Barclays Africa Group Limited

Integrated Report 2016

BARCLAYS

Performance highlights

A strong African franchise delivering shareholder returns and positively impacting society

We continue to create value for our shareholders and other stakeholders. We conduct our business in a way that promotes positive outcomes for society, consumers and the Group, by using our core assets and capabilities to address the challenges and take advantage of opportunities on the African continent.

Company	JSE Top 40, company Market capitalisation of **R143bn**[1]. Balance sheet assets of **R1.1trn**	Headline earnings up **5%** Revenue contribution from Rest of Africa **23%**	Cost-to-income ratio improved by **0.8%** to **55.2%** Net asset value per share up by **4%** Return on equity down slightly to **16.6%**	Paid **R8.5bn** in dividends to ordinary shareholders (up 3%) Total shareholder return of **24.6%**	Spent **R16.1bn** on procurement Contributed **R7.3bn** in taxes Retained **R6.0bn** to support future business growth
Customer & Client	Serving **11.8m** customers and clients Safeguarding **R675bn** in deposits and providing over **R720bn** in gross loans and advances	Managing **R288bn** of assets on behalf of our customers and clients	Invested **R3.1bn** in information technology	**Delivered innovations** such as **ChatBanking**[2] and the first **Blockchain**[2] transaction while evolving existing platforms and products	Group Net Promoter Score®[3] improved for the **fourth consecutive year**
Colleague	**41 241**[LA,4] employees Paid **R20.8bn** in employee compensation	Invested **R376m** in direct training spend Employees participated in **61 484** learning interventions	Employee turnover down to **9.86%**[LA] Retention of high-performing employees up to **93.5%**	**66%** of vacancies filled internally, of which **48%** were promotions	Women in senior management **31.6%**[LA] Senior black management in South Africa **38.3%**[5]
Citizenship	**R184m**[LA] invested in Shared Growth education and skills initiatives **10 582** employees volunteered **55 291** hours	Reached **41 200** small and medium enterprises and **45 930** consumers through business and financial literacy interventions	Procurement spend[6] with black-owned suppliers up by **10%** and black women-owned suppliers up by **17%**	Contributed to the financing of **20** renewable energy projects to date with a combined capital value of **R52bn**	Since 2012, decreased our carbon emissions by **36.8%** and our corporate real estate footprint by **333 573m²**
Conduct	Enhanced our **Treating Customers Fairly** and **Conduct Risk** frameworks	**Conduct Index**[7] reputation survey **6.3/10**	**FTSE4Good** environmental, social and governance rating improved **15%**	**CDP**[8] score remained at '**taking coordinated action on climate change issues**' ahead of the industry average	**Dow Jones Sustainability™ Emerging Markets Index** score of 71 points

[1] Based on closing share price on 31 December 2016.
[2] ChatBanking allows customers to make payments, buy airtime, data and electricity, check balances or get mini statements via social media platforms. Blockchain uses distributed ledger technology to ensure that all parties can see, transfer title and transmit shipping documents and other original trade documentation through a secure decentralised network.
[3] Net Promoter Score® is a brand relationship score.
[4] Includes permanent and temporary employees.
[5] Percentage of senior black executives at managing principal/principal level.
[6] South African operations only. As defined in the Broad-Based Black Economic Empowerment Amendment Act.
[7] Independent YouGov conduct reputation survey includes Botswana, Ghana, Kenya, South Africa and Zambia.
[8] Was previously called the Carbon Disclosure Project.
® Trademarks of Satmetrix Systems Inc., Bain and Co Inc. and Fred Reichheld.
[LA] This indicator is covered by the scope of a limited assurance engagement undertaken by EY and PwC. The basis of measurement thereof and the assurance statement can be found at barclaysafrica2016ar.co.za.

Our reporting suite

This integrated report is our primary report to our shareholders, and contains information relevant to other stakeholders

This report is supplemented by online disclosures (including our financial statements, risk management report and special interest fact sheets) and various documents published as part of our annual results announcement on 23 February 2017.

The full suite of reports is available on our corporate website www.barclaysafrica.com and at our interactive report website www.barclaysafrica2016ar.co.za.

Report	Scope and boundary	Reporting standards/ frameworks	Assurance
2016 Integrated Report and supplementary fact sheets			
› 2016 Integrated Report › GRI (formerly the Global Reporting Initiative) fact sheet › King III fact sheet › Broad-based black economic empowerment (BBBEE) fact sheet	Barclays Africa Group, including key banking and insurance subsidiaries BBBEE applies to our South African operations	› International Integrated Reporting Council's International Integrated Reporting <IR> Framework › South African Companies Act, No 71 of 2008, as amended (Companies Act) › JSE Listings Requirements › King Report on Governance for South Africa, 2009 (King III) › GRI G4 Standards	› Internal controls and management assurance › Compliance and internal audit reviews › External audit opinion on financial information, and external assurance on selected key performance indicators › Board approval, assisted by the Disclosure Committee (a Group Audit and Compliance Committee sub-committee) and our Social and Ethics Committee › Independent BBBEE verification by the National Empowerment Rating Agency (NERA)
Financial reports			
› Consolidated and separate financial statements › Risk and capital management report › 2016 Financial results booklet	Barclays Africa Group, including subsidiaries and joint ventures Note 49.3 of the financial statements provides a list of material subsidiaries and consolidated structured entities	› International Financial Reporting Standards (IFRS) › Companies Act › Banks Act, No 94 of 1990 › JSE Listings Requirements › King III	› Internal controls and management assurance › Compliance and internal audit reviews › Governance oversight by our Board, assisted by our Group Audit and Compliance, and Group Risk and Capital Management Committees › External audit opinion (the complete opinion statement can be found in the consolidated and separate financial statements)

Disclaimer

Certain statements (words such as 'anticipates', 'estimates', 'expects', 'projects', 'believes', 'intends', 'plans', 'may', 'will' and 'should') and similar expressions in this document are forward-looking. These relate to, among other things, the plans, objectives, goals, strategies, future operations and performance of Barclays Africa Group Limited and our subsidiaries. These statements are not guarantees of future operating, financial or other results and involve certain risks, uncertainties and assumptions, and actual results and outcomes may differ materially from those expressed or implied by such statements. We make no express or implied representation or warranty that the results we anticipated by such forward-looking statements will be achieved. Such a statement represents one of many possible scenarios which should not be viewed as the most likely or standard scenario. We are not obligated to update the historical information or forward-looking statements in this document.

About this report

Board approval

Assisted by our Disclosure Committee, our Board accepts ultimate responsibility for the integrity and completeness of this integrated report. It is our directors' opinion that this report presents a fair and balanced view of our integrated performance. We believe this report shows we are creating sustainable value and prosperity for stakeholders.

The Board notes the uncertainty and potential future impact on our operations arising from Barclays PLC's sell down[1] of its shareholding in Barclays Africa, the resulting operational separation[1] process and, the impact on future value. An *Ad hoc* committee was established to provide oversight of the process and ensure operational stability, sound risk management and value maximisation for all stakeholders. Further details and key considerations relating to the sell-down and separation process can be found in the governance review 68.

The sell-down is subject to regulatory review, and we will communicate with our shareholders and other stakeholders as the process progresses.

Readers should exercise caution when interpreting any forward-looking statements.

The Board approved this 2016 Integrated Report on 22 March 2017.

[1] Barclays PLC's sell down of its shares in Barclays Africa ('the sell-down') refers to the regulated disposal of its shares with the aim to achieve regulatory deconsolidation. The 'separation process' refers to the broader short, medium and long-term operational and administrative activities which disengage the businesses from one another.

Scope and boundary

Our integrated report covers our performance between 1 January 2016 and 31 December 2016 (the reporting period). Distinct from a financial reporting boundary, this report includes information regarding our stakeholder relationships, opportunities and risks as the outcomes of our business activities including key banking and insurance subsidiaries 62.

The broad-based black economic empowerment (BBBEE) information applies only to our South African operations.

