 | (17) |
| Effect of foreign exchange rate movements on cash and cash equivalents | | **161** | (198) | >(100) |
| **Cash and cash equivalents at the end of the reporting period** | 2 | **17 320** | 18 954 | (9) |

## Notes to the condensed consolidated statement of cash flows

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

| | 2017 Rm | 2016 Rm | Change % |
|---|---|---|---|
| Cash, cash balances and balances with central banks[1] | **13 141** | 12 899 | 2 |
| Loans and advances to banks[2] | **4 593** | 8 467 | (46) |
| | **17 734** | 21 366 | (17) |

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

| | 2017 Rm | 2016 Rm | Change % |
|---|---|---|---|
| Cash, cash balances and balances with central banks[1] | **13 518** | 10 644 | 27 |
| Loans and advances to banks[2] | **3 802** | 8 310 | (54) |
| | **17 320** | 18 954 | (9) |

Notes

1 Includes coins and bank notes.

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

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

# Condensed IFRS notes to the consolidated financial statements

for the reporting period ended 31 December

## 1. Headline earnings and earnings per ordinary share

| Headline earnings | 2017 Gross Rm | 2017 Net[1] Rm | 2016 Gross Rm | 2016 Net[1] Rm | Net change % |
|---|---|---|---|---|---|
| Headline earnings are determined as follows: | | | | | |
| Profit attributable to ordinary equity holders | | **13 823** | | 14 708 | (6) |
| Total headline earnings adjustment | | **490** | | 272 | 80 |
| IFRS 3 – Goodwill impairment | **38** | **38** | 34 | 34 | 12 |
| IFRS 5 – Loss/(gain) on disposal of non-current assets held for sale | **36** | **39** | (31) | (25) | <(100) |
| IAS 16 – Profit on disposal of property and equipment | **(43)** | **(34)** | (29) | (21) | 62 |
| IAS 21 – Recycled foreign currency translation reserve | **52** | **52** | (320) | (297) | <(100) |
| IAS 28 – Impairment of investments in associates and joint ventures | **—** | **—** | 42 | 34 | (100) |
| IAS 36 – Impairment of property and equipment | **221** | **159** | — | — | 100 |
| IAS 36 – Impairment of intangible assets | **384** | **280** | 618 | 610 | (54) |
| IAS 39 – Release of available-for-sale reserves | **67** | **49** | (3) | (2) | <(100) |
| IAS 40 – Change in fair value of investment properties | **(105)** | **(88)** | (70) | (61) | 44 |
| IAS 40 – Profit on disposal of investment property | **(5)** | **(5)** | — | — | 100 |
| | | **14 313** | | 14 980 | (4) |

### *Notable adjustments to headline earnings*

- In addition to headline adjustments noted in normalised disclosure 'impairment of intangible assets' relates to Barclays. Net channels application that was utilised by the CIB and WIMI division, as part of the separation it was decided to replace it with a different channel solution.

| | 2017 | 2016 | Change value/ % |
|---|---|---|---|
| **Basic earnings per ordinary share** | | | |
| **Basic earnings attributable to ordinary equity holders (Rm)** | **13 823** | 14 708 | (6) |
| Weighted average number of ordinary shares in issue (million) | **833,7** | 833,8 | — |
| Issued shares at the beginning of the reporting period (million) | **847,8** | 847,8 | — |
| Treasury shares held by Group entities (million)[1] | **(14,1)** | (14,0) | 0,1 |
| **Basic earnings per ordinary share (cents)** | **1 657,8** | 1 764,0 | (6) |
| **Diluted basic earnings per ordinary share** | | | |
| **Basic earnings attributable to ordinary equity holders (Rm)** | **13 823** | 14 708 | (6) |
| Diluted weighted average number of ordinary shares in issue (million) | **833,8** | 833,9 | (0,1) |
| Weighted average number of ordinary shares in issue (million) | **833,7** | 833,8 | 0,1 |
| Adjustments for share options issued at no value (million) | **0,1** | 0,1 | — |
| **Diluted basic earnings per ordinary share (cents)** | **1 657,6** | 1 763,8 | (6) |
| **Headline earnings per ordinary share** | | | |
| **Headline earnings attributable to ordinary equity holders (Rm)** | **14 313** | 14 980 | (4) |
| Weighted average number of ordinary shares in issue (million) | **833,7** | 833,8 | 0,1 |
| **Headline earnings per ordinary share (cents)** | **1 716,7** | 1 796,6 | (4) |
| **Diluted headline earnings per ordinary share** | | | |
| **Headline earnings attributable to ordinary equity holders (Rm)** | **14 313** | 14 980 | (4) |
| Diluted weighted average number of ordinary shares in issue (million) | **833,8** | 833,9 | (0,1) |
| **Diluted headline earnings per ordinary share (cents)** | **1 716,5** | 1 796,4 | (4) |

Note

[1] Includes 13 089 157 shares to be used in the furtherance of the Group's objective of establishing a BBBEE structure.

# Condensed IFRS notes to the consolidated financial statements

for the reporting period ended 31 December

## 3. Non-interest income

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

| | **2017 Rm** | 2016 Rm | Change % |
|---|---|---|---|
| Net gains on investments | **227** | 237 | (4) |
| Debt instruments designated at fair value through profit or loss | **190** | 225 | (16) |
| Equity instruments designated at fair value through profit or loss | **104** | 9 | >100 |
| Available-for-sale unwind from reserves | **(67)** | 3 | <(100) |
| Net trading result | **4 807** | 5 341 | (10) |
| Net trading income excluding the impact of hedge accounting | **4 855** | 5 431 | (11) |
| Ineffective portion of hedges | **(48)** | (90) | (47) |
| Cash flow hedges | **17** | (53) | <(100) |
| Fair value hedges | **(65)** | (37) | 76 |
| Other gains | **212** | 113 | 88 |
| | **5 246** | 5 691 | (8) |
| **Segment split[1]** | | | |
| South Africa Banking | **2 529** | 2 835 | (11) |
| RBB South Africa | **322** | 248 | 30 |
| Retail Banking South Africa | **302** | 230 | 31 |
| Business Banking South Africa | **20** | 18 | 11 |
| CIB South Africa | **2 207** | 2 587 | (15) |
| Rest of Africa Banking | **2 055** | 2 246 | (9) |
| Head Office, Treasury and other operations in South Africa[2] | **588** | 610 | (4) |
| Barclays separation | **74** | — | 100 |
| | **5 246** | 5 691 | (8) |

Notes

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

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

# Condensed IFRS notes to the consolidated financial statements

for the reporting period ended 31 December

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

### *3.7 Other operating income*

| | 2017 Rm | 2016 Rm | Change % |
|---|---|---|---|
| Property-related income | **293** | 319 | (8) |
| Income from investment properties | **182** | 242 | (25) |
| Change in fair value | **105** | 84 | 25 |
| Rentals | **77** | 158 | (51) |
| Profit on disposal of property and equipment | **23** | 9 | >100 |
| Profit on sale of developed properties | **38** | 17 | >100 |
| Profit/(loss) on sale of repossessed properties | **16** | (25) | <(100) |
| Rental income | **34** | 76 | (55) |
| Other operating income | **355** | 805 | (56) |
| Foreign exchange differences, including recycle from other comprehensive income | **(88)** | 360 | <(100) |
| Income from maintenance contracts | **45** | 36 | 25 |
| Sundry income[1] | **398** | 409 | (3) |
| | **648** | 1 124 | (42) |
| **Segment split[2]** | | | |
| Property-related income | **293** | 319 | (8) |
| South Africa Banking | **164** | 239 | (31) |
| RBB South Africa | **164** | 239 | (31) |
| Retail Banking South Africa | **20** | (25) | <(100) |
| Business Banking South Africa | **144** | 264 | (45) |
| Rest of Africa Banking | **13** | 18 | (28) |
| WIMI | **25** | 41 | (39) |
| Head Office, Treasury and other operations in South Africa | **91** | 21 | >100 |
| Other operating income | **355** | 805 | (56) |
| South Africa Banking | **362** | 376 | (4) |
| RBB South Africa | **324** | 326 | (1) |
| Retail Banking South Africa | **358** | 300 | 19 |
| Business Banking South Africa | **(34)** | 26 | <(100) |
| CIB South Africa | **38** | 50 | (24) |
| Rest of Africa Banking | **6** | 5 | 20 |
| WIMI | **(57)** | 91 | <(100) |
| Head Office, Treasury and other operations in South Africa | **38** | 333 | (89) |
| Barclays separation | **6** | | 100 |
| | **648** | 1 124 | (42) |

Notes

[1] Includes service fees levied on asset finance.

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

# Condensed IFRS notes to the consolidated financial statements

for the reporting period ended 31 December

## 5. Operating expenses

| Breakdown of operating expenses | 2017 Rm | 2016 Rm | Change % |
|---|---|---|---|
| Administration fees | **1 149** | 722 | 59 |
| Amortisation of intangible assets | **650** | 641 | 1 |
| Auditors' remuneration | **277** | 319 | (13) |
| Cash transportation | **1 089** | 963 | 13 |
| Depreciation | **1 988** | 1 670 | 19 |
| Equipment costs | **444** | 461 | (4) |
| Information technology | **3 188** | 3 131 | 2 |
| Marketing costs | **1 793** | 1 585 | 13 |
| Operating lease expenses on properties | **1 606** | 1 665 | (4) |
| Other[1] | **2 098** | 1 737 | 21 |
| Printing and stationery | **367** | 405 | (9) |
| Professional fees | **2 311** | 1 742 | 33 |
| Property costs | **1 753** | 1 718 | 2 |
| Staff costs | **23 558** | 22 090 | 7 |
| Bonuses | **2 154** | 1 902 | 13 |
| Deferred cash and share-based payments | **829** | 755 | 10 |
| Other[2] | **1 198** | 1 179 | 2 |
| Salaries and current service costs on post-retirement benefit funds | **18 887** | 17 878 | 6 |
| Training costs | **490** | 376 | 30 |
| Telephone and postage | **1 033** | 1 107 | (7) |
| | **43 304** | 39 956 | 8 |
| **Barclays separation effects** | **1 901** | — | 100 |
| Administration fees[4] | **650** | — | 100 |
| Professional fees | **612** | — | 100 |
| Staff costs | **419** | — | 100 |
| Other[3] | **220** | — | 100 |

Total operating cost growth partially reflects costs incurred in relation to the separation from Barclays PLC of R1 901m, an increase of approximately 4%. These costs increase the year-on-year growth rates mainly in administration fees, professional fees and staff costs.

Notes

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

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

[3] Includes marketing costs, net fraud losses, travel and entertainment costs, information technology costs, property costs, depreciation and auditor's remuneration costs.

[4] These administration fees relate to cost incurred to Barclays PLC for Transitional Services Agreements (TSA).

# Condensed IFRS notes to the consolidated financial statements

for the reporting period ended 31 December

## 6. Indirect taxation

| | 2017 Rm | 2016 Rm | Change % |
|---|---|---|---|
| Training levy | **191** | 193 | (1) |
| Value-added tax net of input credits | **1 431** | 1 237 | 16 |
| **Normalised indirect tax** | **1 622** | 1 430 | 13 |

## 7. Taxation expense

| | 2017 Rm | 2016 Rm | Change % |
|---|---|---|---|
| **Reconciliation between operating profit before income tax and the taxation expense** | | | |
| Operating profit before income tax | **20 879** | 21 682 | (4) |
| Share of post-tax results of associates and joint ventures | **(170)** | (115) | 48 |
| **Profit before tax** | **20 709** | 21 567 | (4) |
| Tax calculated at a tax rate of 28% | **5 799** | 6 039 | (4) |
| Effect of different tax rates in other countries | **25** | 64 | (61) |
| Expenses not deductible for tax purposes | **904** | 505 | 79 |
| Recognition of previously unrecognised deferred tax assets | **(7)** | (198) | (96) |
| Income not subject to tax | **(857)** | (784) | 9 |
| Other | **(41)** | 37 | <(100) |
| Items of a capital nature | **34** | 172 | (80) |
| | **5 857** | 5 835 | 0 |

## 11. Equity

| | 2017 Rm | 2016 Rm | Change % |
|---|---|---|---|
| **Authorised** | | | |
| **880 467 500** (2016: 880 467 500) ordinary shares of R2,00 each | **1 761** | 1 761 | — |
| **Issued** | | | |
| **847 750 679** (2016: 847 750 679) ordinary shares of R2,00 each | **1 696** | 1 696 | — |
| **14 912 864** (2016: 1 075 595) treasury shares held by Group entities | **(30)** | (3) | >100 |
| | **1 666** | 1 693 | (2) |
| **Total issued capital** | | | |
| Share capital | **1 666** | 1 693 | (2) |
| Share premium | **10 498** | 4 467 | >100 |
| | **12 164** | 6 160 | 97 |

| **Number of ordinary shares in issue (after deduction of treasury shares) at the reporting date** | 2017 Number of shares (million) | 2016 Number of shares (million) | Change % |
|---|---|---|---|
| Ordinary shares in issue of R2,00 each | **847,8** | 847,8 | — |
| Treasury shares held by the Group | **(15)** | (1,1) | >100 |
| | **832,8** | 846,7 | (0) |

# IFRS segment performance

for the reporting period ended 31 December

| | Total Group normalised performance | | |
|---|---|---|---|
| | **2017** | 2016 | Change % |
| **Statement of comprehensive income (Rm)** | | | |
| Net interest income | **42 319** | 42 003 | 1 |
| Non-interest income | **30 581** | 30 391 | 1 |
| **Total income** | **72 900** | 72 394 | 1 |
| Impairment losses on loans and advances | **(7 022)** | (8 751) | (20) |
| Operating expenses | **(41 403)** | (39 956) | 4 |
| Other expenses | **(1 706)** | (2 005) | (15) |
| **Operating profit before income tax** | **22 769** | 21 682 | 5 |
| Tax expenses | **(6 265)** | (5 835) | 7 |
| **Profit for the reporting period** | **16 504** | 15 847 | 4 |
| **Profit attributable to:** | | | |
| Ordinary equity holders | **15 305** | 14 708 | 4 |
| Non-controlling interest – ordinary shares | **789** | 788 | 0 |
| Non-controlling interest – preference shares | **362** | 351 | 3 |
| Non-controlling interest – additional Tier 1 | **48** | — | 100 |
| | **16 504** | 15 847 | 4 |
| Headline earnings | **15 558** | 14 980 | 4 |
| **Operating performance (%)** | | | |
| Net interest margin on average interest-bearing assets | **4,95** | 4,95 | |
| Credit loss ratio | **0,87** | 1,08 | |
| Non-interest income as % of income | **41,9** | 42,0 | |
| Income growth | **1** | 8 | |
| Operating expenses growth | **4** | 6 | |
| Cost-to-income ratio | **56,8** | 55,2 | |
| **Statement of financial position (Rm)** | | | |
| Loans and advances to customers | **749 772** | 720 309 | 4 |
| Loans and advances to banks | **55 426** | 49 789 | 11 |
| Investment securities | **111 409** | 114 315 | (3) |
| Other assets | **248 460** | 216 610 | 15 |
| **Total assets** | **1 165 067** | 1 101 023 | 6 |
| Deposits due to customers | **689 867** | 674 865 | 2 |
| Debt securities in issue | **137 948** | 139 714 | (1) |
| Other liabilities | **228 944** | 184 164 | 24 |
| **Total liabilities** | **1 056 759** | 998 743 | 6 |
| **Financial performance (%)** | | | |
| RoRWA | **2,16** | 2,14 | |
| RoA | **1,38** | 1,34 | |
| RoRC | **n/a** | n/a | |

Notes

[1] The impact of separation in 2016 is immaterial and consists of separation planning and advisory cost which was reimbursed by Barclay's PLC.

[2] This represents the contribution of R12,1bn that was received from Barclays PLC, net of amounts already spent on separation activities. The cash received is held centrally by Treasury and is presented as an intersegmental asset in 'Other liabilities' The amount is presented in 'Loan from Barclays separation segment' in the Condensed consolidated normalised statement of financial position (refer to page 17).

| Barclays separation effects | | | IFRS Group | | |
|---|---|---|---|---|---|
| 2017 | 2016[1] | Change % | 2017 | 2016 | Change % |
| 325 | — | 100 | 42 644 | 42 003 | 2 |
| 80 | — | 100 | 30 661 | 30 391 | 1 |
| 405 | — | 100 | 73 305 | 72 394 | 1 |
| — | — | — | (7 022) | (8 751) | (20) |
| (1 901) | — | 100 | (43 304) | (39 956) | 8 |
| (394) | — | 100 | (2 100) | (2 005) | 5 |
| (1 890) | — | 100 | 20 879 | 21 682 | (4) |
| 408 | — | 100 | (5 857) | (5 835) | (0) |
| (1 482) | — | 100 | 15 022 | 15 847 | (5) |
| (1 482) | — | 100 | 13 823 | 14 708 | (6) |
| — | — | — | 789 | 788 | 0 |
| — | — | — | 362 | 351 | 3 |
| — | — | — | 48 | — | 100 |
| (1 482) | — | 100 | 15 022 | 15 847 | (5) |
| (1 245) | — | 100 | 14 313 | 14 980 | (4) |
| n/a | n/a | | 4,96 | 4,95 | |
| n/a | n/a | | 0,87 | 1,08 | |
| n/a | n/a | | 41,8 | 42,0 | |
| n/a | n/a | | 1 | 8 | |
| n/a | n/a | | 8 | 6 | |
| n/a | n/a | | 59,1 | 55,2 | |
| — | — | — | 749 772 | 720 309 | 4 |
| — | — | — | 55 426 | 49 789 | 11 |
| — | — | — | 111 409 | 114 315 | (3) |
| 912 | — | 100 | 249 372 | 216 610 | 15 |
| 912 | — | 100 | 1 165 979 | 1 101 023 | 6 |
| — | — | — | 689 867 | 674 865 | 2 |
| — | — | — | 137 948 | 139 714 | (1) |
| (9 840)[2] | — | 100 | 219 104 | 184 164 | 19 |
| (9 840) | — | 100 | 1 046 919 | 998 743 | 5 |
| n/a | n/a | | 1,99 | 2,14 | |
| n/a | n/a | | 1,27 | 1,34 | |
| n/a | n/a | | n/a | n/a | |

# Barclays separation effects

## Update on Barclays PLC's shareholding in BAGL

As announced on 1 March 2016 Barclays PLC has successfully completed a programme to reduce its shareholding in Barclays Africa Group Limited ('BAGL'). Barclays PLC is now a minority shareholder in BAGL and we are working together to achieve the successful separation of the two businesses in an orderly process that is overseen by regulators.


## Programme overview

The Separation Programme, established in 2016, operates under a robust governance structure that involves the BAGL Board as well as various mechanisms of oversight and governance frameworks within the organisation. The Programme is equipped with a well-resourced and experienced leadership team that works with colleagues and external service providers to deliver the execution of the portfolio of separation projects.

Programme activities are subject to detailed but iterative planning processes by business units, which are subject to central reviews and processes aimed at managing and addressing execution risk across the broader programme. The Separation Programme consists of approximately 300 individual projects of which approximately 90 are on the critical path. Projects on the critical path represent those with the greatest degree of interdependencies and other risk-orientated characteristics. Progress on completion of planning activities is centrally monitored to ensure robust plans support execution and delivery of projects.

Execution of the individual projects is progressing well. There were 12 projects due for completion by December 2017, all of which were successfully delivered. There are 149 projects due for completion during 2018 with solid progress to date on these projects.

We are making good progress with the work pertaining to rebranding: there are two main workstreams for Brand, one focusing on the removal of the 'Member of Barclays' in South Africa, and the other focusing on the re-branding activities.

# Barclays separation effects

## Programme overview *(continued)*

A key aspect of the programme is the continued delivery of services from Barclays PLC, which are delivered in terms of the Transitional Services Agreements ('TSA') between BAGL and Barclays PLC effective 6 June. This allows BAGL the opportunity to build or establish the required capability internally within BAGL, within a time horizon of approximately three years. To date we have terminated seven of the 129 material services that were contracted with Barclays PLC.

Ongoing and proactive engagements with regulators are an important area of focus. Various engagements have occurred throughout the year and include interactions with the South African Reserve Bank ('SARB'), Prudential Regulatory Authority ('PRA') and Financial Conduct Authority ('FCA') in the United Kingdom as well as the US Federal Reserve. These focused on programme updates as well as managing expectations and requirements for obtaining approval for Barclays PLC for full regulatory deconsolidation of BAGL. An Africa Supervisory College was established by the SARB to facilitate engagements with our regulators outside of South Africa and we continue to engage with these regulators on a face-to-face basis.

## Financial performance update

As part of its divestment, Barclays PLC contributed £765m to the Group, mainly in recognition of the investments required for the Group to separate from Barclays PLC. This contribution will be invested primarily in rebranding, technology and other separation-related projects. The separation process will increase the capital base of the Group in the near term and generate endowment revenue thereon, with increased costs over time as the separation investments are concluded. The separation is expected to be cash flow and capital neutral over time.

| | Barclays separation effect | | |
|---|---|---|---|
| | **2017** | 2016[1] | Change % |
| **Statement of comprehensive income (Rm)** | | | |
| Net interest income | **325** | — | 100 |
| Non-interest income | **80** | — | 100 |
| **Total income** | **405** | — | 100 |
| Operating expenses | **(1 901)** | — | 100 |
| Other expenses | **(394)** | — | 100 |
| **Operating profit before income tax** | **(1 890)** | — | 100 |
| Tax expenses | **408** | — | 100 |
| **Profit for the reporting period** | **(1 482)** | — | 100 |
| **Profit attributable to:** | | | |
| Ordinary equity holders | **(1 482)** | — | 100 |
| **Headline earnings** | **(1 245)** | — | 100 |
| **Statement of financial position (Rm)** | | | |
| Intangible assets | **786** | — | 100 |
| Property, plant and equipment | **126** | — | 100 |
| **Total assets** | **912** | — | 100 |
| Other liabilities[2] | **(9 840)** | — | 100 |
| **Total equity** | **10 752** | — | 100 |
| **Total equity and liabilities** | **912** | — | 100 |

Notes

[1] The impact of separation in 2016 is immaterial and consists of separation planning and advisory costs which were reimbursed by Barclays PLC.

[2] This represents the contribution of R12,1bn that was received from Barclays PLC, net of amounts already spent on separation activities. The cash received is held centrally by Treasury and is presented as an intersegmental asset in 'Other liabilities' The amount is presented in 'Loan from Barclays separation segment' in the Condensed consolidated normalised statement of financial position (refer to page 17).

# Barclays separation effects

## Statement of comprehensive income

Net interest income of R325m relates to the endowment on the investment received from Barclays PLC to restore capital eroded by the separation.

Non-interest income of R80m relates to fair value adjustment on foreign currency hedges on TSA and other programme expenses that will be incurred.

Operating expenses of R1,9bn primarily include R650m for payment to Barclays PLC for services rendered to BAGL under the TSA and R1,3bn expensed project execution and programme support costs.

Key projects in execution include: Technology projects (CIB Channels, HR system re-platform (Workdays), Financial Crime and other Compliance Systems and ROA Core Banking Platform relocation), Brand projects (Removal of Member of Barclays in South Africa and Brand Research and Development) and Programme Support costs which relate to planning and execution of projects, transaction advisory, process quality assurance and staff costs pertaining to internal resources supporting the project.

Other expenses primarily consist of R326m for the impairment of the Barclays. Net channels application in the CIB segment following a decision to replace it with a different channel solution as part of the separation.

Headline earnings have been adjusted for the impairment of Barclays.Net, net of tax by 2017: R238m.

## Total assets

Intangible assets consist of capitalised software, professional fees and separation project execution costs.

Property, plant and equipment mainly consists of hardware costs for separation technology projects.

## Total equity and liabilities

For IFRS purpose, total equity includes the R12,1bn contribution received from PLC in 2017 net of separation costs incurred to date. This contribution consists of:

- R8,3bn received in June 2017 mainly for technology investments and rebranding.
- R463m received in June 2017 partly for the re-imbursement of separation costs incurred on behalf of PLC.
- R3,3bn received in June 2017 for the termination of the existing Master Services Agreement between PLC and BAGL. The agreement governs the provision of services by the Barclays Group to the BAGL subsidiaries acquired from Barclays in 2013.

The remaining balance of R10,8bn reflects:

- The PLC contribution net of the 2017 attributable earnings impact from separation of R1,482m and adding the share-based payment reserve pertaining to separation.

# Risk management

# Risk management overview

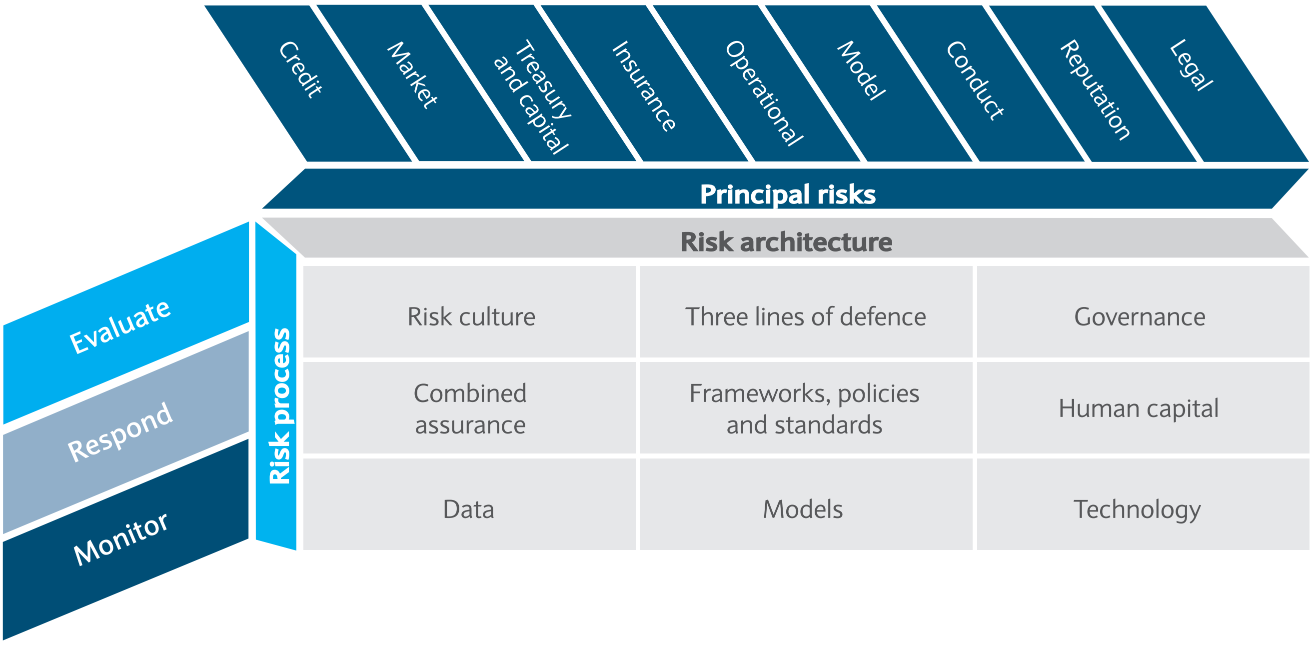
for the reporting period ended 31 December

## The Enterprise Risk Management Framework

The Group has maintained its active approach towards managing both current and emerging risks through the continued operating effectiveness of its Board-approved Enterprise Risk Management Framework (ERMF). This approach is underpinned by:

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

The ERMF defines credit, market, treasury and capital, insurance, operational, model, conduct, reputation and legal risks as principal risks in recognition of their significance to the Group's strategic ambitions.




## Risk appetite and strategy

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

The Group's risk appetite:

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

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

# Risk management overview

for the reporting period ended 31 December

| Quantitative risk appetite metrics | Definition |
|---|---|
| Total regulatory capital coverage | The extent to which the Group is adequately capitalised on a regulatory basis for both its banking and insurance businesses. |
| CET1 ratio (%) | The extent to which the Group is adequately capitalised with common equity Tier 1. |
| Economic capital (EC) coverage | The extent to which the Group is adequately capitalised on an economic basis. |
| Accounting earnings-at-risk (%) | Percentage of profit before tax potentially lost over a 12-month period. |
| Loan loss rate (bps) | Level of actual credit losses in the Group's credit portfolios. |
| Liquidity coverage ratio (% Basel III) | The Group's sufficiency of high-quality liquid assets relative to total net cash outflows over a 30-day period. |
| Leverage ratio (% Basel III) | Level of leverage in the Group per unit of qualifying Tier 1 regulatory capital (statutory). |

### *Stress testing*

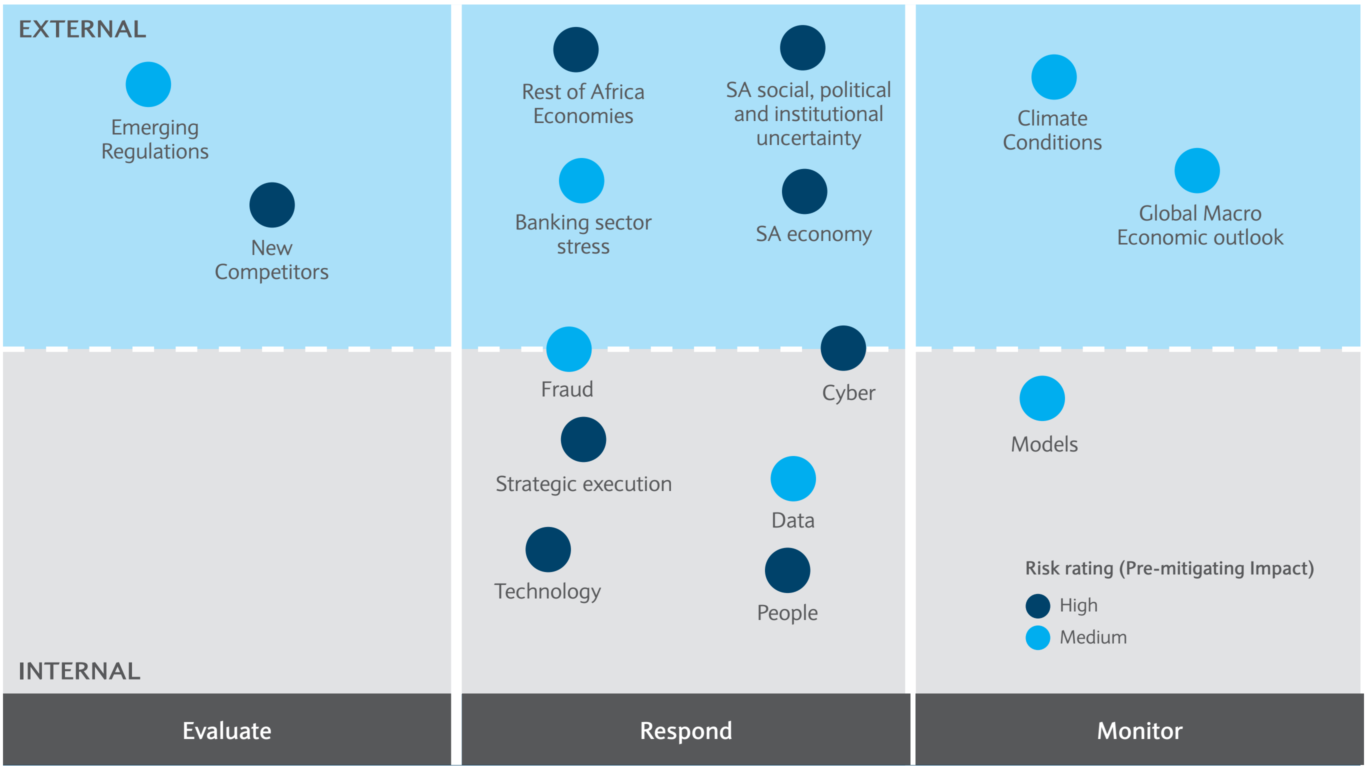
Stress testing and scenario analysis are key elements of the Group's integrated planning and risk management processes. Through the use of stress testing and scenario analysis, the Group is able to assess the performance of the Group's business in the expected economic environment and also evaluate the potential impact of adverse economic conditions, using and applying the information in the process of setting risk appetite.

Stress testing is conducted across all legal entities, business units, risk types, as well as at Group level. This is supported by a framework, policies, and procedures, adhering to internal and external stakeholder requirements, and benchmarked against best practice.

The stress testing results are reviewed by management and the Board and have been incorporated into the Group's internal capital adequacy assessment process (ICAAP), as well as its recovery and resolution plan. The Group performs ad hoc stress tests for internal and regulatory purposes.

## Current and emerging risks

Through its risk process of evaluate, respond and monitor, the Group is enabled to identify and assess both external and internal risks, determine the appropriate response, and monitor the effectiveness of the response. The following graphics outline the landscape of the material risks to the Group's strategic ambitions and reflect how these risks are being effectively and efficiently managed.