This report contains statements that relate to future operations and performance of the Group. These statements are not guarantees of future operating, financial or other results and involve uncertainty, as they rely on future circumstances – some of which are beyond our control. Therefore, actual results and outcomes may differ.

The Six Capitals, materiality and our Balanced Scorecard

Our operations benefit from a number of key resources and stakeholder relationships. Through the execution of our business activities, we increase, decrease or transform the Six Capitals, as defined in the International Integrated Reporting Council's International <IR> Framework. Some impacts are easy to identify, quantify, manage and measure, while others are complex and require an active process for considering and managing trade-offs.

As we are a financial services group, financial capital is our most significant capital input – critical for achieving our strategic goals. The human, intellectual and manufactured capitals are the backbone of our product and service delivery. Social and relationship capital, and how we manage natural capital (even as a small consumer thereof) are significant to our social licence to operate. We believe our Balanced Scorecard is a suitable framework for measuring the impact of our business activities on the Six Capitals.

Our integrated report is focused on matters we consider to be material. Specifically, it focuses on those matters which have, or could have the ability to influence our financial performance or our reputation, or impact on our licence to operate. We report on our performance in managing these material matters through our Balanced Scorecard.

Assurance

We used a combination of internal controls, management assurance and compliance, and internal audit reviews to ensure the accuracy of our integrated report.

We appointed PricewaterhouseCoopers Inc. (PwC) and Ernst & Young Inc. (EY) to undertake a limited assurance engagement on selected key performance indicators set out in our Balanced Scorecard (marked with an LA). The external assurance report provided by EY and PwC contains their unmodified conclusion for the limited assurance engagement performed.

The National Empowerment Rating Agency (NERA) has verified our broad-based black economic empowerment (BBBEE) performance for the South African operations 82. They have confirmed a Level 2 rating.

Icons used in this report

Positive
Negative
Unchanged
Increase/decrease
Page reference
Online information
Verified
Assured indicator
Company
Customer & Client
Colleague
Citizenship
Conduct

Reading this report

Addressing the issues facing Barclays Africa today…

… and reflecting on our progress, while shaping our business to meet the challenges ahead.

Africa is our future; we remain focused on who we are and what we want to achieve.

We have strengthened our Board and Executive Committee…

… and we have organised ourselves to deliver a broad service offering, while creating sustainable value.

We have refined our material matters and execution plans…

…which will be delivered with a renewed focus…

…in a challenging operating environment…

…underpinned by a robust approach to risk management…

… and we will continue creating sustainable stakeholder value and measuring our performance across our Balanced Scorecard.

Our Board objectives are focused on our strategic objectives…

…with a relevant and balanced remuneration framework.

Chairman's reflections

Strong corporate governance, and our commitment to Africa and the communities in which we operate, ensured that we remained focused on our Goal to be the financial services group of choice in Africa, despite the many factors that made this harder.

Wendy Lucas-Bull
Chairman

While we continued focusing on sustainable growth in 2016, a number of significant developments influenced our strategic considerations and performance. The most significant of these was Barclays PLC's decision to reduce its shareholding in Barclays Africa due to regulatory capital requirements. Despite this and other regulatory, macroeconomic and geopolitical factors, our focus on strong corporate governance, our customers, clients, employees and appropriate responses to regulatory change enabled us to make progress on our Goal to be the financial services group of choice in Africa.

Global and local environments continued to influence business

While the full impacts are yet to unfold, significant global developments – such as the United Kingdom's decision to leave the European Union (Brexit), the United States' presidential elections, and other political and legislative developments in some of our markets – have caused us to pause and reconsider the economic and policy assumptions which had informed our plans at the beginning of the year. In most instances, we have had to adapt our approach to accommodate this dynamic environment and, in some instances, we have had to alter our approach.

South Africa is our largest single market, it only narrowly avoided a sovereign credit rating downgrade, and its economic growth remained weak – affecting our business performance. There is consensus that economic restructuring is essential in South Africa to accelerate growth in the medium term, but progress is being affected by continuing political and policy challenges.

We are reassured now that the Financial Intelligence Centre Amendment Bill has been adopted in Parliament and awaits the President's assent. Effective compliance with local and international banking regulations is critical for a competitive and sound banking system which enjoys good international standing. South Africa's financial system, and its ability to interact effectively with the global financial system (particularly our banking system's access to foreign currency to support foreign exchange clearing, lines of credit to facilitate transactions with local businesses, and global payments), is key for the country and the region's economic growth.

We remain committed to contributing to the efforts of government, business and labour unions that seek to achieve much needed economic reforms in South Africa. The progress is a demonstration of the power of collaboration. The business sector has made firm commitments in terms of small enterprise funding and development, and on-the-job training. Agreement on a national minimum hourly wage rate is progressing, which has proven difficult before.

We continue monitoring and responding to the impact of regulatory changes across all our markets. For example, in South Africa there were changes to the National Credit Act, while in Kenya regulators introduced minimum deposit and maximum lending rates. Such changes introduce unique challenges, and we will continue adapting our businesses to these.

Barclays Africa strives to be responsive to socio-economic challenges affecting the communities in which we operate. We recognise the challenges all our markets have in common, including education, enterprise development and financial inclusion. Shared Growth, as an integral part of our strategy implementation, ensures an appropriate response as part of our everyday business to deliver measurable socio-economic and commercial outcomes.

Barclays PLC's sell-down of its shareholding in Barclays Africa

On 1 March 2016, Barclays PLC announced its intention to sell down its interest in Barclays Africa to a level which would permit deconsolidation from both regulatory and accounting perspectives. The first tranche of 12.2% was successfully sold through an accelerated book build on 5 May 2016 – reducing its shareholding to 50.1%. Barclays PLC continues to explore strategic and capital market opportunities to further reduce its shareholding to achieve regulatory deconsolidation.

As our banks are systemically important in all our markets, regulators are actively engaged in separating Barclays Africa from Barclays PLC, to ensure there are no systemic implications, and to secure an orderly separation, with operational stability and continuity across the Group.

As announced on 23 February 2017, Barclays PLC has submitted an application to the South African Reserve Bank to approve the reduction of its shareholding in Barclays Africa to below 50%. The application included the terms of the separation payments and transitional services arrangements. This includes the contracts securing Barclays PLC's operational support for the next three years, while we implement new technologies and build additional capacity. Maria provides more detail on the agreements 5.

In response to the sell-down, we established a dedicated Board sub-committee, specifically to consider and provide guidance on the implications thereof.

Our One Africa strategy remains relevant

Our Board devoted significant time to assessing our strategy against the backdrop of the Barclays separation, the continuing turbulent macro and sociopolitical environments, and a shifting competitive and technological landscape.

The Board and management concluded that our One Africa strategy remains relevant and targets the key areas for growth, while maintaining sound controls with a strong focus on risk management with sufficient stretch built in to deliver appropriate value for our stakeholders.

Firstly, as a customer and client-focused organisation, we aim to ensure that customers' and clients' experience remains our primary focus; secondly, we are investing in growth opportunities and providing access to the African and global capital markets; thirdly, we are simplifying our business processes to improve efficiency; and lastly, we continue making significant investments in technology and automation.

The near-term focus is on delivering on our current strategy while managing the separation from Barclays.

Strong oversight for effective governance and control

Our Board governance objectives for 2016 58 were focused on:

- the execution of our strategy with a focus on our growth objectives and market commitments;
- our IT strategy, with a focus on resilience and investment spend;
- our adaptability in dealing with emerging global issues and management of our risk and capital frameworks;
- running the business in an ethical and transparent way; and
- our people and culture.

We have made progress on our strategy execution despite the macro-environmental and regulatory impacts on our performance. Our performance demonstrates the benefit of being a well-diversified group, both by activity and geography.

Our IT strategy is focused on resilience. We have successfully moved to a new data centre and continue to migrate services. We have had a marked improvement in service, stability and recovery in South Africa and, increasingly, in our other markets. Our innovation programme continues to drive new solutions for our customers and clients. We pay close attention to reporting on investment spend and the related returns.

We have put significant focus on the control and risk environment – both at Board and committee level – with detailed reviews of our payments and collections environments; fraud management; cyber and financial crime detection and prevention; supplier management; and regulatory reporting.