# Risk management overview

for the reporting period ended 31 December

The table below highlights the ways in which the material risks influence/impact our business, our mitigating actions and the residual risk.

| Theme | Key risks | Potential impacts | Mitigating actions | Residual risk[1] |
|---|---|---|---|---|
| Macroeconomic environment and its impact on our ability to sustain business and achieve our market commitments | › Subdued global and local growth<br>› Economic performance of commodity importing countries<br>› Banking sector stress<br>› Weak business confidence in SA and sovereign downgrade | › Reduced revenue<br>› Pressure on the credit portfolio<br>› Liquidity and capital constraints<br>› Increased impairments | › Strong risk management ensures monitoring of leading indicators with definitive steps to mitigate risks<br>› Hedging of interest rate and FX risks<br>› Adapted strategy to manage the business in slow economic growth | Medium |
| Social and political environment impacts the operating environment in which we do business | › Socio and political risk<br>› Political uncertainty<br>› Deteriorating fiscal position<br>› Institutional uncertainty<br>› Unemployment | › Reduced revenue<br>› Social pressure<br>› Pressure on the portfolio | › Commitment to shared growth<br>› Support community initiatives<br>› Close monitoring of portfolio | Medium |
| Strategic changes impact our ability to execute our plans | › Separation from Barclays PLC<br>› Strategy execution risk<br>› Reputational and brand risk<br>› People risk | › Delayed completion of projects<br>› Increased expenditure<br>› Lack of focus on key strategic initiatives<br>› Loss of customers<br>› Loss of key resources | › Established a dedicated and integrated capability to address business-as-usual, transition and transformation change requirements | Medium |
| Technology and the pace of change impacting competitiveness and operational risk | › Cyber risks<br>› Fraud risk and financial crime<br>› Technology disruptions<br>› Data management failures<br>› Model risk<br>› Disruption through Fintechs and new competitor banks | › Security breaches<br>› Operational disruptions<br>› Operational losses<br>› Reputational damage<br>› Incorrect model informed decisions<br>› Loss of customers | › Continue to invest in technology platforms, processes and controls<br>› Maintain IT system's stability through monitoring, enhancements and prioritisation of key issues<br>› Innovation | Medium |
| New and emerging regulations | › The volume and increasing complexity of regulatory requirements (eg Twin Peaks, Retail distribution review, Financial Intelligence Centre Amendment Act)<br>› Model risk | › Reduced revenue and/or increased expenses<br>› Fines or penalties due to non-compliance<br>› Reputational damage<br>› Increase in financial and human resource requirements | › Maintain the coordinated, comprehensive and timely approach to identify, assess and respond to regulatory changes<br>› Regulatory change team in place<br>› Diversified business model that is sustainable and competitive | Medium |
| Climate change risks, impact on our clients, organisation and operating environment | › Adverse weather conditions (eg drought and floods)<br>› Water stress<br>› Resource depletion | › Impact on operational environment<br>› Impact on ability to service clients<br>› Increased impairments | › Effective business recovery plan in place<br>› Energy efficient buildings<br>› Effective credit mitigation | Medium |

Note

[1] Residual risk is classified in terms of likelihood and consequence, taking into account the current and forward looking risk profile. Medium risk indicates monitoring of the risk is required and/or further action in the future.

# Risk management overview

for the reporting period ended 31 December

## Risk and capital performance

### *Key Metrics*

**Capital adequacy ratio**

| IFRS[1] | Normalised |
|---|---|
| 16,1% | 14,9% |

2016: 14,8%

**Common equity tier 1 ratio**

| IFRS[1] | Normalised |
|---|---|
| 13,5% | 12,1% |

2016: 12,1%

**Leverage ratio**

| IFRS[1] | Normalised |
|---|---|
| 7,9% | 7,2% |

2016: 7,1%

**Liquidity coverage ratio**

107,5%

2016: 95,8%[2]

**Growth in gross loans and advances to customers**

3,9%

2016: 2,7%

**Credit loss ratio**

0,87%

2016: 1,08%

**Non-performing loans as a percentage of gross loans and advances**

3,7%

2016: 3,9%

**Performing loans coverage ratio**

0,70%

2016: 0,79%

**Non-performing loans coverage ratio**

43,1%

2016: 44,2%

**Operational risk losses**

R240m

2016: R582m

### *Review of current reporting period*

- The Group maintained a capital adequacy position above the minimum regulatory requirements and above the Board-approved capital target ranges, with capital buffers sufficient to withstand stressed conditions.
- The liquidity position remained within risk appetite and above the minimum regulatory requirements, maintaining buffers approved by the Board.
- Continuing relatively slow growth in loans and advances is in part a function of persistently tough economic conditions, political and policy uncertainty, and low confidence levels in South Africa.
- Operational resilience continues to improve due to investments in infrastructure, process engineering, people and technology.
- The credit loss ratio improved as a result of lower default experience across the South African wholesale portfolios, improved credit performance in the Rest of Africa businesses, and risk mitigation strategies undertaken in the South African retail businesses, reflecting sound risk management processes.

### *Priorities*

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

- Tight control and management of separation and execution risks by delivering a structured programme of work via an integrated governance structure supported by ongoing monitoring of idiosyncratic risks and independent quality assurance.
- Continuing to manage the capital position of the Group, allowing for continued economic uncertainty, regulatory and accounting developments, and actions taken by ratings agencies.
- Ensuring that management of the funding and liquidity position is in line with risk appetite and regulatory requirements by maintaining appropriate buffers while optimising the associated cost.
- Continued monitoring of the credit, treasury and market risk infrastructure's resilience to market volatility.
- Continuing to improve control, efficiency and operational resilience across critical processes including collections, cybersecurity and fraud, data management, data centres (including disaster recovery) and financial crime.
- Strengthening the employee value proposition to ensure the continued availability of the right talent pool.

| Risk weighted assets | 2017 Rbn | % | 2016 Rbn | % |
|---|---|---|---|---|
| 1 Credit risk | **527,9** | **71,6** | 499,4 | 70,9 |
| 2 Counterparty credit risk | **38,1** | **5,2** | 33,3 | 4,7 |
| 3 Market risk | **24,8** | **3,4** | 28,9 | 4,1 |
| 4 Operational risk | **105,7** | **14,3** | 100,4 | 14,3 |
| 5 Equity | **9,7** | **1,3** | 9,7 | 1,4 |
| 6 Non-customer assets | **25,3** | **3,4** | 25,4 | 3,6 |
| 7 Other | **5,4** | **0,8** | 6,7 | 1,0 |
| TOTAL | **736,9** | | 703,8 | |

Notes

[1] IFRS includes the impact of the contribution amounts received as part of the Barclays PLC separation. 2016 values are based on an IFRS view; however, the Barclays PLC separation amounts are only effective from June 2017. All numbers include unappropriated profits.

[2] 2016 liquidity coverage ratio (LCR) reported post audit.

# Risk management overview

for the reporting period ended 31 December

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

| Key risk metrics | YoY trend | Group | Wholesale | | Retail | |
|---|---|---|---|---|---|---|
| Growth in gross loans and advances to customers (%) | ↑ | 3,9 | ↓ | 6,9 | ↑ | 1,5 |
| Credit loss ratio (%) | ↓ | 0,87 | ↓ | 0,41 | ↓ | 1,29 |
| Non-performing loans (NPL) as a percentage of gross loans and advances (%) | ↓ | 3,7 | ↓ | 2,5 | ↑ | 5,3 |
| NPL coverage ratio (%) | ↓ | 43,1 | ↓ | 39,5 | ↓ | 44,5 |
| Performing loans coverage ratio (%) | ↓ | 0,7 | ↓ | 0,5 | ↓ | 0,9 |
| Weighted average probability of default (PD) (%)[1] | ↓ | 2,3 | = | 1,0 | ↓ | 3,9 |
| Weighted average loss-given-default (LGD) (%)[1] | ↑ | 30,6 | ↑ | 34,2 | ↓ | 26,1 |
| Credit risk-weighted assets (RWA) as a percentage of EAD (%)[1] | ↑ | 45,3 | ↑ | 48,0 | ↑ | 42,1 |

| | 2016 | | |
|---|---|---|---|
| | Group | Wholesale | Retail |
| Growth in gross loans and advances to customers (%) | 2,7 | 7,8 | (0,8) |
| Credit loss ratio (%) | 1,08 | 0,63 | 1,54 |
| NPL as a percentage of gross loans and advances (%) | 3,9 | 2,8 | 5,2 |
| NPL coverage ratio (%) | 44,2 | 40,8 | 45,6[2] |
| Performing loans coverage ratio (%) | 0,8 | 0,7[2] | 1,0[2] |
| Weighted average PD (%)[1] | 2,4 | 1,0 | 4,0 |
| Weighted average LGD (%)[1] | 28,6 | 30,6 | 26,2 |
| Credit RWA as a percentage of EAD (%)[1] | 43,5 | 46,1 | 40,6 |

### *Review of current reporting period*

- Loans and advances: The **3,9%** (4,8% on a constant currency basis) growth in loans and advances to customers is largely a function of persistently tough economic conditions, political and policy uncertainty, and low confidence levels in South Africa. Low growth in retail advances was partly offset by solid growth in wholesale loans and advances in both South Africa and other African portfolios. The home loans portfolio remained unchanged year on year. Wholesale growth was largely due to strategic focus on selected names in the real estate sector and high-quality mid-tier corporates.
- NPLs: NPL as a percentage of gross loans and advances improved to **3,7%** (2016: 3,9%) due to the recovery of a large single name exposure, write-offs, and payments received on NPLs in the Wholesale Rest of Africa portfolio.
- Credit loss ratio: Credit loss ratio improved to **87 bps** (2016: 108 bps), driven by reduced impairment charges. Impairment charges have reduced by 19,8% to R7 022m (2016: R8 751m), as a result of lower default experience across the South African wholesale portfolios, improved credit performance in the Rest of Africa businesses, and proactive risk mitigation strategies initiated previously in the South African retail businesses.
- Performing coverage: The decrease in coverage to **70 bps** (2016: 79 bps) reflects lower model-driven impairments with macroeconomic overlays increasing by 2% to R1,4bn.
- Credit RWA intensity: RWA consumption calculated as a percentage of the exposure at default has increased and is attributable to market movements increasing both counterparty credit risk (CCR) and credit value adjustment (CVA).

### *Priorities*

- Continued focus on risk and return considerations and the correct pricing of risk.
- Close monitoring of changes in the macroeconomic, political and regulatory environment in South Africa in order to identify and manage risks and opportunities at an early stage.
- Continued focus on management of separation from Barclays PLC, including governance processes, drafting and embedment of localised policies and ownership of risk technology.
- Continuously refine the credit risk appetite methodology, models and stress testing capabilities.
- Further enhancement of risk data aggregation and reporting capabilities at all levels of the organisation.

Notes

1 The percentages include only portfolios subject to the IRB approaches.

2 Changed from the previous disclosure due to business changes in Rest of Africa where some of the balances moved between Retail and Wholesale.

# Risk management overview

for the reporting period ended 31 December

## Market risk is the risk that the Group's earnings, capital or business objectives will be adversely impacted by changes in the level or volatility of market variables.

- Traded market risk: The risk of the Group being impacted by changes in the level or volatility of positions in trading books.
- Non-traded market risk: The risk of the Group's earnings or capital being reduced due to market risk exposure from banking book positions.
- Pension risk: The risk that an adverse movement between pension assets and liabilities results in a pension deficit.

| Key risk metrics | YoY trend | 2017 | 2016 |
|---|---|---|---|
| Average traded market risk – 95% DVaR (Rm) | ∨ | **26,5** | 26,8 |
| Traded market risk RC (Rm) | ∨ | **2 476** | 2 889 |
| Banking book annual earnings at risk (AEaR) for a 2% interest rate shock (% of Group net interest income (NII)) | ∨ | **<5%** | <6% |

### *Review of current reporting period*

- Traded market risk: Trading exposures were managed within overall risk appetite. 95% VaR decreased marginally over the period. RC reduction was driven by a decrease in standardised specific risk exposure across the African businesses.
- Non-traded market risk: Banking book earnings at risk decreased y-o-y, remaining within risk appetite. The Group remained positively exposed to increases in interest rates after the impact of hedging.
- Pension risk: Pension plans and benefits are provided in all countries where the Group has a footprint. The Absa Pension Fund remains the largest fund. The overall funding level of the schemes improved in the current year, and is considered adequate.

### *Priorities*

- Continue to ensure market risk is managed within appetite in potentially volatile conditions.
- Retain focus on regulatory and capital change, specifically preparing for the adoption of the Fundamental Review of the Trading Book (FRTB) and the standard on interest rate risk in the banking book (IRRBB), noting the extension of the deadline.
- Continue to manage margin volatility through the structural hedge programme in South Africa and through appropriate asset and liability management processes in Rest of Africa.
- Continue to enhance the implementation and standardisation of the pension risk control framework across the Group.

### *Impact on earnings*

The impact on accounting earnings at risk (AEaR)/net interest income (NII) for 100 and 200 bps up and down movements in market interest rates for the Group's banking books is disclosed. Assuming no management action is taken in response to market interest rate movements, a hypothetical, immediate and sustained parallel decrease of 200 bps in all market interest rates would, at the reporting date, result in a pre-tax reduction in projected 12-month NII of **R1,93bn** (2016: R2,38bn). A similar increase would result in an increase in projected 12-month NII of **R1,7bn** (2016: R2,22bn). On this basis AEaR (expressed as sensitivity to a 200 bps parallel decrease in all market interest rates) decreased by 1,2% to 4,5% of the Group's NII.

### *AEaR for 100 and 200 bps changes in market interest rates*

| | 2017 | | | |
|---|---|---|---|---|
| | 200 bps decrease | 100 bps decrease | 100 bps increase | 200 bps increase |
| Domestic bank book[1] (Rm) | (1 405) | (459) | 609 | 1 172 |
| Foreign subsidiaries[1] banks books[2] (Rm) | (530) | (265) | 265 | 530 |
| Total (Rm) | (1 934) | (724) | 873 | 1 701 |
| Percentage of the Group's NII (%) | (4,5) | (1,7) | 2,0 | 4,0 |
| Percentage of the Group's equity (%) | (1,9) | (0,7) | 0,9 | 1,7 |

Notes

[1] Includes exposures held in the CIB banking book.

[2] African subsidiaries' interest rate sensitivities are shown on a 100% (rather than actual) shareholding basis.

# Risk management overview

for the reporting period ended 31 December

## Market risk *(continued)*

### *AEaR for 100 and 200 bps changes in market interest rates (continued)*

| | 2016 | | | |
|---|---|---|---|---|
| | 200 bps decrease | 100 bps decrease | 100 bps increase | 200 bps increase |
| Domestic bank book[1] (Rm) | (1 835) | (765) | 840 | 1 681 |
| Foreign subsidiaries[1] banks books[2] (Rm) | (541) | (270) | 270 | 541 |
| Total (Rm) | (2 376) | (1 036) | 1 110 | 2 222 |
| Percentage of the Group's NII (%) | (5,7) | (2,5) | 2,6 | 5,3 |
| Percentage of the Group's equity (%) | (2,3) | (1,0) | 1,1 | 2,2 |

### *Impact on equity*

Market interest rate changes may affect equity in the following three ways:

- Higher or lower profit after tax resulting from higher or lower net interest income;
- Higher or lower available-for-sale reserves reflecting higher or lower fair values of available-for-sale financial instruments; and
- Higher or lower values of derivatives held in the cash flow hedging reserve.

The pre-tax effect of net interest income sensitivity is reported in the preceding sensitivity analysis. The effect of taxation can be estimated using the effective tax rate for the reporting period.

The equity reserve sensitivities that follow are illustrative, based on simplified scenarios and consider the impact on the cash flow hedges and available-for-sale portfolios which are mark-to-market through reserves. The impact on equity is calculated by revaluing the fixed rate available-for-sale financial assets, including the effect of any associated hedges and derivatives designated as cash flow hedges, for an assumed change in market interest rates. The increase in sensitivity of the available-for-sale reserves is mainly due to the increase in the net directional risk.

### *Sensitivity of reserves to market interest rate movements*

| | **Group** | | | | | |
|---|---|---|---|---|---|---|
| | **2017** | | | 2016 | | |
| | **Impact on equity at reporting date** | **Maximum impact[3,4]** | **Minimum impact[3,4]** | Impact on equity at reporting date | Maximum impact[3,4] | Minimum impact[3,4] |
| | **Rm** | **Rm** | **Rm** | Rm | Rm | Rm |
| **+100 bps parallel move in all yield curves** | | | | | | |
| Available-for-sale reserve | **(435)** | **(462)** | **(419)** | (427) | (469) | (421) |
| Cash flow hedging reserve | **(2 114)** | **(2 359)** | **(2 039)** | (2 348) | (2 354) | (1 893) |
| | **(2 845)** | **(2 811)** | **(2 461)** | (2 776) | (2 801) | (2 342) |
| **As a percentage of Group equity (%)** | **(2,5)** | **(2,7)** | **(2,4)** | (2,7) | (2,7) | (2,3) |

- The sensitivity of reserves to market interest rate movements is largely linear resulting in a materially equivalent change in value for -100 bps parallel move.
- The sensitivity of the available-for-sale reserve results from an asymmetry in accounting treatment. Basis risk has been maintained constant.
- The cash flow hedging reserve does not affect overall regulatory capital/CET1.

Notes

1 Includes exposures held in the CIB banking book.

2 African subsidiaries' interest rate sensitivities are shown on a 100% (rather than actual) shareholding basis.

3 The maximum and minimum impacts for each reserve category did not necessarily occur for the same months.

4 The number represents the maximum or minimum potential combined impact for both reserve categories in a single month (and does not equate to the sum of the minimum and maximum per month as indicated in footnote 1 above.

# Risk management overview

for the reporting period ended 31 December

## Treasury and capital risk is the risk that the Group is unable to achieve its business plans as a result of capital and liquidity shortfalls:

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

### *Liquidity risk*

| **Key risk metrics** | YoY trend | **2017** | 2016 |
|---|---|---|---|
| Sources of liquidity (Rm) | ^ | **212 954** | 191 671[1] |
| Net stable funding ratio (%) | = | **>100** | >100 |
| Liquidity coverage ratio (LCR)[2] (%) | ^ | **107,5** | 95,8[3] |
| Loan-to-deposit ratio (%) | ^ | **90,6** | 88,4 |
| **Loans and advances to customers** | ^ | **749 772** | 720 309 |
| South Africa | ^ | **671 909** | 642 432 |
| Rest of Africa | v | **77 863** | 77 877 |
| **Deposits** | ^ | **827 815** | 814 579 |
| Deposits due to customers | ^ | **689 867** | 674 865 |
| South Africa | ^ | **581 231** | 562 872 |
| Rest of Africa | v | **108 636** | 111 993 |
| Debt securities in issue | v | **137 948** | 139 714 |

### *Review of current reporting period*

- Liquidity risk position: Remained healthy, within risk appetite and above the minimum regulatory requirements. As at 31 December 2017, the Group's sources of liquidity of **R213,0bn** (2016: R191,7bn), amounted to 30,9% of deposits due to customers.
- Structure:
  - o The Net Stable Funding Ratio (NSFR) (effective 1 January 2018) for both Group and Absa Bank are expected to meet the minimum requirement of 100%. The NSFR will be reported publicly from 31 March 2018.
  - o In addition to the NSFR, the long-term funding ratio is managed at an Absa Bank level on a contractual basis in order to balance the LCR and NSFR requirements with overall costs. Long-term funding was raised to match the growth in long-term assets, and was achieved through a combination of funding instruments, capital market issuances and private placements. Absa Bank targets an average long-term funding ratio of between 24% and 27%.
  - o The loan-to-deposit ratio is at **90,6%** (2016: 88,4%), due to increases in loans and advances to customers. The ratio is in line with internal targets.
    - – Due to the structural nature of the South African market, partly attributable to low discretionary savings, the funding gap between core deposits and advances is supported by longer term wholesale deposits (mainly debt securities in issue): (i) debt securities with a tenor of greater than one month have a weighted average life of approximately 23 months; and (ii) wholesale deposits with tenors of less than one month are invested in the liquid asset portfolio and are available to support short-term outflows.
    - – The Rest of Africa banking entities are primarily deposit-led, comprising mainly retail and corporate deposits, with limited reliance on wholesale funding: (i) given the high degree of stability exhibited by retail and corporate depositors, these deposits are behaviourally long-term; (ii) the Rest of Africa surplus deposits over advances of R30,8bn is invested in liquid assets; (iii) the loan-to-deposit ratio for the Rest of Africa is 71,4%; and (iv) each Rest of Africa banking entity is required to be self-sufficient from a liquidity perspective with limited working capital support required from the Group.
  - o The Group's foreign currency balance sheet is surplus funded and comprises less than 5% of deposits due to customers.
- Diversification: The Group has a well-diversified deposit base and concentration risk is managed within appropriate guidelines. Sources of funding, both Rand and foreign currency, are managed in order to maintain a wide diversity of depositor, product and tenor.
- Short-term liquidity stress:
  - o The Group targets an LCR above the minimum regulatory requirement, and consistently maintained a buffer in excess of the regulatory minimum requirement of 80% during 2017. The Group's average high-quality liquid assets (HQLA) of R157,1bn (2016: R142,8bn) include a committed liquidity facility (CLF) from the South African Reserve Bank (SARB) for LCR purposes.
  - o The Group has an internal Liquidity Risk Appetite (LRA) Framework, which is used to determine the amount of HQLA the Bank is required to hold in order to survive internally defined stress scenarios.

Notes

[1] 2016 restated to incorporate a revised assumption relating to available interbank funding.

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

[3] December 2016 LCR reported post audit.

# Risk management overview

for the reporting period ended 31 December

## Treasury and capital risk *(continued)*

### *Priorities*

- Manage the funding and HQLA position in line with the Board-approved LRA framework and regulatory requirements.
- Build and maintain adequate liquidity buffers to ensure the Group continues to remain compliant with the LCR and NSFR.
- Continue to grow and diversify the funding base to support asset growth and other strategic initiatives, while optimising the funding cost.
- Grow core Retail, Business Bank, Corporate and Public Sector deposits faster than wholesale funding.
- Continue to work with regulatory authorities and other stakeholders on resolution planning, and Deposit Insurance Scheme.

### *Capital risk*

| Key risk metrics | YoY trend | 2017 | 2016 |
|---|---|---|---|
| Total RWA (Rm) | ↑ | **736 892** | 703 785 |
| CET1 capital adequacy ratio[1,2] (%) | = | **12,1** | 12,1 |
| Return on average risk-weighted assets (RoRWA)[2] (%) | ↑ | **2,16** | 2,14 |
| Return on average EC[2] (%) | ↑ | **18,4** | 16,9 |
| Return on equity (RoE)[2] (%) | ↓ | **16,4** | 16,6 |
| Cost of equity (CoE)[3] (%) | ↓ | **13,75** | 14,75 |

### *Review of current reporting period*

- The Group maintained a strong capital adequacy position above the minimum regulatory requirements and above the Board-approved capital target ranges, with capital buffers sufficient to withstand stressed conditions.
- The Board-approved capital target ranges were further increased in light of increased regulatory requirements, economic uncertainties and pending regulatory and accounting headwinds.
- Strong internal capital generation led to a final dividend of 595 cents per share, representing a full year increase of 3,9%.
- Receipt of the contribution amounts in June 2017 from Barclays PLC arising from separation resulted in an initial uplift in CET1 of c.160 bps for Group and c.220 bps for Absa Bank Limited. As at 31 December 2017, the uplift arising from contribution amounts received was c.140 bps for Group and c.180 bps for Absa Bank Limited.
- The Group issued R2,8bn bonds qualifying as new style Basel III Tier 2 capital to replace an equal amount of bonds that matured during the year.
- The Group issued R1,5bn new-style Basel III Additional Tier 1 capital instruments, which qualify as regulatory capital at a holding company and Absa Bank level, in its inaugural issuance of an instrument of this nature.
- RWAs increased by 4,7% to **R736,9bn** (2016: R703,8bn) mainly due to exposure growth in wholesale markets in line with asset growth. Strong RWA growth in Rest of Africa, in line with balance sheet growth, was materially offset by Rand strength towards the end of 2017.
- The enhancements that were made to the economic capital (EC) framework towards the end of 2016 were further embedded during the reporting period.

### *Priorities*

- Maintain an optimal mix of high-quality capital, while continuing to generate sufficient capital to support profitable growth and a sustainable dividend.
- Continue to focus on RWA precision and strong internal generation of equity.
- Ensure all entities remain adequately capitalised relative to minimum regulatory requirements and Board-approved capital target ranges.
- Continue to manage the capital position of the Group allowing for the potential effects of economic uncertainty, regulatory and accounting developments, and actions taken by ratings agencies.
- Manage the capital position of the Group to remain at adequate levels throughout the period of separation from Barclays PLC, and ensuring that the Group is well positioned and well capitalised upon completion of the separation.
- Ensure optimal deployment of the contributions received from Barclays PLC as part of the separation process, to ensure maximum benefit is achieved for the Group and its subsidiaries.
- Continue to focus on the management of capital supply, raising Additional Tier 1 and Tier 2 capital in local and overseas markets as appropriate.
- Further embed the EC framework across the Group.
- Maintain an optimal capital supply mix at holding company level and in respect of the subsidiaries of the Group.
- Continue engagement with the SARB to finalise the Resolution Framework for South Africa.
- Continuously monitor regulatory developments and changes that may affect the capital position, such as the standard entitled 'Basel III Finalising post-crisis reforms' published by the Basel Committee on Banking Supervision in December 2017.

Notes

1 Board target range 10,0 to 11,5%. Includes unappropriated profits.

2 Reported on a normalised basis.

3 The CoE is based on the capital asset pricing model.

# Risk management overview

for the reporting period ended 31 December

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

| Key risk metrics | YoY trend | 2017 | 2016 |
|---|---|---|---|
| **Africa life insurance**[1] | | | |
| Present value of In-Force book (PVIF) (Rm) | ^ | **4 408** | 3 763 |
| New business margin (%) | ^ | **10,1** | 5,0 |
| Annualised return on shareholder funds (%) | ^ | **8,7** | 7,2 |
| YTD profit and loss impact of mismatch position (Rm) | ^ | **3** | (16) |
| **Africa short-term insurance**[1] | | | |
| Net premium income (Rm) | v | **3 018** | 3 559 |
| Net underwriting margin (%) | ^ | **1,2** | (0,7) |
| Annualised return on shareholder funds (%) | ^ | **7,7** | 6,9 |
| **WIMI insurance** | | | |
| Profit before tax (Rm) | ^ | **1 284** | 1 189 |
| Regulatory capital adequacy cover | ^ | **1,71** | 1,69 |

### *Review of current reporting period*

Key performance indicators and key risk indicators are established during the annual planning and risk appetite setting process. For each insurance entity, these metrics include (at a minimum) the target regulatory and economic capital adequacy levels and the business performance targets (profit before tax) with associated levels of variability. Key metrics have associated thresholds defined.

- PVIF: The Present Value of In-Force (PVIF) business represents the discounted value of the expected future after tax profits in respect of business in force at the reporting period. The PVIF is sensitive to new business acquired, lapse rates and mortality rates. The increased PVIF in 2017 is attributed largely to business growth, as well as change in lapse assumptions driven by a decrease in both credit life and funeral product lapse rates.
- Life insurance new business margin: The new business margin represents the discounted value of the expected future after tax profits in respect of new business written during the reporting period less initial capital costs expressed as a percentage of the present value of projected premium income expected from new business written during the reporting period. The increase in margin is due to a change in the mix of business with a weighting more towards higher margin risk business compared to the previous year.
- Annualised return on shareholder funds: The fund return is expressed as investment income earned on shareholder funds. Performance differences for both life and short-term insurance are attributed to changes in financial market conditions as investment mandates have remained largely unchanged.
- Short-term insurance premium income: The decrease in premium income is attributed largely to the sale of the unprofitable commercial intermediated business book in South Africa, as well as pricing interventions which were implemented in Africa. These pricing actions, together with improved claims process efficiencies and cost containment initiatives, are expected to result in positive financial performance over the longer term.
- Short-term insurance net underwriting margin: The underwriting surplus is expressed as a percentage of net premiums. The increased margin is largely a result of focused portfolio management actions including: the implementation of best practice pricing methodology; sound underwriting practices; and specific claims cost containment initiatives across the business. There has, however, been an increase in both the severity and frequency of catastrophe events in South Africa with these costs growing 148% year on year.
- WIMI insurance profit before tax: The profit before tax figure in 2017 increased 8% versus the previous year mainly due to improved profits in Rest of Africa insurance entities partly offset by lower profits in the South African short-term insurance businesses due to catastrophe events.
- Absa Financial Services regulatory capital adequacy cover: The regulatory capital cover is calculated using the Solvency Assessment and Management's Deduction & Aggregation approach where the capital position for Absa Financial Services (as registered at the Financial Services Board) is calculated by adding together all the capital positions of the entities within the Group and deducting the intragroup exposures to avoid double-counting of capital. The capital cover position as at 31 December 2017 will be submitted to the Financial Services Board by 31 March 2018 and the figure shown for 2017 is as at 30 June 2017.

Note

[1] Results shown in the half-year disclosures were for South Africa except for PVIF and new business margin which were for Pan-Africa. The current set of results shows all metrics for Pan-Africa, therefore differs from previous disclosure.

# Risk management overview

for the reporting period ended 31 December

## Insurance risk *(continued)*

- Key performance indicators: Indicator levels are monitored on a monthly basis and compared with trigger levels. These indicators include most of the above metrics as well as numerous product-level sales performance, policyholder experience and profitability measures.
- Key process enhancements:
  - Actuarial Centres of Excellence established for Pan-Africa life insurance and Pan-Africa short-term insurance in order to provide consistent and prioritised actuarial support to Rest of Africa entities.
  - Life insurance and short-term insurance Chief Risk Officers were put in place to provide more effective and focused second line of defence for insurance entities.
  - An actuarial oversight function was formally established to strengthen actuarial practice and embed consistent standards, procedures and controls.
  - A WIMI Model Risk Standard was developed to address unique insurance requirements and subsequently implemented with all high materiality actuarial models being independently reviewed.

### *Priorities*

- Ensure consistent risk and control standards across all Pan-African insurance entities.
- Develop Solvency Assessment and Management (SAM) insurance group reporting to the end state requirements, including revising dividend policies to target appropriate SAM regulatory capital levels once SAM is enacted.
- Continuous improvement in setting insurance risk appetites and stress scenario testing including use.
- Meeting the end state SAM requirements for the Head of Actuarial Control and the Actuarial Control Function for South African short-term insurance entities.
- Continuous improvements to the insurance group internal economic capital methodology.
- Continuous improvements of financial reporting data quality with a focus on SAM.
- Life insurance entities will continue to focus on sales and underwriting initiatives to increase revenues and attract high-quality risks.
- Short-term insurance entities will continue to embed analytics, pricing and retention solutions to maintain claims ratios within targeted ranges.

# Risk management overview

for the reporting period ended 31 December

## Operational risk is the risk of direct and indirect loss resulting from human factors, inadequate or failed internal processes, systems or external events.

| Key risk metrics | YoY trend | 2017 | 2016 |
|---|---|---|---|
| Total losses as a percentage of gross income (%) | ˅ | **0,3** | 0,8 |
| Total operational risk losses (Rm) | ˅ | **240** | 582 |
| Operational RWA (Rm) | ˄ | **105 730** | 100 433 |

### *Review of current reporting period*

- Total operational risk losses: The reduction in losses is driven by a decrease in fraud and transaction processing-related losses, as well as a significant recovery on a prior year payment-related loss. In line with the nature of the business, the main contributors to operational losses remain fraud and transaction processing-related issues.
- Operational risk RWA: Higher operating income in advanced measurement approach (AMA) entities drove an increase in the regulatory floor (SARB minimum capital holdings, which are influenced by gross income levels). This contributed to an overall increase in RWA of 5% compared to the 2016 year-end.

### *Key achievements*

- Improvement in operational resilience as migration to a new best-in-class data centre gained traction.
- Significant progress made in remediating customer records to meet financial crime control requirements.
- Continued improvement in payment stability and processing.
- The converged security strategy, target operating model and information security transformation programme has been designed, with implementation ongoing; improvement in fraud capability and controls in Digital Banking, Retail SA Branch Channels and Rest of Africa.
- Common set of data management standards developed for utilisation across the organisation.

### *Priorities*

- Maintain the safe and controlled execution of the structured programme directed at delivering the separation from Barclays PLC.
- Implementation and embedment of the security strategy, including cyber capability.
- Ongoing investment in data infrastructure and controls to support the increasing utilisation of data towards delivery of the Group's strategic objectives.
- Continue rollout and improvement to the risk-based approach to financial crime management, in line with the FIC amendment bill.
- Focus on people risk given the significant change agenda in the organisation.

# Risk management overview

for the reporting period ended 31 December

## Model risk is the risk of potential adverse consequences from financial assessments or decisions based on incorrect or misused model outputs and reports.

### *Approach to measuring and managing*

Model risk has been identified as a principal risk to be managed under the Enterprise Risk Management Framework (ERMF), with specific guidelines set out in the Group Model Risk Policy (GMRP) and relevant standards covering model ownership, model development, model approval, model implementation, model monitoring and model validation.

A model is defined as a quantitative method, system or approach that applies statistical, economic, financial, or mathematical theories, techniques, parameters and assumptions to process input data into outputs. A model comprises inputs, parameters and calculations that produce outputs. A model is considered as an end-to-end concept, including the sourcing of inputs, the selection and specification of methodology, the calibration of parameters, the implementation of the model and the usage of the outputs.

### *Key achievements*

- The combined assurance assessments over the period confirmed the operating effectiveness of the Model Risk Framework and the Group Model Risk Policy that direct and govern the use of models within the Group.
- Several important model development initiatives were concluded in 2017, such as new IFRS 9 credit impairment models and several regulatory model suites.
- Significant progress has been made in the design and implementation of the strategic model implementation platform and migration to this platform is under way.

### *Priorities*

- Define and approve the risk appetite, previously included in operational risk, for model risk as a principal risk.
- The model development programme for 2018 will continue to focus on the enhancement of the current model suites that support the BAGL risk appetite assessment.
- Migration of model suites to the new platform will continue in 2018.