Our risk and capital management frameworks are updated when required, in the context of changing regulatory, risk and business environments. Major projects being monitored include IFRS 9 accounting standards and the Basel Committee on Banking Supervision's regulation number 239 (BCBS 239) risk reporting.

We have conducted rigorous stress testing in multiple scenarios, and our capital and liquidity ratios remained at satisfactory levels each time.

Our leadership continues to build an organisational culture based on ethical values, transparency and accountability. We have a zero-tolerance approach to non-compliance, including matters arising from inappropriate conduct and other control failures. The relevant board committees focus on the actions taken by management in response to such failures.

We monitor ongoing progress on succession planning and leadership development – including cross-border placement opportunities. While we have improved our employment equity, diversity and inclusion, more needs to be done.

A strong and diverse board is key to value creation

The knowledge, skills, experience, diversity and independence of our Board is critical to sustainable value creation.

We have a diverse Board with strong commercial and technical skill sets to appropriately constitute our committees; deliberate, advise and decide on relevant matters; and to deliver on our responsibilities to our shareholders.

We have reviewed the composition and size of our Board to manage the technical demands of the various committees, to bolster specific skills-sets, to improve gender and race representation and to improve succession coverage. We made four new appointments – Paul O'Flaherty (February 2016), Daisy Naidoo (May 2016), Jason Quinn (September 2016) and René van Wyk (February 2017), and we intend to make additional appointments in 2017. Barclays PLC is reconsidering its Board nominees and changes will be subject to a Board and regulatory approval process.

A key function of the Board has been to consider the impact of the Barclays PLC sell-down and the resultant separation process. Our *Ad hoc* Board sub-committee, 68 serves as an advisory committee to management, convening 19 times in the course of nine months. I wish to thank the members for their guidance, flexibility and commitment in this regard.

In March 2016, we advised that our lead independent director, Trevor Munday, was to step down as director in the second half of 2016. As a result of the increased demand on our Board due to the separation process, Trevor has delayed his departure and remains the Lead Independent Director of the Board. I would like to extend my thanks to Trevor for his continued leadership and contribution.

In conclusion

Once again, the year under review has been challenging, and I am proud of Maria and her leadership team's achievements.

I extend my thanks to my fellow Board members for their diligence and dedication to the Group; and to the chairs of our Group Board committees for their ongoing support and challenge. My appreciation also goes to the chairmen and boards of our subsidiaries.

I also wish to thank all of our stakeholders including our customers and clients, colleagues, regulators, investors, and communities for their steadfast support and commitment.

Africa is a continent of opportunity. We are a strong African franchise. We have a robust One Africa strategy, and our near-term focus is delivering on this while we navigate the separation process from Barclays PLC. We will do this with the appropriate prioritisation and well-considered decisions.

CEO's reflections

Barclays Africa is at an inflection point. We have achieved so much, and are determined to maintain our hard-won momentum towards becoming a proudly stand-alone pan-African bank.

Maria Ramos
Chief Executive Officer

In 2013, we formed Barclays Africa by acquiring the majority of Barclays PLC's African operations. It was at this point when we set our vision to create a proudly pan-African financial services group. This was the biggest ever acquisition by an African bank, and was a crucial strategy play, giving us a significant footprint and creating a platform for us to deliver on our vision. Four years on, I believe we are delivering on our ambitions.

At the heart of our One Africa strategy were four key commitments:

- Achieve a return on equity range of 18 – 20%
- Reduce our cost-to-income ratio to the low 50s
- Become top three in revenue in our five key markets
- Grow the percentage of revenue generated by our Rest of Africa businesses to between 20 and 25%

Our plan to achieve these commitments comprised four key foundations, built through a process of turnaround and transformation:

- The turnaround of our Retail and Business Banking (RBB) franchise in South Africa
- The development of our Corporate Banking business
- The growth of a fully integrated Wealth, Investment Management and Insurance (WIMI) business
- Investment in our technical platforms and operating infrastructure

Progressing our One Africa strategy

Our first priority was the turnaround of our RBB franchise in South Africa. The country is our biggest market, and RBB is our largest profit centre. From a deteriorating position a few years ago, we have transformed RBB's performance; we have stemmed customer losses, added new customers and generated strong returns. The turnaround remains a priority.

Secondly, we invested significantly in Corporate Banking across the continent to close the gap with other leading banks in our markets. Today our Corporate Bank is achieving double-digit revenue growth and contributes over half of Corporate and Investment Bank's (CIB) earnings. Rest of Africa accounts for 44% of CIB's headline earnings.

Thirdly, we seized the opportunity in WIMI, especially through the expansion of our insurance business. We comprehensively restructured WIMI, made acquisitions and sold non-core operations. Today, WIMI is a fully integrated business, achieving a 24% return on equity.

Finally, we set out to transform our technology infrastructure. Over and above our annual spend, we have incrementally invested R3bn over the last three years to improve our IT, and the services we offer across the continent. We are investing in innovation and creating new ways for customers and clients to access our services. We have created ChatBanking, the world's first secure, private and fully integrated banking service linked to social media platforms.

These four building blocks have all added to the momentum in our business performance.

We now have a balance sheet of over R1.1trn with strong levels of capital and liquidity. Our return on equity has increased since 2013, and our cost-to-income ratio has improved. We have realised our objective of growing the proportion of revenue we receive from Rest of Africa. Our earnings performance has been resilient throughout, and we have continued to provide good dividend growth.

In summary, we are doing what we set out to do – we are building momentum towards achieving our Goal to be the financial service group of choice in Africa.

Separation terms with Barclays PLC have been agreed on

On 23 February 2017, we advised our stakeholders that we agreed on the terms of separation with Barclays PLC. This agreement will see Barclays PLC contributing GBP765m (R12.8bn[1]), primarily to fund the investments required for the separation process.

This is a good outcome, and enables us to complete the separation, provide certainty to our stakeholders, and invest in technology and re-branding over time. We have set up dedicated teams to manage the separation.

We are progressing the required regulatory approvals and will continue working closely with our Board and our regulators to ensure the separation is managed in an appropriate way.

An important feature of our discussions has been the provision for a broad-based black economic empowerment scheme. While the scheme's specifics are under consideration, Barclays PLC will contribute an amount equal to 1.5% of Barclays Africa's market capitalisation (R2.1bn[2]) towards establishing the scheme.

Alongside this broad-based black economic empowerment scheme, we plan to create an equity proposition for our employees in the next 12 to 18 months. This will give our people the opportunity to benefit from share ownership and to share in the future growth of our business.

We delivered resilient results

Our 2016 performance has been resilient, as we sustained the positive direction outlined in our three-year strategy:

- Group headline earnings increased 5% as growth in revenue and continued cost discipline saw income outpacing cost increases. Headline earnings from the Rest of Africa grew 17%, with South Africa lower at 2%.
- We achieved revenue growth of 8% overall, underpinned by a consistently strong contribution from our Rest of Africa business, partially offsetting the 2% revenue growth from our South African market. Rest of Africa's contribution to total Group revenue grew to 23% year-on-year.
- Our cost-to-income ratio improved from 56% in 2015 to 55.2% in 2016.

Our performance over the past year was, to an extent, hindered by the weakening economic conditions across the continent, and market volatility brought about by global events such as Brexit. The fact that these events did not throw us off track testifies to the effectiveness and resilience of our strategy.

We are strongly focused on executing our strategy

While we are managing risks related to the operating environment and the separation process, we are strongly focused on the opportunities and strategy execution in each of our businesses.

In RBB, we are focused on growing across all our markets, as we believe we can capture further opportunities, paying particular attention to the core middle market customer segment.

In Corporate Banking, the last three years have delivered significant growth opportunities. We believe there are further opportunities to expand our Corporate and Markets businesses, and we have the depth and expertise to do so.

Finally, in WIMI, we continue benefiting from closer co-operation with our Retail and Corporate Banking businesses. WIMI also benefits from investments in its footprint outside South Africa and its asset management business. We are now focused on extracting the full value from our investments in technology and in markets outside South Africa.