# Risk management overview

for the reporting period ended 31 December

## Conduct risk is the risk of detriment to customers, clients, market integrity, effective competition or the Group from the inappropriate supply of financial services, including instances of wilful/negligent misconduct and the failure to meet regulatory requirements[1].

| Key risk metrics | YoY trend | 2017 | 2016 |
|---|---|---|---|
| % of complaints resolved at first point of contact (%) | ^ | 66[2] | n/a |
| Overall conduct index (%) | v | 61 | 64 |

### *Review of current reporting period*

- The percentage of complaints resolved at first point of contact is reflective of the Group's ongoing investment into the complaints management processes. An improvement has been noted, with 66% in December 2017 above the target of 65%. Contributing to this is the change in methodology of calculating the metric, which was informed by the need to align with the requirements of the Basel Committee on Banking Supervision 239 which relates to Risk Data Aggregation and Risk Reporting principles.
- The Overall Conduct Index which measures the internal and external perception of Barclays Africa's performance on the individual conduct risk outcomes is inclusive of the Treating Customers Fairly outcomes. The metric is rated out of a score of 100. Risks relating to Cyber Crime and Protection of Customer Information remain a key focus due to increased regulatory change on personal information protection and cyber threats. The implementation of an enhanced control framework which includes collaboration with the South Africa Banking Risk Information Centre (SABRIC) commenced in 2017. This will further aid the protection of confidential data and customer interests. Proactive management of issues remains the lowest performing category on the scorecard. This will be addressed through the cultural transformation journey being undertaken across the organisation.
- Thematic inherent risks identified through the application of the Conduct Risk Framework which we continue to monitor through rigorous controls relate to:
  - Information risk management (data retention and retrieval);
  - Sales practices and customer treatment;
  - IT stability and functionality (across BAGL);
  - Complaints management systems;
  - Use and protection of customer information;
  - Continued focus on the upskilling of new product knowledge; and
  - Lending practices.

### *Priorities*

- Continued focus on cultural change across the Group to enhance integrated decision-making in the management of the conduct risk outcomes.
- Implementation of the revised Conduct Risk Framework which was enhanced to incorporate the G30 recommendations on conduct and culture. This looks to strengthen good practices in banking culture and governance.
- The development and implementation of a conduct dashboard to provide senior management and the Board with better insights to enable more informed business decision making and accountability for the conduct of employees.
- Use of data analytics and digital platforms to improve customer service.
- Implementation and embedment of new regulatory requirements across the continent.

Notes

[1] Amendments were made to the Conduct Risk Framework: the definition of conduct risk has been amended with the removal of reputation risk as a key risk and the incorporation of financial crime under conduct risk. The revised framework was approved by the Social and Ethics Committee in November 2017.

[2] The methodology for calculation of the metric has been revised to ensure alignment across all conduct metrics. Comparatives not disclosed due to inconsistency.

# Risk management overview

for the reporting period ended 31 December

## Reputation risk is the risk that an action, transaction, investment or event will reduce trust in the Group's integrity and competence by clients, counterparties, investors, regulators, employees or the public.

| Key risk metrics | YoY trend | 2017 | 2016 |
|---|---|---|---|
| Africa YouGov | ^ | 6,6 | 6,3 |

### *Review of current reporting period*

- Africa YouGov: This measures the external perception of the brand from various stakeholders including customers and regulators. The metric is a rating out of a score of 10. The metric continues to improve, with an increase noted particularly with the perception of the quality of products and services and delivery of value for money to customers by Barclays Africa.
- Significant progress was achieved towards definition and implementation of the Reputation Risk Framework across the Group in support of the elevation to a principal risk.

### *Priorities*

- Increased internal awareness of reputation risk, and its integration into the other principal risks.
- A focus on organisational culture to ensure that employee conduct is aligned to the organisational values.
- Enhance the capability to identify issues that may impact the Group's reputation; this includes the use of data analytics.
- Embed additional metrics to support the measurement of reputation risk.

## Legal risk is the risk of loss or imposition of penalties, damages or fines from the failure of the Group to meet its legal obligations including regulatory or contractual requirements.

### *Review of current reporting period*

- Legal risk across the Group is managed with reference to five key focus areas, namely Contractual Arrangements, Competition Law, Intellectual Property Law, Litigation and the Use of Law Firms.
- For the period under review, the Group's legal risk overall has been rated as 'at appetite', with a stable trend.
- Although showing a declining trend in respect of policy breaches across the reporting period, compliance with the Contractual Arrangements Policy has remained a challenge in certain areas of the business.
- In respect of Competition Law, the Group is continuing to cooperate with the South African Competition Commission in its referral of a complaint to the South African Competition Tribunal that eighteen banks (of which Absa is one) allegedly colluded at some time between 2007 and 2013 in the trading of USD/ZAR currency pairs in alleged contravention of South Africa's Competition Act. The Commission has granted Absa leniency under the Commission's corporate leniency programme.
- The Group did not face any significant issues in respect of the legal risk associated with Intellectual Property laws or the Group's use of law firms.
- Exposure to litigation risk has improved over the period and the Litigation Team's focus on reducing the age of matters in the portfolio and resolving matters without resorting to litigation, has yielded positive results, both in respect of the Group's total exposure and the provisions held for contingent liabilities.
- The Group was successful in a major litigious matter concerning the report issued by the Public Protector in respect of the Bankorp investigation, in which the Public Protector ruled that Absa was liable to repay R1,125bn to the State. The Court ruled in Absa's favour and set the remedial action aside, with a punitive costs order against the Public Protector's office.
- The Legal Function has continued to play a key role in ensuring the Group's readiness to comply with various pieces of new international and South African legislation and regulation, including the Protection of Personal Information Act, and the Financial Markets Act.

### *Priorities*

- To improve the current 'at appetite' position, there will be a focus on:
  - Driving improved levels of compliance with the Contractual Arrangements Policy in relation to the signing and issuing of standard documentation supporting certain credit products.
  - Remediating known instances of inadequate legal documentation.
  - Embedding additional legal controls in the businesses outside of South Africa to improve compliance with the Contractual Arrangements Policy.
- Reviewing and optimising the Legal Function Target Operating Model for post-separation implementation.
- Reviewing and embedding the Level 2 Legal Risk Policies and Standards, in support of the newly adopted Legal Principal Risk Control Framework.

# Capital management and RWA

for the reporting period ended

## Capital management

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

The Group's capital management objectives are to:

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

Various processes play a role in ensuring that the Group's capital management objectives are met, including:

- The Internal Capital Adequacy Assessment Process (ICAAP);
- Stress testing; and
- Recovery and resolution planning.

Further details can be found in the sections below.

## ICAAP

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

The ICAAP forms an integral part of the management and decision making of the Group. The ICAAP framework is a tool that requires that internal systems, controls and management information are in place to enable the Board and senior management to track changes in the economic environment, which may require adjustments to the business strategy in order to remain within the risk appetite of the Group on an ongoing basis.

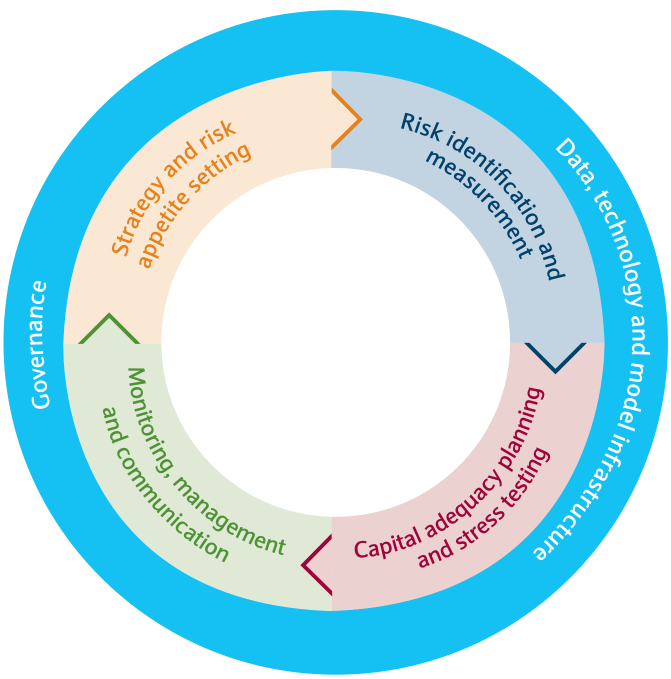
The Group uses the ICAAP in support of meeting its capital management objectives across the Group. The ICAAP is a documented risk-based assessment of the capital adequacy position of the Group and its subsidiaries on a RC and EC basis, reflecting the point-in-time position, as well as the forward-looking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

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

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

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

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




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

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

# Capital management and RWA

for the reporting period ended 31 December

## Management of excess capital

The Group's capital policy stipulates that capital held in the Group's entities in excess of Board-approved capital target ranges should be repatriated in the form of dividends and/or capital repatriation, subject to local regulatory requirements, exchange controls and strategic management decisions. Capital is not transferred to other subsidiaries unless there is a robust business, regulatory or tax reason to support it.

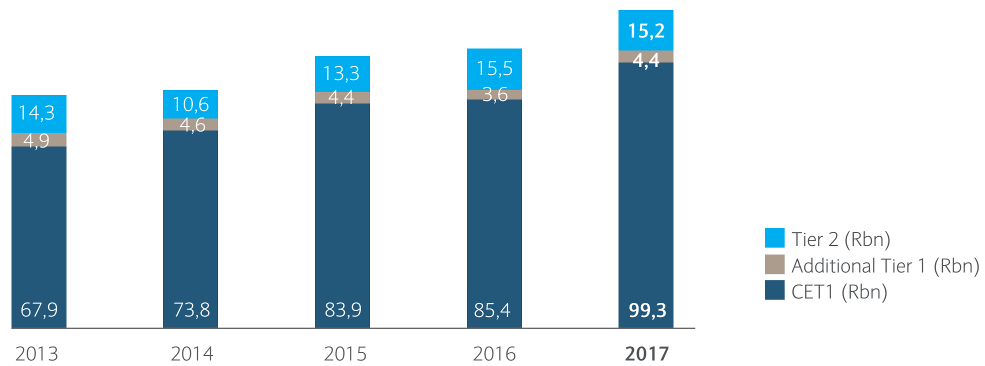
## Capital adequacy

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

- Capital risk appetite;
- The preference of rating agencies for loss absorbing capital;
- Stress scenarios and their impact on the integrated plan, including the capital position of the Group;
- Current and future Basel III requirements and accounting developments; and
- Peer analysis.

### *Group capital adequacy*

| Group | Board target ranges % | Minimum regulatory capital requirements[1] % | YoY trend | IFRS Group performance 2017 | Total Group normalised performance 2017 | IFRS Group performance 2016 |
|---|---|---|---|---|---|---|
| **Statutory capital ratios (includes unappropriated profits) (%)** | | | | | | |
| CET1 | 10,0 – 11,5 | | ^ | 13,5 | 12,1 | 12,1 |
| Tier 1 | 11,5 – 13,0 | | ^ | 14,1 | 12,8 | 12,6 |
| Total | 14,0 – 15,5 | | ^ | 16,1 | 14,9 | 14,8 |
| **Regulatory capital ratios (excludes unappropriated profits) (%)** | | | | | | |
| CET1 | | 7,3 | ^ | 12,4 | — | 11,4 |
| Tier 1 | | 8,5 | ^ | 13,0 | — | 11,9 |
| Total | | 10,8 | ^ | 15,0 | — | 14,1 |




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

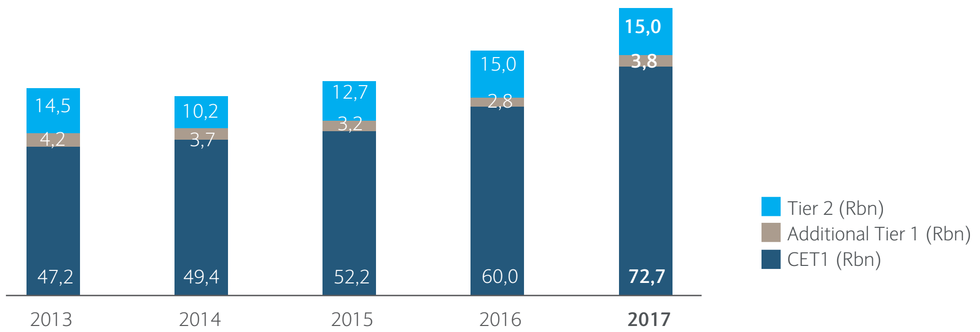
Note

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

## Capital adequacy *(continued)*

### *Absa Bank Limited capital adequacy*

| Absa Bank Limited[2] | Board target ranges % | Minimum regulatory capital requirements[1] % | YoY trend | IFRS Group performance 2017 | Total Group normalised performance 2017 | IFRS Group performance 2016 |
|---|---|---|---|---|---|---|
| **Statutory capital ratios (includes unappropriated profits) (%)** | | | | | | |
| CET1 | 10,0 – 11,5 | | ^ | 13,4 | 11,6 | 11,6 |
| Tier 1 | 11,0 – 12,5 | | ^ | 14,1 | 12,3 | 12,2 |
| Total | 13,5 – 15,0 | | ^ | 16,9 | 15,0 | 15,1 |
| **Regulatory capital ratios (excludes unappropriated profits) (%)** | | | | | | |
| CET1 | | 7,3 | ^ | 12,6 | — | 10,5 |
| Tier 1 | | 8,5 | ^ | 13,3 | — | 11,0 |
| Total | | 10,8 | ^ | 16,1 | — | 14,0 |




| 2013 | 2014 | 2015 | 2016 | **2017** | |
|---|---|---|---|---|---|
| 11,3 | 10,8 | 10,5 | 11,6 | **13,4** | CET1 ratio (%) |
| 15,8 | 13,9 | 13,8 | 15,1 | **16,9** | Total capital adequacy ratio (%) |

Notes

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

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

# Capital management and RWA

for the reporting period ended 31 December

## Capital demand

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

| | Group | **2017 RWA Rm** | 2016 RWA Rm | **2017 Minimum capital requirements[1] Rm** |
|---|---|---|---|---|
| 1 | Credit risk excluding counterparty credit risk (CCR) | **527 466** | 498 826 | **42 198** |
| 2 | Of which standardised approach (SA) | **144 558** | 140 001 | **11 565** |
| 3 | Of which internal rating-based (IRB) approach | **382 908** | 358 825 | **30 633** |
| 4 | CCR | **38 126** | 33 337 | **3 050** |
| 5 | Of which standardised approach for CCR (SA-CCR)[2] | **38 126** | 33 337 | **3 050** |
| 6 | Of which internal model method (IMM) | **—** | — | **—** |
| 7 | Equity positions in banking book under market-based approach | **9 707** | 9 658 | **777** |
| 8 | Equity investments in funds – look-through approach | **—** | — | **—** |
| 9 | Equity investments in funds – mandate-based approach | **—** | — | **—** |
| 10 | Equity investments in funds – fall-back approach | **—** | — | **—** |
| 11 | Settlement risk | **1 130** | 1 842 | **90** |
| 12 | Securitisation exposures in banking book | **460** | 576 | **37** |
| 13 | Of which IRB ratings-based approach (RBA) | **460** | 576 | **37** |
| 14 | Of which IRB Supervisory Formula Approach (SFA) | **—** | — | **—** |
| 15 | Of which SA/simplified supervisory formula approach (SSFA) | **—** | — | **—** |
| 16 | Market risk | **24 761** | 28 890 | **1 981** |
| 17 | Of which standardised approach (SA) | **7 689** | 8 447 | **615** |
| 18 | Of which internal model approaches (IMA) | **17 072** | 20 443 | **1 366** |
| 19 | Operational risk | **105 730** | 100 433 | **8 458** |
| 20 | Of which basic indicator approach (BIA) | **3 432** | 3 849 | **274** |
| 21 | Of which standardised approach | **26 082** | 25 156 | **2 087** |
| 22 | Of which Advanced Measurement Approach (AMA) | **76 216** | 71 428 | **6 097** |
| | Non-customer assets | **24 167** | 23 524 | **1 933** |
| 23 | Amounts below the thresholds for deduction (subject to 250% risk weight) | **5 345** | 6 699 | **427** |
| 24 | Floor adjustment | **—** | — | **—** |
| 25 | Total (1+4+7+8+9+10+11+12+16+19+23+24+non-customer assets) | **736 892** | 703 785 | **58 951** |
| | Pillar 2a requirement (1,5%) | | | **11 053** |
| | Capital conservation buffer (1,25%)[3] | | | **9 212** |
| | SA minimum capital requirements including buffers[4] | | | **79 216** |

Key drivers of change in RWA consumption were as follows:

- **Credit risk:** Exposures subject to the AIRB approach have increased by R24,1bn mainly as a result of exposure growth in Corporate and Investment Banking (CIB) in line with balance sheet growth. The increase in the standardised approach (Africa subsidiaries) of R4,6bn is mainly due to loan growth in line with balance sheet growth, offset by a strengthening of the Rand against foreign currencies.
- **CCR:** The increase in CCR of R4,8bn is in line with market volatility, specifically exchange rate fluctuations.
- **Market risk:** The decrease in market risk of R4,1bn is due to lower levels of Value at Risk (VaR) and Stressed Value at Risk (sVaR) in the three-month averaging period.
- **Operational risk:** Operational risk increased by R5,3bn due to higher operating income attributable by AMA entities which drove an increase in the regulatory floor (TSA floor on AMA entities).

Notes

1 The 2017 minimum regulatory capital requirements are calculated based on the Basel Committee on Banking Supervision (BCBS) minimum regulatory capital requirement of 8%.

2 SA-CCR amount is calculated using the CEM.

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

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

# Capital management and RWA

for the reporting period ended

## Capital demand *(continued)*

| Absa Bank Limited[1] | 2017 RWA Rm | 2016 RWA Rm | 2017 Minimum capital requirements[2] Rm |
|---|---|---|---|
| 1 Credit risk (excluding CCR) | **384 998** | 366 099 | **30 800** |
| 2 Of which standardised approach (SA) | **12 882** | 15 018 | **1 031** |
| 3 Of which IRB approach | **372 116** | 351 081 | **29 769** |
| 4 CCR | **37 902** | 32 814 | **3 032** |
| 5 Of which standardised approach for CCR (SA-CCR)[3] | **37 902** | 32 814 | **3 032** |
| 6 Of which IMM | **—** | — | **—** |
| 7 Equity positions in banking book under market-based approach | **2 707** | 2 775 | **217** |
| 8 Equity investments in funds – look-through approach | **—** | — | **—** |
| 9 Equity investments in funds – mandate-based approach | **—** | — | **—** |
| 10 Equity investments in funds – fall-back approach | **—** | — | **—** |
| 11 Settlement risk | **1 069** | 1 773 | **85** |
| 12 Securitisation exposures in banking book | **460** | 576 | **37** |
| 13 Of which IRB RBA | **460** | 576 | **37** |
| 14 Of which IRB SFA | **—** | — | **—** |
| 15 Of which SA/SSFA | **—** | — | **—** |
| 16 Market risk | **20 633** | 22 935 | **1 651** |
| 17 Of which standardised approach (SA) | **3 561** | 2 492 | **285** |
| 18 Of which internal model approaches (IMM) | **17 072** | 20 443 | **1 366** |
| 19 Operational risk | **75 221** | 70 895 | **6 018** |
| 20 Of which BIA | **3 348** | 3 772 | **268** |
| 21 Of which standardised approach | **—** | — | **—** |
| 22 Of which AMA | **71 873** | 67 123 | **5 750** |
| Non-customer assets | **18 688** | 16 943 | **1 495** |
| 23 Amounts below the thresholds for deduction (subject to 250% risk weight) | **521** | 657 | **41** |
| 24 Floor adjustment | **—** | — | **—** |
| 25 Total (1+4+7+8+9+10+11+12+16+19+23+24+non-customer assets) | **542 199** | 515 467 | **43 376** |
| Pillar 2a requirement (1,5%) | | | **8 133** |
| Capital conservation buffer (1,25%)[4] | | | **6 777** |
| SA minimum capital requirements including buffers[5] | | | **58 286** |

Key drivers of change in RWA consumption were as follows:

- **Credit risk:** Exposures subject to the AIRB approach have increased by R21,0bn as a result of exposure growth in Corporate and Investment Banking (CIB) in line with balance sheet growth. The decrease under the SA of R2,1bn is mainly due to the reduction of the Edcon portfolio.
- **CCR:** The increase in CCR of R5,1bn is in line with market volatility, specifically exchange rate fluctuations.
- **Market risk:** The decrease in market risk of R2,3bn is due to lower levels of Value at Risk (VaR) and Stressed Value at Risk (SVaR) in the three-month averaging period.
- **Operational risk:** Operational risk increased by R4,3bn due to higher operating income attributable by AMA entities which drove an increase in the regulatory floor (TSA floor on AMA entities).

Notes

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

# Capital management and RWA

for the reporting period ended 31 December

## Capital supply

### Breakdown of qualifying capital

| Group | 2017 Rm | 2017 %[1] | 2016 Rm | 2016 %[1] |
|---|---|---|---|---|
| **Common Equity Tier 1** | **91 297** | **12,4** | 80 451 | 11,4 |
| Ordinary share capital | **1 666** | **0,3** | 1 693 | 0,2 |
| Ordinary share premium | **10 498** | **1,4** | 4 468 | 0,6 |
| Reserves[2] | **85 048** | **11,5** | 78 546 | 11,2 |
| Non-controlling interest | **1 910** | **0,3** | 2 084 | 0,3 |
| Deductions | **(7 825)** | **(1,1)** | (6 340) | (0,9) |
| Goodwill | **(684)** | **(0,1)** | (715) | (0,1) |
| Amount by which expected loss exceeds eligible provisions | **(2 083)** | **(0,3)** | (2 128) | (0,3) |
| Other deductions | **(5 058)** | **(0,7)** | (3 497) | (0,5) |
| **Additional Tier 1 capital** | **4 364** | **0,6** | 3 557 | 0,5 |
| **Tier 1 capital** | **95 661** | **13,0** | 84 008 | 11,9 |
| **Tier 2 capital** | **15 213** | **2,0** | 15 495 | 2,2 |
| Instruments recognised as Tier 2 capital | **14 675** | **2,0** | 14 911 | 2,1 |
| General allowance for impairment losses on loans and advances – standardised approach | **538** | **0,0** | 584 | 0,1 |
| **Total qualifying capital (excluding unappropriated profits)** | **110 874** | **15,0** | 99 503 | 14,1 |
| **Qualifying capital (including unappropriated profits)** | | | | |
| **Tier 1 capital** | **103 686** | **14,1** | 88 991 | 12,6 |
| CET1 (excluding unappropriated profits) | **91 297** | **12,4** | 80 451 | 11,4 |
| Unappropriated profits | **8 025** | **1,1** | 4 983 | 0,7 |
| Additional Tier 1 | **4 364** | **0,6** | 3 557 | 0,5 |
| **Tier 2 capital** | **15 213** | **2,0** | 15 495 | 2,2 |
| **Total qualifying capital (including unappropriated profits)** | **118 899** | **16,1** | 104 486 | 14,8 |
| **Normalised qualifying capital (including unappropriated profits)** | **109 602** | **14,9** | 104 486 | 14,8 |

### *Leverage*

| Group | 2017 31 Dec | 2017 30 Sep | 2017 30 Jun | 2017 31 Mar |
|---|---|---|---|---|
| Leverage ratio exposure (Rm) | **1 311 893** | 1 318 673 | 1 259 572 | 1 254 437 |
| Tier 1 capital (excluding unappropriated profits) (Rm) | **95 661** | 98 736 | 96 225 | 82 249 |
| Tier 1 capital (including unappropriated profits) (Rm) | **103 686** | 103 875 | 101 802 | 86 348 |
| Leverage ratio (excluding unappropriated profits) (%) | **7,3** | 7,5 | 7,6 | 6,6 |
| Leverage ratio (including unappropriated profits) (%) | **7,9** | 7,9 | 8,1 | 6,9 |
| Board target leverage ratio (%) | **≥4,5** | ≥4,5 | ≥4,5 | ≥4,5 |
| **Minimum required leverage ratio (%)** | **4,0** | 4,0 | 4,0 | 4,0 |

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

# Capital management and RWA

for the reporting period ended 31 December

## Capital supply *(continued)*

| Absa Bank Limited[1] | 2017 Rm | %[2] | 2016 Rm | %[2] |
|---|---|---|---|---|
| **Common Equity Tier 1** | **68 194** | **12,6** | 54 185 | 10,5 |
| Ordinary share capital | **304** | **0,1** | 304 | 0,1 |
| Ordinary share premium | **36 880** | **6,8** | 24 964 | 4,8 |
| Reserves[3] | **37 545** | **6,9** | 33 560 | 6,5 |
| Deductions | **(6 535)** | **(1,2)** | (4 643) | (0,9) |
| Amount by which expected loss exceeds eligible provisions | **(2 139)** | **(0,4)** | (1 983) | (0,4) |
| Other deductions | **(4 396)** | **(0,8)** | (2 660) | (0,5) |
| **Additional Tier 1 capital** | **3 812** | **0,7** | 2 758 | 0,5 |
| **Tier 1 capital** | **72 006** | **13,3** | 56 943 | 11,0 |
| **Tier 2 capital** | **15 024** | **2,8** | 15 025 | 3,0 |
| Instruments recognised as Tier 2 capital | **14 917** | **2,8** | 14 881 | 2,9 |
| General allowance for impairment losses on loans and advances – standardised approach | **107** | **0,0** | 144 | 0,1 |
| **Total qualifying capital (excluding unappropriated profits)** | **87 030** | **16,1** | 71 968 | 14,0 |
| **Qualifying capital (including unappropriated profits)** | | | | |
| **Tier 1 capital** | **76 454** | **14,1** | 62 744 | 12,2 |
| CET1 (excluding unappropriated profits) | **68 194** | **12,6** | 54 185 | 10,5 |
| Unappropriated profits | **4 448** | **0,8** | 5 801 | 1,1 |
| Additional Tier 1 | **3 812** | **0,7** | 2 758 | 0,6 |
| **Tier 2 capital** | **15 024** | **2,8** | 15 025 | 2,9 |
| **Total qualifying capital (including unappropriated profits)** | **91 478** | **16,9** | 77 769 | 15,1 |
| **Normalised total qualifying capital (including unappropriated profits)** | **81 513** | **15,0** | 77 769 | 15,1 |

## *Leverage*

| Absa Bank Limited[1] | 2017 31 Dec | 30 Sep | 30 Jun | 31 Mar |
|---|---|---|---|---|
| Leverage ratio exposure (Rm) | **1 153 338** | 1 136 516 | 1 095 984 | 1 092 562 |
| Tier 1 capital (excluding unappropriated profits) (Rm) | **72 006** | 72 860 | 71 613 | 55 656 |
| Tier 1 capital (including unappropriated profits) (Rm) | **76 454** | 75 640 | 76 541 | 62 228 |
| Leverage ratio (excluding unappropriated profits) (%) | **6,2** | 6,4 | 6,5 | 5,1 |
| Leverage ratio (including unappropriated profits) (%) | **6,6** | 6,7 | 7,0 | 5,7 |
| Board target leverage ratio (%) | **≥4,5** | ≥4,5 | ≥4,5 | ≥4,5 |
| **Minimum required leverage ratio (%)** | **4,0** | 4,0 | 4,0 | 4,0 |

Notes

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

[2] Percentage of capital to RWAs.

[3] Reserves exclude unappropriated profits.

# Capital management and RWA

for the reporting period ended 31 December

## Economic capital adequacy (ECA)

EC is an estimate of the maximum downward deviation from expectation in shareholder value, measured on an economic basis over a one-year time horizon and at a 99,9% confidence level. In practice, EC provides a common basis on which to aggregate and compare different risk types using a single measure. EC measures all Basel III Pillar 1 risks as well as additional risks such as IRRBB and business risk.

EC demand is compared to the Available Financial Resources (AFR), which is also referred to as EC supply, to evaluate the total EC excess.

The Group ensures that there are sufficient AFR in order to meet this minimum demand requirement under severe yet plausible stress conditions.

| Group<br>EC demand | 2017[1]<br>Rm | 2016[2]<br>Rm |
|---|---|---|
| Retail credit risk | 13 451 | 14 385 |
| Securitisation | 31 | 36 |
| Wholesale credit risk | 36 370 | 35 765 |
| Residual value risk | 402 | 375 |
| Operational risk | 6 140 | 6 092 |
| Traded market risk | 2 732 | 2 000 |
| Non-traded market risk[3] | 5 397 | 8 356 |
| Equity investment risk | 1 548 | 1 809 |
| Property and equipment risk | 8 730 | 7 101 |
| Insurance risk | 3 104 | 3 237 |
| Business risk | 5 364 | 6 343 |
| Total EC requirement | 83 269 | 85 499 |
| IFRS Total EC AFR[4] | 118 873 | 99 022 |
| IFRS total EC excess | 35 604 | 13 523 |
| Normalised total EC AFR[5] | 109 037 | 99 022 |
| Normalised total EC excess | 25 768 | 13 523 |

Notes

[1] EC demand and AFR reported on a spot basis as at December 2017.

[2] EC demand restated to show a 99,9% confidence interval on a spot basis, compared to the previous 99,95% confidence interval on an average basis. Insurance risk is shown at a 99,6% confidence interval.

[3] The decrease in EC demand for non-traded market risk is due to refinements made in the sourcing of market curves for Rest of Africa, together with the introduction of diversification between Rest of Africa countries.

[4] IFRS AFR methodology revised to exclude future earnings. The increase is mainly due to the contribution amounts received from Barclays PLC.

[5] Normalised AFR methodology revised to exclude future earnings. This excludes the contribution amounts received from Barclays PLC. The increase is due to growth in earnings as well as the issuance of new style Additional Tier 1 and Tier 2 capital instruments.

# Capital management and RWA

for the reporting period ended 31 December

## Credit ratings

| | Standard & Poor's | | Moody's | |
|---|---|---|---|---|
| | Barclays Africa Group | Absa Bank Limited[1] | Barclays Africa Group | Absa Bank Limited[1] |
| **National** | | | | |
| Short-term | zaA –2 | zaA – 1 + | Prime –1.za | Prime –1.za |
| Long-term | zaBBB + | zaAA – | Aa3.za | Aa1.za |
| **Local currency** | | | | |
| Short-term | — | — | Not – Prime | Prime –3 |
| Long-term | — | — | Ba1 | Baa3 |
| Outlook | — | — | Review for downgrade | Review for downgrade |
| **Foreign currency** | | | | |
| Short-term | — | — | Not – Prime | Prime –3 |
| Long-term | — | — | Ba1 | Baa3 |
| Outlook | — | — | Review for downgrade | Review for downgrade |
| **Baseline credit assessment** | | | | |
| Group credit profile | — | — | — | baa3 |
| Counterparty risk | — | — | — | Baa2 (cr)/P – 2 (cr) |

## Recovery and resolution planning

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

The key objectives of the Recovery Plan are to:

- Set consistent and objective EWIs that allow the Group to monitor its capital and liquidity position and to identify and respond timeously when the Group might come under severe stress;
- Provide the Group with plausible, timely and effective management actions to ensure the Group is adequately prepared when Contingency Funding Plan (CFP) actions may be inadequate for severe stressed conditions. This will be done through an approved execution approach and communication plan, and identification of risks and potential impacts of the recovery options; and
- Provide the Group with an understanding of the potential effectiveness of recovery options under varying forms of severe stress, through determining estimates of the capital, liquidity and balance sheet impacts of the recovery options and by assessing their likely effectiveness under a range of severe stress scenarios.