These businesses benefit from their long-standing presence and knowledge across our markets which results in deep insight into customer and client needs and local conditions. This means we combine pan-African and local understandings into a competitive advantage.

Effective leaders and a culture of shared values and shared growth

Our continued momentum depends upon a number of factors.

Firstly, effective leadership is a prerequisite for any business. At Barclays Africa, we have recognised the need to grow and expand our leadership. We are investing in our people across the business, but I have also restructured the top team to align with the restructure of our business.

David Hodnett runs South Africa Banking, Peter Matlare heads our Rest of Africa Banking operations, and Nomkhita Nqweni leads our WIMI business.

[1] Based on the exchange rate at 31 December 2016.
[2] Based on the Barclays Africa closing share price on 31 December 2016.

Peter was an independent non-executive director from 2011 until his appointment as Deputy Chief Executive Officer on 1 August 2016. He remains on our Board as an executive director.

Jason Quinn was appointed as our Financial Director from 1 September 2016.

Arrie Rautenbach – in addition to his risk responsibilities – assumed responsibility for our strategy function and the Barclays PLC separation process.

Zameera Ally was appointed as Head of Internal Audit and serves as an *ex officio* member of the Executive Committee.

With a strengthened Executive Committee, we have the right people in the right positions to provide strategic focus and take our business forward.

Secondly, our culture and Values are a fundamental part of our DNA. They need to be nurtured and shaped. When we encounter behaviour which is not in accordance with our Values we take appropriate action.

We take the issue reported by the South African Competition Commission regarding breaches in Competition Law relating to foreign exchange trading of the South African rand extremely seriously, and we have cooperated fully with the commission. Along with Barclays PLC, we were the first to bring the conduct to the attention of the Commission under its leniency programme and will continue to cooperate with them in relation to this matter.

We will continue to cooperate with the Office of the Public Protector with respect to the provisional report relating to the Bankorp matter, dating back to 1985. Our response addresses several legal and factual inaccuracies contained in the provisional report. Our position remains that all obligations relating to the South African Reserve Bank's assistance were discharged in full by October 1995 in line with the requirements set out as part of the assistance programme to Bankorp.

I want to assure our stakeholders that we remain committed to ensuring we conduct ourselves in accordance with both the law and our Values; that we act in the right way and treat our customers and clients fairly. Conducting ourselves in the best interests of our customers and clients is a critical element of our Values.

One of our core Values is Stewardship – leaving things better than we found them. We are systemically significant in all the counties where we operate and so have a responsibility to show leadership. At Barclays Africa, we understand that the broader transformation of society cannot take place unless large institutions like ours play a major part. We know we need to do more in this respect.

For us, transformation goes beyond compliance with the local and international legislation and regulation. Our task is to create a truly transformed organisation where we empower our people to fulfil their purpose. Our commitment is to ensure that our organisation's culture aligns with our Shared Growth philosophy which in turn informs our strategic decisions.

The areas we have chosen for Shared Growth are fundamental to development of society as a whole and we are committed to using our resources, people and expertise in order to make a positive difference to society. We need to continue to work in partnership with governments, corporate partners and civil society to create more opportunities for inclusive growth and development.

We are investing in education and entrepreneurship across the continent. We also have an ongoing commitment to financial inclusion, providing wider access to communities. We have chosen these areas, as they are powerful enablers of inclusive growth and development.

In conclusion

I believe our 2016 performance is evidence of the resilience and momentum that are hallmarks of our business.

Our resilience in withstanding economic headwinds, remaining focused on our strategy and effectively managing the Barclays PLC separation process will stand us in good stead in unlocking the full potential of our business and seizing opportunities.

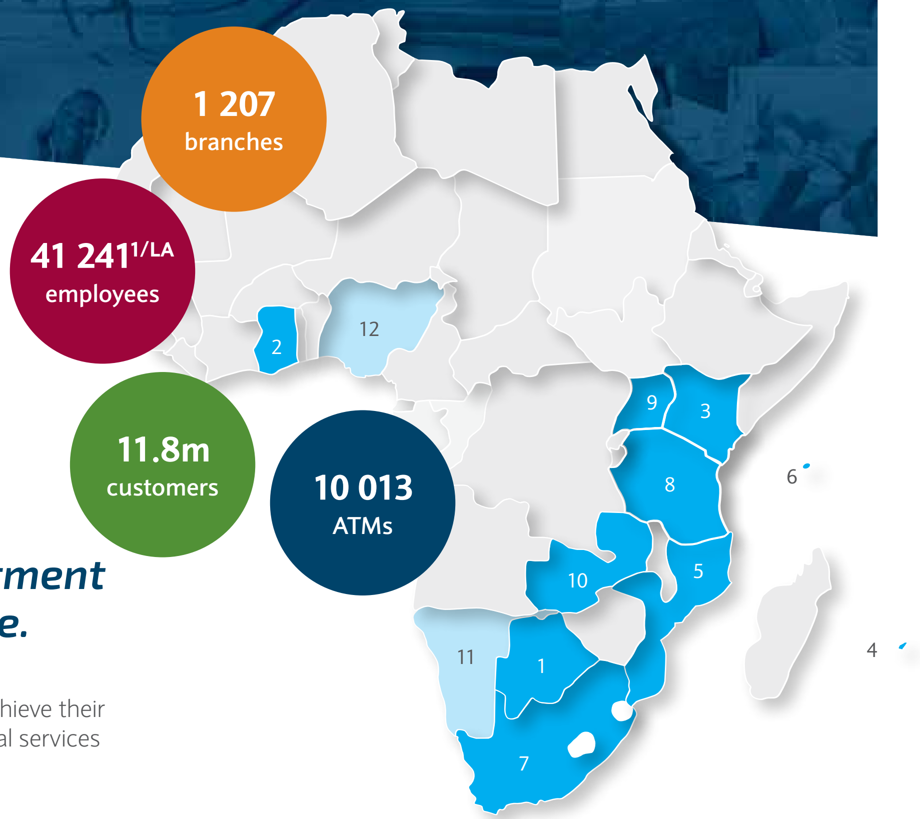
We rely on support and commitment of all our stakeholders – from governments and regulators to the individual communities in which we operate. Above all, none of our achievements this year would have been possible without our customers and clients. We thank you for entrusting us with your financial prosperity. We strive to help you fulfil your ambitions in the right way, and I wish to thank you for your ongoing support.

I also thank my leadership team for their commitment and drive and, on behalf of my leadership team, I extend our gratitude to our Board as well as to our 41 241 employees without whom we could not deliver on our Goal.

I believe Barclays Africa is now at another inflection point. We have already achieved so much. But we are now determined to maintain our hard-won momentum, which is why our strategic targets remain unchanged.

Our Goal of becoming the financial services provider of choice in Africa is within our reach.

Barclays Africa, a strong African franchise...



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

We are driven by **our Purpose** to help people achieve their ambitions – in the right way by fulfilling their financial services needs in a responsible and sustainable manner.

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

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

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

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

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

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

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

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

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

		Branches	ATMs	Customers	Employees[1]
1	Botswana	34	113	154 998	1 178
2	Ghana	65	165	518 758	1 111
3	Kenya	105	214	515 966	2 765
4	Mauritius	19	38	77 674	762
5	Mozambique	48	108	283 491	928
6	Seychelles	7	17	16 746	217
7	South Africa	774	8 885	9.425m[LA]	30 739
8	Tanzania BBT[2]	18	51	62 980	496
8	Tanzania NBC[3]	51	230	424 712	1 212
9	Uganda	39	69	130 565	869
10	Zambia	47	123	201 555	964

Barclays Africa representative offices
11 Namibia
12 Nigeria

[1] Includes permanent and temporary employees.
[2] Barclays Bank Tanzania.
[3] National Bank of Commerce.
[LA] This indicator is covered by the scope of a limited assurance engagement undertaken by EY and PwC. The basis of measurement thereof and the assurance statement can be found at barclaysafrica2016ar.co.za.

…delivering our One Africa strategy.

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

We continue our journey to distinguish ourselves …

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

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

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

Driving change through four strategic themes …

African opportunity

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

Customer and client experience

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

Simplify and accelerate

Simplifying our business processes to better serve our customers and clients, by sustainably reducing costs and improving efficiencies.

Powered by people and technology

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

By focusing on …

African opportunity:
- Growing banking and insurance in key retail and business market segments
- Serving corporate clients in key growth sectors and enabling international client coverage

Customer and client experience:
- Creating value propositions informed by data insights and innovation
- Serving our customers and clients through a network of branches, ATMs, corporate offices and digital platforms, including internet and apps, point-of-sale, and call centres

Simplify and accelerate:
- Developing, automating and optimising our products and processes
- Delivering our technology resilience programme

Powered by people and technology:
- Attracting, developing and retaining employees
- Empowering our employees with information and technology

Measured against our medium-term targets …

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

While building the Group of the future …

We keep evolving and building new strategic capabilities that enable us to be relevant and competitive as we move into the future.

These initiatives include:

- new digital payment technologies; and
- leveraging strategic partnerships to drive innovation, increase market access and enhance our customer value propositions.

Our Board provides sound governance and oversight

Independent directors

Wendy Lucas-Bull
Independent Chairman

Trevor Munday
Lead independent director

Alex Darko

Colin Beggs

Daisy Naidoo

Francis Okomo-Okello

Mohamed Husain

Paul O'Flaherty

René van Wyk

Yolanda Cuba

Non-executive directors

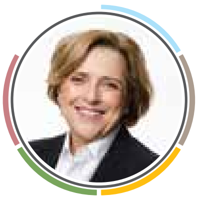
Ashok Vaswani

Mark Merson

Patrick Clackson

Executive directors

Maria Ramos
Chief Executive Officer



David Hodnett
Deputy Chief Executive Officer: South Africa Banking

Peter Matlare
Deputy Chief Executive Officer: Rest of Africa Banking

Jason Quinn
Financial Director

Our Board members shown above include René van Wyk who was appointed in February 2017. The committee memberships and committee attendee status as shown on the opposite page reflects the current composition of the committees. Historic committee membership and meeting attendance is outlined in the governance review 61.

The colours encircling individuals' photos links to the Board composition data reflected on the opposite page.

Alex Darko 64 *(Ghanaian)*
MSc (Management Information Systems); FCCA
Appointed in October 2014
Expertise in finance; re-engineering; change management and IT
Committees: *GACC (M), RemCo (M), ITC (M)*

Ashok Vaswani 56 *(Singaporean)*
CPA (India); Chartered Secretary (India)
Appointed in March 2013
Expertise in retail and business banking; private equity
Committees: *GACC (A), ITC (M)*

Colin Beggs 68
Bcom (Hons); CA(SA)
Appointed in June 2010
Expertise in accounting and finance
Committees: *DAC (M), GACC (Chair), GRCMC (M), BFC (M), Ad hoc (M)*

Daisy Naidoo 44
BCom; CA(SA); MAcc (Tax)
Appointed in May 2016
Expertise in finance, taxation
Committees: *GACC (M), CoRC (M)*

David Hodnett 47
Bcom; CA(SA); AdvDip (Banking); MBA
Appointed in March 2010
Expertise in finance; risk management; strategy
Committees: *SEC (A), ITC (M), CoRC (M), MC (M) Ad hoc (M)*

Francis Okomo-Okello 67 *(Kenyan)*
LLB (Hons); Dip (Law); Certified Public Secretary
Appointed in October 2014
Expertise in public and international affairs; banking; legal and corporate affairs
Committees: *SEC (M)*

Jason Quinn 42
BAcc (Hons); CA(SA)
Appointed in September 2016
Expertise in finance; treasury; tax; financial services
Committees: *DAC (A), GACC (A), GRCMC (M), BFC (A), CoRC (M), MC (Chair), ITC (M), RemCo (A), Ad hoc (A)*

Maria Ramos 58
BCom (Hons); MSc (Economics); CAIB(SA)
Appointed in March 2009
Expertise in finance; economics; business
Committees: *DAC (A), CoRC (M), GACC (A), GRCMC (M), RemCo (A), SEC (M), ITC (M), BFC (A), MC (M), Ad hoc (M)*

Mark Merson 48 *(British)*
ACA; MA (Hons)
Appointed in January 2014
Expertise in banking; financial control; investor relations
Committees: *GRCMC (Chair), BFC (M)*

Mohamed Husain 56
BProc
Appointed in November 2008
Expertise in legal and corporate litigation
Committees: *DAC (M), GACC (M), RemCo (M), SEC (Chair), Ad hoc (M)*

Patrick Clackson 52 *(British)*
BSc (Hons); ACA
Appointed in March 2013
Expertise in finance; corporate and investment banking; technology
Committees: *RemCo (M), ITC (Chair)*

Paul O'Flaherty 54
BCom; BAcc (Hons); CA(SA)
Appointed in February 2016
Expertise in finance; audit; strategy; operations; general business including mining, power, construction and steel manufacturing
Committees: *DAC (M), GACC (M), GRCMC (M), RemCo (Chair), Ad hoc (M)*

Peter Matlare 57
BSc (Hons); MA (South African Studies)
Appointed in December 2011
Expertise in strategy; business development
Committees: SEC (A), ITC (M)

René van Wyk 60
BCom; BCompt (Hons); CA(SA)
Appointed in February 2017
Expertise in finance, risk management, audit, financial services
Committees: *GACC (M), GRCMC (M), CoRC (M)*

Trevor Munday 67
BCom
Appointed in April 2007
Expertise in finance; risk management; corporate affairs; audit; general business including petrochemical, energy, manufacturing, telecoms and agriculture
Committees: *DAC (M), GRCMC (Chair), CoRC (Chair), BFC (M), Ad hoc (M)*

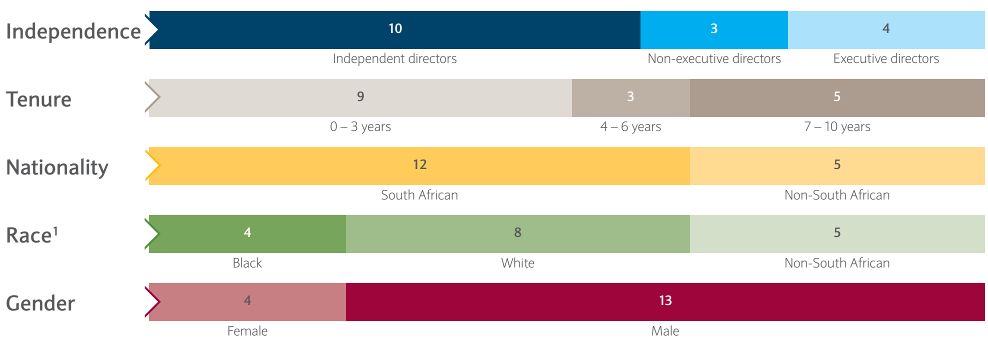
Wendy Lucas-Bull 63
BSc
Appointed in April 2013
Expertise in banking; asset management; insurance; technology; business re-engineering; general business including mining, energy, manufacturing and telecoms
Committees: *DAC (Chair), GACC (A), GRCMC (M), RemCo (M), SEC (M), CoRC (M), ITC (M), BFC (M), Ad hoc (Chair)*

Yolanda Cuba 39
BCom; BCom(Hons); CA(SA)
Appointed in December 2006
Expertise in finance; strategy; corporate finance; general business including consumer goods and telecoms
Committees: *RemCo (M), CoRC (M), BFC (Chair)*

Board committees

DAC	Directors' Affairs Committee
GACC	Group Audit and Compliance Committee
GRCMC	Group Risk and Capital Management Committee
RemCo	Group Remuneration Committee
SEC	Social and Ethics Committee
ITC	Information Technology Committee
BFC	Board Finance Committee
CoRC	Concentration Risk Committee
MC	Models Committee
Ad hoc	*Ad hoc* committee
A	Attendee
M	Member

Composition



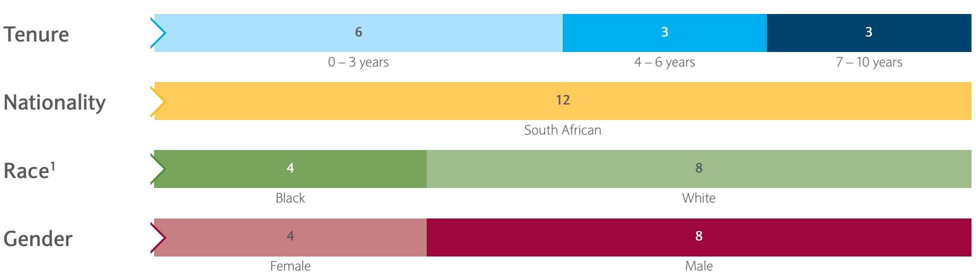
[1] As defined in the South African Broad-Based Black Economic Empowerment Act.