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

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

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

Note

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

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# Appendices

# Segment report per market segment

for the reporting period ended 31 December

| | RBB | | |
|---|---|---|---|
| | **2017** | 2016[1] | Change % |
| **Statement of comprehensive income (Rm)** | | | |
| Net interest income | **32 289** | 32 937 | (2) |
| Non-interest income | **19 732** | 19 127 | 3 |
| **Total income** | **52 021** | 52 064 | (0) |
| Impairment losses on loans and advances | **(5 988)** | (7 371) | (19) |
| Operating expenses | **(31 160)** | (29 847) | 4 |
| Other expenses | **(304)** | (563) | (46) |
| **Operating profit before income tax** | **14 569** | 14 283 | 2 |
| Tax expense | **(4 282)** | (4 228) | 1 |
| **Profit for the reporting period** | **10 287** | 10 055 | 2 |
| **Profit attributable to:** | | | |
| Ordinary equity holders | **9 555** | 9 324 | 2 |
| Non-controlling interest – ordinary shares | **473** | 501 | (6) |
| Non-controlling interest – preference shares | **259** | 230 | 13 |
| | **10 287** | 10 055 | 2 |
| **Headline earnings** | **9 544** | 9 531 | 0 |
| **Statement of financial position (Rm)** | | | |
| Loans and advances to customers | **485 521** | 474 340 | 2 |
| Loans and advances to banks | **7 894** | 6 348 | 24 |
| Investment securities | **43 112** | 42 138 | 2 |
| Other assets | **291 755** | 287 998 | 1 |
| **Total assets** | **828 282** | 810 824 | 2 |
| Deposits due to customers | **360 321** | 348 012 | 4 |
| Debt securities in issue | **428** | 871 | (51) |
| Other liabilities | **455 490** | 451 161 | 1 |
| **Total liabilities** | **816 239** | 800 044 | 2 |

| **Key rest of Africa closing exchange rates in ZAR terms** | | **2017** | 2016 | Change % |
|---|---|---|---|---|
| Botswana | ZAR/BWP | **1,26** | 1,28 | (2) |
| Ghana | ZAR/GHS | **2,73** | 3,24 | (16) |
| Kenya | ZAR/KES | **0,12** | 0,13 | (8) |
| Mauritius Onshore | ZAR/MUR | **0,37** | 0,38 | (3) |
| Mauritius Offshore | ZAR/USD | **12,36** | 13,67 | (10) |
| Mozambique | ZAR/MZN | **0,21** | 0,19 | 11 |
| Namibia | ZAR/NAD | **1,00** | 0,98 | 2 |
| Seychelles | ZAR/SCR | **0,92** | 1,01 | (9) |
| Tanzania | ZAR/TZS | **0,01** | 0,01 | — |
| Uganda | ZAR/UGX | **0,00** | 0,00 | — |
| Zambia | ZAR/ZMW | **1,24** | 1,38 | (10) |

Note

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

| CIB | | | WIMI | | | Head Office, Treasury and other operations | | |
|---|---|---|---|---|---|---|---|---|
| 2017 | 2016[1] | Change % | 2017 | 2016[1] | Change % | 2017 | 2016[1] | Change % |
| 10 458 | 9 519 | 10 | 362 | 374 | (3) | (790) | (827) | (4) |
| 6 481 | 6 685 | (3) | 5 128 | 4 847 | 6 | (760) | (268) | >100 |
| 16 939 | 16 204 | 5 | 5 490 | 5 221 | 5 | (1 550) | (1 095) | 42 |
| (906) | (1 403) | (35) | (120) | (10) | >100 | (8) | 33 | <(100) |
| (7 977) | (7 786) | 2 | (3 631) | (3 540) | 3 | 1 365 | 1 217 | 12 |
| (207) | (191) | 8 | (219) | (171) | 28 | (976) | (1 080) | (10) |
| 7 849 | 6 824 | 15 | 1 520 | 1 500 | 1 | (1 169) | (925) | 26 |
| (1 717) | (1 406) | 22 | (425) | (291) | 46 | 159 | 90 | 77 |
| 6 132 | 5 418 | 13 | 1 095 | 1 209 | (9) | (1 010) | (835) | 21 |
| 5 674 | 4 996 | 14 | 1 086 | 1 223 | (11) | (1 010) | (835) | 21 |
| 311 | 306 | 2 | 5 | (19) | <(100) | — | — | — |
| 147 | 116 | 27 | 4 | 5 | (20) | (48) | — | 100 |
| 6 132 | 5 418 | 13 | 1 095 | 1 209 | (9) | (1 010) | (835) | 21 |
| 5 674 | 5 030 | 13 | 1 156 | 1 258 | (8) | (816) | (839) | (3) |
| 258 302 | 239 690 | 8 | 5 004 | 5 660 | (12) | 945 | 619 | 53 |
| 33 139 | 34 122 | (3) | 1 847 | 1 973 | (6) | 12 546 | 7 347 | 71 |
| 31 719 | 25 431 | 25 | 4 765 | 4 687 | 2 | 31 813 | 42 059 | (24) |
| 219 594 | 201 358 | 9 | 39 066 | 38 687 | 1 | (301 955) | (311 434) | (3) |
| 542 754 | 500 601 | 8 | 50 682 | 51 007 | (1) | (256 651) | (261 409) | (2) |
| 224 655 | 223 817 | 0 | 5 150 | 5 144 | 0 | 99 741 | 97 892 | 2 |
| 12 532 | 14 326 | (13) | — | — | — | 124 988 | 124 517 | 0 |
| 297 375 | 255 545 | 16 | 40 687 | 40 548 | 0 | (564 608) | (563 090) | (0) |
| 534 562 | 493 688 | 8 | 45 837 | 45 692 | 0 | (339 879) | (340 681) | 0 |

| Total Group normalised performance | | | Barclays separation effects | | | Group | | |
|---|---|---|---|---|---|---|---|---|
| **2017** | 2016 | Change % | **2017** | 2016 | Change % | **2017 Rm** | 2016 | Change % |
| **42 319** | 42 003 | 1 | **325** | — | 100 | **42 644** | 42 003 | 2 |
| **30 581** | 30 391 | 1 | **80** | — | 100 | **30 661** | 30 391 | 1 |
| **72 900** | 72 394 | 1 | **405** | — | 100 | **73 305** | 72 394 | 1 |
| **(7 022)** | (8 751) | (20) | **—** | — | — | **(7 022)** | (8 751) | (20) |
| **(41 403)** | (39 956) | 4 | **(1 901)** | — | 100 | **(43 304)** | (39 956) | 8 |
| **(1 706)** | (2 005) | (15) | **( 394)** | — | 100 | **(2 270)** | (2 120) | 7 |
| **22 769** | 21 682 | 5 | **(1 890)** | — | 100 | **20 879** | 21 682 | (4) |
| **(6 265)** | (5 835) | 7 | **408** | — | 100 | **(5 857)** | (5 835) | (0) |
| **16 504** | 15 847 | 4 | **(1 482)** | — | 100 | **15 022** | 15 847 | (5) |
| **15 305** | 14 708 | 4 | **(1 482)** | — | 100 | **13 823** | 14 708 | (6) |
| **789** | 788 | 0 | **—** | — | — | **789** | 788 | 0 |
| **362** | 351 | 3 | **—** | — | — | **362** | 351 | 3 |
| **16 504** | 15 847 | 4 | **(1 482)** | — | 100 | **15 022** | 15 847 | (5) |
| **15 558** | 14 980 | 4 | **(1 245)** | — | 100 | **14 313** | 14 981 | (4) |
| **749 772** | 720 309 | 4 | **—** | — | — | **749 772** | 720 309 | 4 |
| **55 426** | 49 790 | 11 | **—** | — | — | **55 426** | 49 789 | 11 |
| **111 409** | 114 315 | (3) | **—** | — | — | **111 409** | 114 315 | (3) |
| **248 460** | 216 609 | 15 | **912** | — | 100 | **249 372** | 216 610 | 15 |
| **1 165 067** | 1 101 023 | 6 | **912** | — | 100 | **1 165 979** | 1 101 023 | 6 |
| **689 867** | 674 865 | 2 | **—** | — | — | **689 867** | 674 865 | 2 |
| **137 948** | 139 714 | (1) | **—** | — | — | **137 948** | 139 714 | (1) |
| **228 944** | 184 164 | 24 | **(9 840)** | — | 100 | **219 104** | 184 164 | 19 |
| **1 056 759** | 998 743 | 6 | **(9 840)** | — | 100 | **1 046 919** | 998 743 | 5 |

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# RBB

for the reporting period ended 31 December

| | RBB South Africa | | |
|---|---|---|---|
| | **2017** | 2016[1] | Change % |
| **Statement of comprehensive income (Rm)** | | | |
| Net interest income | **25 542** | 25 587 | (0) |
| Non-interest income | **17 182** | 16 345 | 5 |
| **Total income** | **42 724** | 41 932 | 2 |
| Impairment losses on loans and advances | **(5 038)** | (6 022) | (16) |
| Operating expenses | **(24 431)** | (22 843) | 7 |
| Other expenses | **(157)** | (432) | (64) |
| **Operating profit before income tax** | **13 098** | 12 635 | 4 |
| Tax expenses | **(3 702)** | (3 528) | 5 |
| **Profit for the reporting period** | **9 396** | 9 107 | 3 |
| **Profit attributable to:** | | | |
| Ordinary equity holders | **8 867** | 8 611 | 3 |
| Non-controlling interest – ordinary shares | **270** | 266 | 2 |
| Non-controlling interest – preference shares | **259** | 230 | 13 |
| | **9 396** | 9 107 | 3 |
| **Headline earnings** | **8 874** | 8 822 | 1 |
| **Statement of financial position (Rm)** | | | |
| Loans and advances to customers | **446 894** | 434 139 | 3 |
| Loans and advances to banks | **7 893** | 6 348 | 24 |
| Investment securities | **43 101** | 42 132 | 2 |
| Other assets | **256 339** | 247 914 | 3 |
| **Total assets** | **754 227** | 730 533 | 3 |
| Deposits due to customers | **300 946** | 286 297 | 5 |
| Debt securities in issue | **400** | 871 | (54) |
| Other liabilities | **440 456** | 431 572 | 2 |
| **Total liabilities** | **741 802** | 718 740 | 3 |

Note

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

| RBB Rest of Africa | | | Total RBB | | |
|---|---|---|---|---|---|
| **2017** | 2016[1] | Change % | **2017** | 2016[1] | Change % |
| **6 747** | 7 350 | (8) | **32 289** | 32 937 | (2) |
| **2 550** | 2 782 | (8) | **19 732** | 19 127 | 3 |
| **9 297** | 10 132 | (8) | **52 021** | 52 064 | (0) |
| **(950)** | (1 349) | (30) | **(5 988)** | (7 371) | (19) |
| **(6 729)** | (7 004) | (4) | **(31 160)** | (29 847) | 4 |
| **(147)** | (131) | 12 | **(304)** | (563) | (46) |
| **1 471** | 1 648 | (11) | **14 569** | 14 283 | 2 |
| **(580)** | (700) | (17) | **(4 282)** | (4 228) | 1 |
| **891** | 948 | (6) | **10 287** | 10 055 | 2 |
| **688** | 713 | (4) | **9 555** | 9 324 | 2 |
| **203** | 235 | (14) | **473** | 501 | (6) |
| **—** | — | — | **259** | 230 | 13 |
| **891** | 948 | (6) | **10 287** | 10 055 | 2 |
| **670** | 709 | (6) | **9 544** | 9 531 | 0 |
| **38 627** | 40 201 | (4) | **485 521** | 474 340 | 2 |
| **1** | — | 100 | **7 894** | 6 348 | 24 |
| **11** | 6 | 83 | **43 112** | 42 138 | 2 |
| **35 416** | 40 084 | (12) | **291 756** | 287 998 | 1 |
| **74 055** | 80 291 | (8) | **828 283** | 810 824 | 2 |
| **59 375** | 61 715 | (4) | **360 321** | 348 012 | 4 |
| **28** | — | 100 | **428** | 871 | (51) |
| **15 034** | 19 589 | (23) | **455 491** | 451 161 | 1 |
| **74 437** | 81 304 | (8) | **816 240** | 800 044 | 2 |

# CIB

for the reporting period ended 31 December

| | Corporate | | |
|---|---|---|---|
| | **2017** | 2016[1] | Change % |
| **Statement of comprehensive income (Rm)** | | | |
| Net interest income | **7 519** | 6 784 | 11 |
| Non-interest income | **1 954** | 1 873 | 4 |
| **Total income** | **9 473** | 8 657 | 9 |
| Impairment losses on loans and advances | **(529)** | (468) | 13 |
| Operating expenses | **(4 690)** | (4 533) | 3 |
| Other expenses | **(46)** | (47) | (2) |
| **Operating profit before income tax** | **4 208** | 3 609 | 17 |
| Tax expenses | **(1 127)** | (897) | 26 |
| **Profit for the reporting period** | **3 081** | 2 712 | 14 |
| **Profit attributable to:** | | | |
| Ordinary equity holders | **2 795** | 2 459 | 14 |
| Non-controlling interest – ordinary shares | **233** | 211 | 10 |
| Non-controlling interest – preference shares | **53** | 42 | 26 |
| | **3 081** | 2 712 | 14 |
| Headline earnings | **2 795** | 2 460 | 14 |
| **Statement of financial position (Rm)** | | | |
| Loans and advances to customers | **128 077** | 114 550 | 12 |
| Loans and advances to banks | **2 205** | 1 110 | 99 |
| Investment securities | **6 928** | 5 966 | 16 |
| Other assets | **78 380** | 92 324 | (15) |
| **Total assets** | **215 590** | 213 950 | 1 |
| Deposits due to customers | **196 894** | 198 186 | (1) |
| Debt securities in issue | **—** | 5 | (100) |
| Other liabilities | **16 141** | 13 221 | 22 |
| **Total liabilities** | **213 035** | 211 412 | 1 |

Note

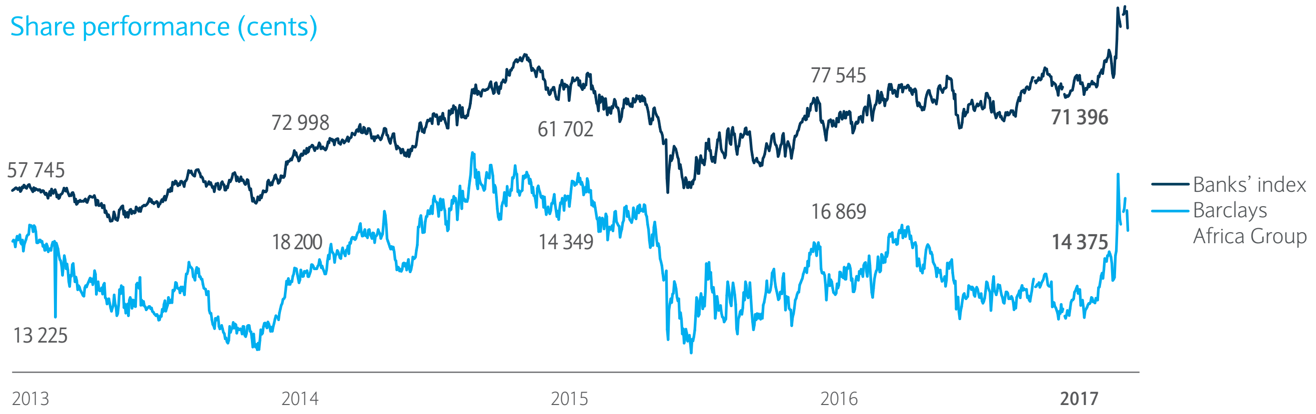
[1] These numbers have been restated, refer to the reporting changes overview on the inside front cover.

| Investment Bank | | | Total CIB | | |
|---|---|---|---|---|---|
| 2017 | 2016[1] | Change % | 2017 | 2016[1] | Change % |
| | | | | | |
| **2 939** | 2 735 | 7 | **10 458** | 9 519 | 10 |
| **4 527** | 4 812 | (6) | **6 481** | 6 685 | (3) |
| **7 466** | 7 547 | (1) | **16 939** | 16 204 | 5 |
| **(377)** | (935) | (60) | **(906)** | (1 403) | (35) |
| **(3 287)** | (3 253) | 1 | **(7 977)** | (7 786) | 2 |
| **(161)** | (144) | 12 | **(207)** | (191) | 8 |
| **3 641** | 3 215 | 13 | **7 849** | 6 824 | 15 |
| **(590)** | (509) | 16 | **(1 717)** | (1 406) | 22 |
| **3 051** | 2 706 | 13 | **6 132** | 5 418 | 13 |
| | | | | | |
| **2 879** | 2 537 | 13 | **5 674** | 4 996 | 14 |
| **78** | 95 | (18) | **311** | 306 | 2 |
| **94** | 74 | 27 | **147** | 116 | 27 |
| **3 051** | 2 706 | 13 | **6 132** | 5 418 | 13 |
| **2 879** | 2 570 | 12 | **5 674** | 5 030 | 13 |
| | | | | | |
| **130 225** | 125 140 | 4 | **258 302** | 239 690 | 8 |
| **30 934** | 33 012 | (6) | **33 139** | 34 122 | (3) |
| **24 791** | 19 465 | 27 | **31 719** | 25 431 | 25 |
| **141 214** | 109 034 | 30 | **219 373** | 201 358 | 9 |
| **327 164** | 286 651 | 14 | **542 533** | 500 601 | 8 |
| **27 761** | 25 631 | 8 | **224 655** | 223 817 | 0 |
| **12 532** | 14 321 | (12) | **12 532** | 14 326 | (13) |
| **281 234** | 242 324 | 16 | **297 154** | 255 545 | 16 |
| **321 527** | 282 276 | 14 | **534 341** | 493 688 | 8 |

# Share performance

for the reporting period ended 31 December

## Share performance (cents)



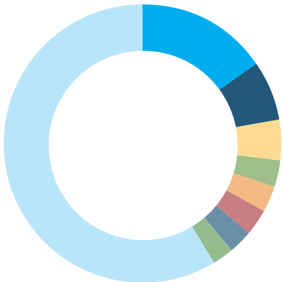

| Share performance on the JSE | 2017 | 2016 | Change % |
|---|---|---|---|
| Number of shares in issue, which includes **2 196 604** (2016: 1 075 595) treasury shares | **847 750 679** | 847 750 679 | — |
| Market prices (cents per share): | | | |
| closing | **18 199** | 16 869 | 8 |
| high | **18 199** | 17 155 | 6 |
| low | **17 650** | 11 955 | 48 |
| average | **15 006** | 14 777 | 2 |
| Normalised closing price/NAV per share (excluding preference shares) (%) | **1,58** | 1,54 | 3 |
| Normalised price-to-earnings ratio (closing price/HEPS) (%) | **9,9** | 9,5 | 4 |
| Volumes of shares traded (million) | **1 072,0** | 772,8 | 39 |
| Value of shares traded (million) | **160 223,5** | 111 191,8 | 44 |
| Market capitalisation (Rm) | **154 282,1** | 143 007,1 | 8 |
| Annual total return (%) | **14,1** | 24,6 | (43) |

# Shareholder information and diary

for the reporting period ended 31 December

## Major ordinary shareholders (%)

| | | |
|---|---|---|
| 14,88 | (50,10) | Barclays Bank PLC (UK) |
| 6,56 | (6,86) | Public Investment Corporation (SA) |
| 4,47 | (3,11) | Old Mutual Asset Managers (SA) |
| 3,06 | (1,69) | Black Rock Incorporated (US) |
| 2,95 | (2,01) | Prudential Investment Managers (SA) |



| | | |
|---|---|---|
| 2,89 | (1,66) | The Vanguard Group Incorporated (US, AU) |
| 2,69 | (1,93) | Schroders Plc (US) |
| 2,39 | (1,65) | Dimensional Fund Advisors (US, UK) |
| 60,11 | (30,99) | Other |

## Major shareholding split by geography (%)

| | | |
|---|---|---|
| 27,52 | (54,10) | United Kingdom |
| 40,68 | (25,32) | South Africa |
| 16,58 | (11,64) | United States and Canada |
| 15,22 | (8,94) | Other countries |

## Shareholder diary

| | |
|---|---|
| Annual general meeting[1] | 15 May 2018 |
| Announcement of the 2018 interim results[1] | 1 August 2018 |
| Financial year-end | 31 December 2018 |

| Dividend | Declaration date | Last day to trade | Ex-dividend date | Record date | Payment date |
|---|---|---|---|---|---|
| Final[1] | 1 March 2018 | 10 April 2018 | 11 April 2018 | 13 April 2018 | 16 April 2018 |
| Interim | 1 August 2018 | 11 September 2018 | 12 September 2018 | 14 September 2018 | 17 September 2018 |

Note

[1] Subject to change.

# Glossary

## Amounts written off

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

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

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

## Average interest-bearing assets

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

## Balance sheet

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

## Bank

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

## Banking average assets

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

## Banking book annual earnings at risk

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

## Banking interest yield

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

## Banking non-interest yield

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

## Banking income yield

Income as a proportion of banking average assets.

## Banks Act

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

## Barclays

Barclays PLC, registered in England under registration number 1026167.

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

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

# Glossary

## Borrowed funds

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

## Common Equity Tier 1 (CET1) capital

CET1 capital consists of the sum of the following elements:

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

## Common Equity Tier 1 capital adequacy ratio

Common Equity Tier 1 regulatory capital as a percentage of total risk-weighted assets.

## Additional Tier 1 capital

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

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

## Tier 1 capital adequacy ratio

Tier 1 regulatory capital as a percentage of total risk-weighted assets.

## Tier 2 capital

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

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

## Total capital adequacy ratio (CAR)

Total qualifying regulatory capital as a percentage of total risk-weighted assets.

## Claims ratio

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

## Combined ratio

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

## Conduct risk

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

# Glossary

## Constant currency

The selected line items from the Condensed consolidated statement of comprehensive income and Condensed consolidated statement of financial position for the Rest of Africa market segment disclosed on pages 90 and 91 are derived by translating the Statement of comprehensive income and Statement of financial position from the respective individual entities' local currencies to Rand.

The current reporting period's results are translated at the current reporting period's average rates for the statement of comprehensive income, while the closing rate is used for the statement of financial position in terms of IFRS.

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

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

## Cost-efficiency ratio

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

## Cost of equity

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

## Cost-to-income ratio

'Operating expenses' as a percentage of income. Income consists of net interest income and non-interest income.

## Coverage ratio

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

## Credit loss ratio

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

## Debt securities in issue

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

## Diluted headline earnings per share

Headline earnings for the reporting period that is attributable to ordinary equity holders, as a proportion of the weighted average number of ordinary shares in issue adjusted for the effect of all potential dilutive ordinary shares.

## Distribution force

Number of active advisers.

## Dividend cover

Headline earnings per share divided by dividend per share.

## Dividend per ordinary share relating to income for the reporting period

Dividend per ordinary share for the reporting period is the actual interim dividends paid and the final dividends declared for the reporting period under consideration, expressed as cents per share.

Special dividend per ordinary share is a payment made by the Group that is considered separate from the typical recurring dividend cycle, expressed as cents per share.

## Earnings per share

### *Basic earnings per share*

This constitutes the net profit for the reporting period, less earnings attributable to non-controlling interest, divided by the weighted average number of ordinary shares in issue during the reporting period.

### *Diluted basic earnings per share*

The amount of profit for the reporting period that is attributable to ordinary equity holders, divided by the weighted average number of ordinary shares in issue during the reporting period, both adjusted for the effects of all potential dilutive ordinary shares, assuming they had been in issue for the reporting period.

# Glossary

## Economic capital

Economic capital is an estimate of the maximum downward deviation from expectation in shareholder value, measured on an economic basis over a one-year time horizon and at a 99,9% confidence level. This sets the internal capital requirement deemed necessary by the Group to support the risks to which it is exposed.

## Embedded value

The embedded value of the covered business is the discounted value of the future after-tax shareholder profits (net of the opportunity cost of the required capital) arising from covered business in force at the valuation date, together with the adjusted net worth of the covered business. Covered business is taken to be all long-term insurance business written under the Group's licence.

The free surplus is the excess of assets over the sum of liabilities and required capital, with assets at market value and liabilities on the statutory valuation method, adjusted to add back inadmissible assets. The required capital is taken to be two times the statutory capital adequacy requirement, in line with the results of internal capital models and the Group's dividend policy.

## Exchange differences

Differences resulting from the translation of a given number of units of one currency into another currency at different exchange rates.

## Financial Markets Act

This means the Financial Markets Act No 19 of 2012 and its regulations. This Act is the primary legislation governing the regulation of financial markets, market infrastructure and securities services in South Africa. It focuses primarily on the licensing and regulation of exchanges, central securities depositories, clearing houses, trade repositories and market infrastructure. The Act also strengthens measures already in place aimed at prohibiting insider trading and other market abuses.

## Foreign currency translation

Foreign currency accounts of the Group's subsidiaries translated to reporting currency, with the foreign adjusted currency translation included in a foreign currency translation reserve as equity capital.

## Gains and losses from banking and trading activities

Banking and trading portfolios include:

- realised gains and losses on financial instruments held at amortised cost, held-to-maturity or available-for-sale;
- realised gains and losses on the disposal of associates, joint ventures and subsidiaries within the banking portfolios;
- realised and unrealised gains and losses on financial instruments designated at fair value through profit or loss; and
- interest, dividends and fair value movements on certain financial instruments held for trading or designated at fair value through profit or loss.

## Gains and losses from investment activities

Insurance and strategic investment portfolios including:

- realised gains and losses on financial instruments held at amortised cost, held-to-maturity or available-for-sale;
- realised gains and losses on the disposal of associates, joint ventures and subsidiaries;
- realised and unrealised gains and losses on financial instruments designated at fair value through profit or loss; and
- interest, dividends and fair value movements on certain financial instruments held for trading or designated at fair value through profit or loss.

## Gross credit extended

Loans advanced to customers and banks, as well as off-balance sheet exposures.

## Group

Barclays Africa Group Limited, together with its subsidiary undertakings, special-purpose entities, joint ventures, associates and offshore holdings. It is also referred to as 'the Group' or 'Barclays Africa Group' in this report.

## Headline earnings

Headline earnings reflects the operating performance separated from remeasurements (an amount recognised in the statement of comprehensive income relating to any change (realised or unrealised) in the carrying amount of an asset/liability that arose after the initial recognition of such asset or liability) as well as non-controlling interest of preference shares or ordinary shares, where relevant.

## Headline earnings per share

Profit attributable to ordinary equity holders after adjusting for separately identifiable remeasurements, net of tax and non-controlling interest, divided by the weighted average number of ordinary shares in issue. A remeasurement is an amount recognised in profit or loss relating to any change in the carrying amount of an asset or liability that arose after the initial recognition of such asset or liability.

# Glossary

## Diluted headline earnings per share

Diluted headline earnings per share is calculated by adjusting both the headline earnings and the weighted average number of ordinary shares outstanding for the effects of all potential dilutive ordinary shares, assuming they had been in issue for the reporting period.

## Impairments raised – Identified

Impaired loans with key indicators of default being:

- the borrower is unlikely to pay its credit obligation in full, without recourse by the Group to actions such as realising security held; and/or
- the borrower is overdue.

A retail identified impairment is triggered when a contractual payment is missed and is raised on a collective basis. Future cash flows for a group of financial assets, which are collectively evaluated for impaired purposes, are estimated based on the contractual cash flows of the assets in the Group and the historical loss experienced for assets with similar credit risk characteristics to those in the Group.

In the wholesale portfolio, an identified impairment is raised on an individual basis and is the difference between the outstanding capital and the present value of future cash flows.

## Impairments raised – Unidentified

Allowances are raised when observable data indicates a measurable decrease in the estimated future cash flows from a group of financial assets since their original recognition, even though the decrease cannot yet be linked to individual assets in the Group. The unidentified impairment calculation is based on the asset's probability of moving from the performing portfolio to the defaulted portfolio as a result of a risk condition that has already occurred, but will only be identifiable at a borrower level at a future date.

## Indirect taxation

Indirect taxes are the taxes that are levied on transitions rather than on persons (whether individuals or corporate). These taxes include unclaimed value-added taxes, stamp duties on deposits and Regional Services Council levies.

## Income statement

The term income statement is used in the same context as the statement of comprehensive income.

## Jaws

A measure used to demonstrate the extent to which the Group's income from operations growth rate exceeds operating expenses growth rate. Income from operations consists of net interest income and non-interest income.

## Leverage

Average assets as a proportion of average equity.

## Life new business margin

Embedded value of new business attained in the Life Insurance key business area of WIMI, as a proportion of the discounted value of the associated future premiums.

## Loans-to-deposits and debt securities ratio

Loans and advances to customers as a percentage of deposits due to customers and debt securities in issue.

## Long-term funding ratio

Funding with a term in excess of six months.

## Market capitalisation

The Group's closing share price, times the number of shares in issue at the reporting date.

## Merchant income

Income generated from the provision of point-of-sale facilities to the Group's merchant network customers. This income includes both rental income for the supply of point-of-sale units as well as transactional income for the transactions processed on the supplied terminals.

## Net asset value per share

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

# Glossary

## Net insurance premium income

The amount of insurance premiums received or receivable on insurance assets net of insurance claims and benefits paid on insurance liabilities.

## Net interest income

The amount of interest received or receivable on assets net of interest paid or payable on liabilities.

## Net interest margin on average interest-bearing assets

Net interest income for the reporting period, divided by average interest-bearing assets (calculated on a daily weighted average basis), expressed as a percentage of average interest-bearing assets.

## Net present value unwind on non-performing book

A net present value adjustment representing time value of money of expected cash flows within the impairment allowance. Such time value of money reduces as the point of cash flow is approached. The time-based reduction in time value of money is recognised in the statement of comprehensive income as interest received on impaired assets.

## Net income

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

## Net trading result

Net trading result includes the profits and losses on CIB's trading desks arising from both the purchase and sale of trading instruments and the revaluation to market value, as well as CIB's hedge ineffectiveness. This includes the interest income and interest expense from these instruments and related funding cost as well as similar activities from the African operations.

## Non-interest income

Non-interest income consists of the following statement of comprehensive income line items: 'net fee and commission income', 'net insurance premium income', 'net insurance claims and benefits paid', 'changes in investment contracts and insurance contract liabilities', 'gains and losses from banking and trading activities', 'gains and losses from investment activities as well as other operating income'.

## Non-performing loans

A loan is typically considered non-performing once its delinquency reaches a trigger point. This is typically when interest is suspended (in accordance with Group policy) or if the loan is moved to the legal environment for recovery. As a consequence, a loan that has defaulted is not necessarily non-performing (unless certain criteria are met).

## NPLs' coverage ratio

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

## NPL ratio on loans and advances to customers and banks

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

## Non-interest income as a percentage of income

Non-interest income as a percentage of income from operations. Income consists of net interest income and non-interest income.

## Price-to-earnings ratio

The closing price of ordinary shares, divided by headline earnings per ordinary share for the reporting period.

## Probability of default

The probability that a debtor will default within a one-year time horizon.

## Pre-provision profit

Total income less operating expenses.

## Regulatory capital

The capital that the Group holds, determined in accordance with the requirements of the Banks Act and regulations relating to banks.

# Glossary

## Return on average assets

Annualised headline earnings as a proportion of total average assets.

## Return on average equity

Annualised headline earnings as a proportion of average equity.

## Return on average regulatory capital

Measure of efficient use, by segment, of regulatory capital.

## Return on average risk-weighted assets

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

## Income/total income

Income consists of net interest income and non-interest income.

## Risk-weighted assets

Calculated by assigning a degree of risk, expressed as a percentage (risk weight) to an exposure, in accordance with the applicable standardised or internal ratings-based approaches rules. RWA are determined by applying the:

- AIRB approach for wholesale and retail credit; AMA for operational risk;
- Internal ratings-based market-based simple risk-weight approach for equity investment risk in the banking book; and
- Standardised approach for all African entities (both credit and operational risk).

## Solvency margin

The amount by which assets, at fair value, exceed liabilities and other comparable commitments.

## Tangible net asset value per share

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

## Underwriting margin

Net insurance premium income remaining after losses have been paid and administrative expenses have been deducted.

## Value-at-risk model

A technique that measures the loss that could occur on risk positions as a result of adverse movements in market risk factors (e.g. rates, prices, volatilities) over a specified time horizon and to a given level of confidence.

## Value of new business

The discounted value, at the date of sale, of the projected after-tax shareholder profits from new covered business, net of the opportunity cost of the required capital for new business. New covered business is defined as long-term insurance contracts written by the Group during the reporting period and for which at least one premium has been recognised in the financial statements. The value of new business is calculated using closing assumptions for all basis items.

## Weighted average number of shares

The number of shares in issue at the beginning of the reporting period increased by shares issued during the reporting period, weighted on a time basis for the period during which they participated in the income, less treasury shares held by entities, weighted on a time basis for the period during which the entities held these shares.

# Abbreviations and acronyms

## A

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

## B

Basel Basel Capital Accord
BBBEE broad-based black economic empowerment
BCBS Basel Committee on Banking Supervision
BIS Bank for International Settlements
BIA basic indicator approach
bps basis points
BU business unit

## C

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

## D

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

## E

EAD exposure at default
EC economic capital
Edcon Edcon Store Card portfolio
EEPE effective expected positive exposure
EL expected loss
ERC Barclays Africa Group Executive Risk Committee
ERMF Enterprise Risk Management Framework
EVE economic value of equity
EWIs early warning indicators

## F

FRTB Fundamental Review of the Trading Book

## G

GAC Group Actuarial Committee
GACC Group Audit and Compliance Committee
GCC Group Credit Committee
GCCO Group Chief Credit Officer
GCRO Group Chief Risk Officer
GMRA Global Master Repurchase Agreement
GMD Group Model Database
GMRC Group Market Risk Committee
GMRP Group Model Risk Policy
GMSLA Global Master Securities Lending
GRCMC Group Risk and Capital Management Committee
G-SIBs globally systemically important banks
Group Barclays Africa Group Limited
GWWR general wrong way risk

## H

HQLA high-quality liquid assets
HR high risk

## I

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

## J

JIBAR Johannesburg Interbank Agreed Rate
JSE Johannesburg Stock Exchange

## K

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

# Abbreviations and acronyms

## L

| | |
|---|---|
| LCR | liquidity coverage ratio |
| LGD | loss-given-default |
| LOD | lines of defence |
| LRA | liquidity risk appetite |
| LRA | loan-to-value |

## M

| | |
|---|---|
| MRC | Market Risk Committee |
| MC | Models Committee |
| MGC | Models Governance and Control |
| MR | market risk |
| MRaD | Model Risk and Development Group |

## N

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

## O

| | |
|---|---|
| ORMF | Operational Risk Management Framework |
| ORSA | Own Risk and Solvency Assessment |
| ORX | operational risk data exchange |
| OTC | over-the-counter |

## P

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

## R

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

## S

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

## T

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

## V

| | |
|---|---|
| VAF | Vehicle and Asset Finance |
| VaR | value at risk |

## W

| | |
|---|---|
| WIMI | Wealth, Investment Management and Insurance |
| WL | watch list |

# Administration and contact details

## Barclays Africa Group Limited

Incorporated in the Republic of South Africa

1986/003934/06

Authorised financial services and registered credit provider (NCRCP7)

*JSE share code:* BGA

*ISIN:* ZAE000174124

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## Head of Financial Control

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**Lead independent sponsor**

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**Joint sponsor**

Absa Bank Limited (Corporate and Investment Bank)

*Telephone:* +27 11 895 6843

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## Significant banking subsidiaries

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

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

## Representative offices

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