Detailed biographies of our Board members can be found at barclaysafrica.com.

Our Executive Committee drives strategy execution

Zameera Ally, Head of Internal Audit is an *ex officio* member of the Executive Committee. The colours encircling individuals' photos links to the Executive Committee composition data reflected below.

Composition



[1] As defined in the South African Broad-Based Black Economic Empowerment Act.

Detailed biographies of our Board members can be found at barclaysafrica.com.

Arrie Rautenbach 51
BBA; MBA
Appointed in December 2015
Expertise in business and risk management; sales and distribution; operations, strategy

Bobby Malabie 56
BCom; MBA
Appointed in March 2010
Expertise in business, citizenship, marketing and communications strategy

Charles Russon 50
BCom; CA(SA)
Appointed in May 2014
Expertise in finance; operations

Charles Wheeler 52
BA; LLB; HDip (Tax)
Appointed in March 2013
Expertise in legal and litigation

Craig Bond 55
BCom; LLB; HDip (Tax)
Appointed in January 2013
Expertise in personal and private banking; international retail and business banking

David Hodnett 47
BCom; CA(SA); AdvDip (Banking); MBA
Appointed in March 2008
Expertise in finance; risk management; strategy

Jason Quinn 42
BAcc (Hons); CA(SA)
Appointed in September 2016
Expertise in finance, tax, treasury, financial services

Maria Ramos 58
BCom (Hons); MSc (Economics); CAIB(SA)
Appointed in March 2009
Expertise in finance; economics; business

Nomkhita Nqweni 42
BSc; PGDip (Investment Management)
Appointed in October 2013
Expertise in investment management

Peter Matlare 57
BSc (Hons); MA (South African Studies)
Appointed in August 2016
Expertise in strategy; business development

Sarah Louw 51
HDip (Labour Relations); Dip (Personnel Management)
Appointed in March 2013
Expertise in human resources; labour relations

Yasmin Masithela 43
LLB; HDip (Company Law); LLM (Tax Law)
Appointed in November 2014
Expertise in legal; compliance and strategy

Board
Led by Chairman, Wendy Lucas-Bull, provides an independent check and balance

Executive Committee
Led by Chief Executive Officer, Maria Ramos, drives the execution of our strategy

Supporting business activities are shared across our operations.

Group Compliance	Yasmin Masithela
Group Finance	Jason Quinn
Group Legal	Charles Wheeler
Group Operations	Charles Russon
Group Risk	Arrie Rautenbach
Human Resources	Sarah Louw
Marketing and Corporate Relations	Bobby Malabie

We have a diverse business delivering a wide range of products and services.

- South Africa Banking – David Hodnett
- Rest of Africa Banking – Peter Matlare
- WIMI – Nomkhita Nqweni

Our Board[1] is supported by a number of committees:

- GACC
- GACC, BFC, GRCMC
- GACC, DAC, GRCMC, SEC
- ITC, GACC
- GRCMC, CoRC, MC
- RemCo, SEC
- SEC

Common policies and frameworks guide and support the execution of our business activities, ensuring that we work consistently and in an integrated way. This functional integration improves service levels and creates synergy and scale while improving service levels.

Internal Audit	Zameera Ally[2]	Board, GACC, GRCMC

[1] Board composition and committee acronyms are detailed on 11.
[2] Zameera Ally is an *ex officio* member of the Group Executive Committee.

Our business model

We create value for our stakeholders and deliver broader economic benefits to society.

Inputs *at the start of 2016*

Our operations rely on a number of key resources and relationships.

Financial capital

- **R89bn** available capital and adequate liquidity
- A sound credit rating
- Funds retained for growth **R7.8bn**
- Market capitalisation **R122bn**

Manufactured capital

- **1 251 branches** and **10 378 ATMs**
- Property and equipment of **R13bn**
- Digital portfolio (online, cell phone and other banking applications; transactional and trading platforms)
- Call centres, data centres and premises for support functions

Human capital

- **41 772**[LA] skilled and motivated employees
- An experienced leadership team
- Corporate culture based on clear ethics and Values

Natural capital

- Energy (electricity, renewable energy, gas and diesel)
- Paper
- Water

Intellectual capital

- Enterprise risk management framework
- IT capabilities, including innovation of new technologies
- Proprietary knowledge
- Well-known brands (Absa and Barclays)
- Specialised skills and expertise of employees, our Board and external advisers

Social and relationship capital

- Collaboration with partners and service providers within agreed service level agreements
- Stakeholder relationships

Our business activities

We operate within a global context and, in the course of conducting business, there are a number of external factors that influence our business activities and outcomes:

We PROTECT what is important to our stakeholders through ROBUST RISK MANAGEMENT…

We raise **FINANCIAL CAPITAL…**

› Shareholder funds › Bond holders
› Depositors › Retained earnings

… and create **CUSTOMER VALUE PROPOSITIONS…**

› Customer needs › Regulations
› Employees › IT › Data insights

…to **DELIVER PRODUCTS** and **SERVICES** to our customers and clients…

› Digital solutions › Branches/ATMs
› Relationship managers/advisors
› Strategic partners

and build CONFIDENCE and TRUST through SOUND GOVERNANCE

…and manage the distribution of **FINANCIAL BENEFITS** earned…

…which is enabled through **ROBUST OPERATIONS MANAGEMENT…**

Outputs — Products and services

We help **11.8 million** customers and clients to create, grow and protect wealth by offering an integrated set of products and services across banking and insurance.

Operating environment 22
Regulations
Stakeholder concerns 16
Key risks 24

Through our integrated planning process, we allocate financial capital to:

1. Meet regulatory minimum requirements
2. Businesses focusing on opportunities and sustainable returns (within the Board-approved risk appetite)
3. Operations and capital investment projects

We create, develop and price products and services based on the needs of our customers and clients, insights gained from their behaviours, and by factoring in systems, regulatory considerations and the competitive environment.

Our multiple channels give our customers and clients the choice of when and how they want to transact using telephone, digital solutions and face-to-face engagements. We use our skills and expertise to advise our customers and clients in managing their financial needs, including their risk. This is how we deliver on our customer and client promises and build trust.

We derive income from trading, commissions, insurance premiums, fees and interest earned on lending, advisory and administration services.

We pay interest to depositors and other funders, pay out claims for specified losses, pay investment returns and annuities.

Common policies and frameworks ensure consistent and integrated execution to improve service levels and gain synergy and scale benefits. Compliance and assurance review the adequacy of management's controls key to maintaining our licence to operate and our ability to create value.

- Financial management
- Human resources
- Information technology
- Facilities management
- Procurement
- Marketing and communications
- Compliance monitoring and internal audit

Emissions and waste

We operate in a low-impact industry and we strive to minimise our carbon emissions, paper and water consumption and waste sent to the landfill.

Outcomes *at the end of 2016*

Over time and through our business activities, we impact on the Six Capitals. We measure this impact through our Balanced Scorecard 26.

Financial capital

- Profits are shared with ordinary shareholders (**R8.5bn in dividends**) and retained earnings for future growth (**R6bn**)
- Contributed to societal growth through the goods and services bought (**R17.6bn**), taxes paid (**R7.3bn**) and employment (**R20.8bn** in employee compensation)
- Market capitalisation reached **R143bn**

Manufactured capital

- **1 207 branches** and **10 013 ATMs**
- Property and equipment of **R14.6bn**
- Enhanced our digital portfolio with a new Absa Online website, ChatBanking on Twitter and Facebook and mobile money solutions

Human capital

- **41 241**[LA] employees with improved diversity (**31.6%**[LA] women in senior management and **38.3%** of senior managers are black[1])
- **R376m** on direct training spend on ongoing skills and development with **66%** of vacancies internally filled
- Engaged employees with turnover down to **9.7%**

Natural capital

- Carbon emissions increased by **14.5%** year-on-year but decreased by **36.8%** since 2012

Intellectual capital

- Invested **R3.1bn** in information technology, delivering greater stability, ongoing resilience, increased protection against cyber risk and delivery of new products and solutions
- Brand impacted by various events in the year

Social and relationship capital

- Conduct Index score decreased to 6.3/10 but remained above our target of 5.9/10
- Increased customer satisfaction (Net Promoter Score®) improved to **28%**[LA] from **24%**)
- **R184m**[LA] spend on education and skills development
- Raised **R1.38bn** in financing for small and medium enterprises.
- Evolved stakeholder relationships

LA This indicator is covered by the scope of a limited assurance. Please see our Balanced Scorecard section for further details.

1 South African operations only. As defined in the Broad-Based Black Economic Empowerment Amendment Act.

Integrated planning to create sustainable value

Our integrated planning process ensures our strategy and key resource considerations are integrated into our financial and execution plans. This process reflects on choices in terms of our strategic ambition and the opportunities we will pursue. Our execution plans outline the required capabilities and the focused initiatives undertaken to achieve our ambitions.

1. Identify and assess

Our integrated planning takes into account who we are, our capabilities, our strategic ambitions and our operating environment. We consider our current and future resource needs and our stakeholders' legitimate needs across the Six Capitals.

Our stakeholders' expectations can be summarised into the following groupings:

- Sustained financial returns
- Stability of the financial services industry
- Fair treatment of customers and clients
- Effective and efficient management of regulatory change, balanced with customer and client service outcomes and costs
- Access to and availability of convenient, safe and reliable financial services
- Leveraging opportunities in IT advances, while managing the associated risks
- An employee value proposition that includes fair reward and recognition, personal and professional development opportunities and a conducive working environment
- Contributions towards addressing societal challenges such as education and economic development
- Responsible management of direct and indirect environmental impacts
- Contributions to transformation through broad-based black economic empowerment in South Africa

We also consider perceptions of our stakeholders. In 2016, these perceptions were influenced by down time affected service in multiple markets; speculation regarding the Barclays PLC sell-down and our brand; regulatory matters; and the lack of recognition of our ability to innovate.

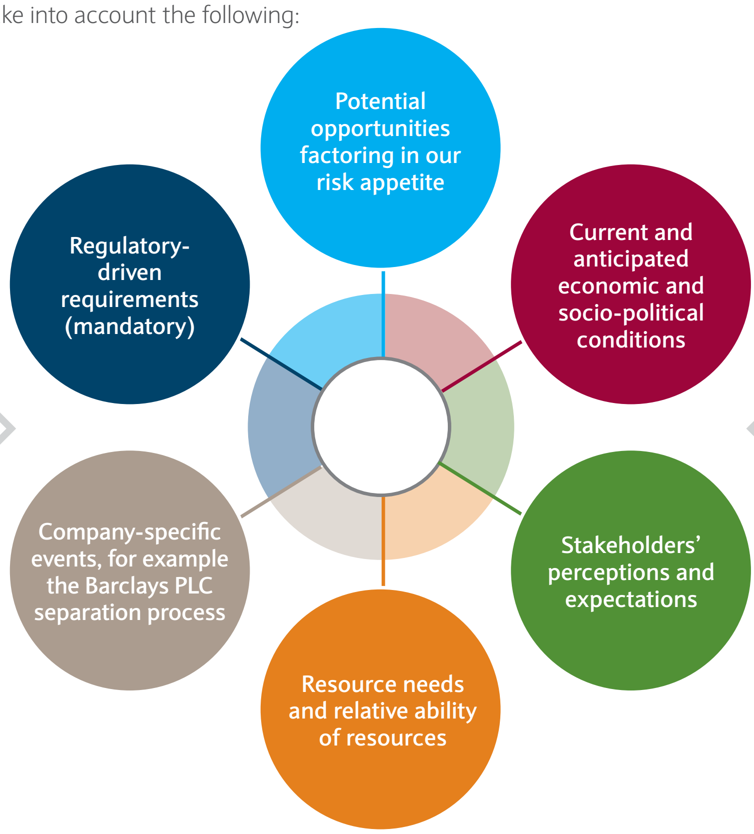
2. Plan and prioritise

We consider the key matters identified within the context of:

Our Purpose, our Goal, and our Values

Our current strategy and business model

The prioritisation of operational requirements, strategy and change initiatives take into account the following:



An important part of the integrated planning process is to consider the trade-offs between the possible responses, the timing and execution requirements, as well as the importance and impact in achieving our strategy.

Potential opportunities are assessed within our risk appetite framework to ensure a balanced approach between future growth and responsible risk management.

We also consider possible changes and refinement to our strategy and business model to remain relevant and competitive.

3. Respond and monitor

Africa is our destiny. We aim to be the financial services group of choice, providing sustainable returns and contributing to the shared growth of the communities in which we operate. We have a large balance sheet and strong market positions where we operate. Our distribution network and digital platforms reach a large and diverse customer and client base.

Based on resource availability and current and anticipated requirements, certain trade-offs are made, which re-prioritise change initiatives, and new projects. Specific actions are identified to ensure we respond appropriately.

We will continue to deliver on our One Africa strategy

Our strategy targets the key areas for growth, and maintains sound controls which focus on risk management – with sufficient stretch built in to deliver appropriate value for our stakeholders.

Our near-term focus is on delivering well on the current strategy while managing the separation from Barclays PLC.

We have shaped our business for change

We revised our operating model with 'geography' and 'customer' as primary dimensions, creating a platform for increased focus and dedicated management capacity: South Africa Banking, Rest of Africa Banking and WIMI.

We made changes to our Executive Committee to reflect the reorganisation of the business.

We have dedicated resources to plan and execute the separation from Barclays PLC

We are carefully planning and executing this process to ensure an orderly separation, and subsequent operational stability and continuity across the Group. This includes contracts securing Barclays PLC's operational support, while we implement new technologies and build additional capacity.

Shared Growth is our way of doing things and it defines who we are

We have a responsibility to leave things in a better position than we found them, and our Shared Growth initiatives will accelerate over the coming years.

Our material matters have remained fundamentally the same. We have a new material focus area within Company regarding the separation process arising from the Barclays PLC sell-down.

Company

Delivering appropriate shareholder returns while managing the risk arising from the operating environment as well as the separation from Barclays PLC.

27

Customer & Client

Understanding customers' and clients' needs and providing relevant customer and client value propositions through a balanced distribution model.

29

Colleague

Maintaining a diverse workforce of capable, committed and motivated employees who are focused on, and empowered to deliver on, our strategic objectives.

32

Citizenship

To make a positive impact on society by developing products, services and partnerships that improve communities

35

Conduct

Driving ethical behaviour and delivering appropriate products and services compliant with our regulatory and social licence to operate.

38

Segment profiles

We have a broad range of products and services to meet the financial services needs of our customers and clients. These are delivered through our three customer facing segments:

- South Africa Banking
- Rest of Africa Banking
- Wealth, Investment Management and Insurance (WIMI)

<table>
<tr><th></th><th>Individuals</th><th>Small and medium-size businesses</th><th>Corporates</th><th>Banks and financial institutions</th><th>Sovereigns and institutions</th></tr>
<tr><td rowspan="7">A safe place to save, invest and manage funds
› Accepting customers' and clients' deposits, and raising debt
› Facilitating payments and investments
› Investment management products and advice
› Managing shareholder funds</td><td colspan="5">Current accounts and overdrafts</td></tr>
<tr><td colspan="5">Savings, deposits and investment products</td></tr>
<tr><td colspan="3">Mobile and digital payments</td><td colspan="2"></td></tr>
<tr><td colspan="2">Stockbroking and trading</td><td colspan="3">Access to international financial markets</td></tr>
<tr><td rowspan="2"></td><td colspan="4">Cash management, payment systems and international trade services</td></tr>
<tr><td colspan="2">Pension fund administration</td><td colspan="2"></td></tr>
<tr style="display:none"></tr>
<tr><td rowspan="4">Provide funds for purchases and growth
Extending credit, taking into account customers' and clients' credit standing and our risk appetite</td><td rowspan="4">Residential home loans, vehicle and asset finance, personal loans and credit cards</td><td colspan="3">Commercial property finance and loans</td><td rowspan="2"></td></tr>
<tr><td colspan="3">Asset and lease finance, trade and supplier finance and working capital solutions</td></tr>
<tr><td rowspan="2"></td><td colspan="3">Access to international capital markets</td></tr>
<tr><td colspan="2">Large corporate/inter-bank lending</td><td></td></tr>
<tr><td rowspan="3">Manage business and financial risks
Solutions to manage risks such as interest rate and foreign exchange</td><td></td><td colspan="4">Foreign exchange rate hedging</td></tr>
<tr><td colspan="4">Fixed-rate loans</td><td></td></tr>
<tr><td colspan="2"></td><td colspan="3">Inflation and interest rate hedging</td></tr>
<tr><td rowspan="2">Provide financial and business support
Individual and business advice, investment research and advisory on large corporate deals</td><td rowspan="2">Wealth and private banking including investment advice, wills and trusts</td><td colspan="4">Relationship managers and support</td></tr>
<tr><td>Seminars and start-up support</td><td colspan="3">International investment research. Advice on large corporate deals as well as mergers and acquisitions</td></tr>
<tr><td>Protect against risks
Compensation for retirement and/or a specified loss in return for a premium</td><td colspan="3">Insurance (life, investments, retirement, credit and short-term)</td><td colspan="2"></td></tr>
</table>

South Africa Banking

South Africa Banking is focused on a customer and client-driven agenda, with a single ambition to improve our market position by providing an integrated set of banking solutions, based on data-driven insights, to customers and clients in focus segments.

9.4 million[LA] customers and clients

774 branches

8 885 ATMs

27 987 employees

Strengths

- Full suite of retail, business, corporate and investment banking products
- Differentiated service for core target segments
- Multi-channel platform allowing customers and clients to choose when and where they transact
- Africa expertise and networks with global links
- Understanding of investment flows, market participants, sector trends and regulations

Risks

- Low levels of GDP growth, rising unemployment and reduced spending, increasing impairments and lowering demand for credit
- Regulatory changes influencing business lines
- Potential South African sovereign rating downgrade

Looking ahead

To support our strategy, RBB prioritises:

- ongoing customer proposition improvements;
- ongoing campaigns in key identified customer segments and sectors;
- ensuring quality core products through the simplification of our product range;
- embedding Shared Growth through financially inclusive products and services; and business support and development programmes;
- continuing to focus on the collaboration with WIMI to leverage our customer base as well as increase customer retention through the provision of integrated financial services tailored to the lifecycle of our customers.
- ongoing improvements to ensure system resilience and stability;
- continuous process optimisation, automation and digitisation to enable operational excellence;
- enhancing collections efforts to enable appropriate management of customers in financial difficulty;
- sustainably managing cost, extending credit responsibly and maintaining an appropriate risk appetite; and
- providing a compelling employee value proposition.

To achieve our objectives, CIB prioritises:

- ensuring our business fundamentals operate effectively, while expanding the range of solutions for our clients through the use of innovative technology and digital interfaces;
- leveraging data analytics to provide additional insights for our clients;
- building deeper client relationships, and providing quality advice by leveraging our Africa expertise and wide local and global networks;
- providing a compelling value proposition to our clients that includes a client-centred business culture and effective product solutions delivered through collaboration across RBB and CIB;
- offering a seamless, consistent and superior client experience enabled by robust and efficient digital and technology solutions;
- embedding Shared Growth through our structured value chain financing approach;
- offering a compelling employee value proposition to attract and retain the right talent and skills; and
- delivering a superior risk management capability that protects and enables ambitions of our clients and the Group.

LA This indicator is covered by the scope of a limited assurance engagement undertaken by EY and PwC. The basis of measurement thereof and the assurance statement can be found at barclaysafrica2016ar.co.za.

Rest of Africa Banking

Rest of Africa Banking's focus remains on embedding customer and client-centricity. We will do this by delivering value propositions that meet business and personal financial services needs through an enhanced multi-channel approach in Botswana, Ghana, Kenya, Mauritius, Mozambique, Seychelles, Tanzania, Uganda and Zambia, with representative offices in Namibia and Nigeria.

2.4 million customers and clients

433 branches

1 128 ATMs

10 124 employees

Strengths

- Locally relevant and able to leverage regional scale and global connections
- Credible and safe place to invest money
- Reachable through our footprint in multiple countries
- Understanding of investment flows, market participants, sector trends and regulations
- Customisable, modular, multi-asset class product ecosystem in CIB and best-in-class product in cash, distribution and card acquiring

Risks

- Challenging macroeconomic environment
- Regulatory changes influencing business lines
- Economies remain fragile where linked to commodities, with considerable downside risk in some prominent markets
- Tight monetary policy, weak fiscal positions, slow recovery in commodity prices and slow global growth
- Stability of technology and related services

Looking ahead

To support our strategy, RBB prioritises:

- attracting quality new customers and deepening existing customer relationships through customer lifecycle management focusing on young professionals, and the self-employed, as well as revised propositions for the affluent and emerging affluent segments;
- optimising branches to be fit-for-purpose and positioned to serve our customers and reduce service costs;
- enhancing internet and mobile banking solutions, and further expanding our reach through new channels, products and partners;
- ensuring our front-line employees have the capability and skills to serve RBB customers (universal bankers);
- enhancing our sector-focused approach in commercial, and small and medium enterprise banking;
- embedding Shared Growth through financially inclusive products and services; and business support and development programmes; and
- continuing to focus on the collaboration with WIMI to leverage our customer base as well as increase customer retention through the provision of integrated financial services tailored to the lifecycle of our customers.

To achieve its objectives, CIB prioritises:

- ensuring our business fundamentals operate effectively, while expanding the range of solutions for our clients through innovative technology and digital interfaces focusing on foreign exchange, and cash and liquidity platforms;
- building deeper client relationships, and providing quality advice by leveraging our Africa expertise and wide local and global networks;
- offering a seamless, consistent and superior client experience enabled by robust and efficient digital and technology solutions;
- offering a compelling employee value proposition to attract and retain the right talent and skills; and
- delivering superior risk management capability that protects and enables ambitions of our clients and the Group.

Wealth, Investment Management and Insurance

WIMI is focused on providing integrated non-banking financial services including life and non-life insurance, investment management, retirement services and fiduciary services. Our well-established partnership model with the Group's banking operations is based on close collaboration and integration, and delivering financial solutions for individual, business and corporate clients in Botswana, Kenya, Mozambique, South Africa, Tanzania, and Zambia.

3 130 employees

R288bn assets under management

R547bn embedded value of new business

Strengths

- Integrated partnership with the Group's banking operations with ease of access through multiple retail, business and corporate banking points of presence
- Advice-led investment, credit and banking solutions for high-net-worth clients
- Retail solutions to individuals and institutional propositions to corporate and business clients

Risks

- Regulatory changes influencing business lines and services
- Potential South African sovereign rating downgrade will impact returns on investment assets held by WIMI, and could result in currency volatility
- Subdued credit growth and risk of rising interest rates impacts growth for credit-related lines

Looking ahead

To achieve its objectives, WIMI prioritises:

- building on the integration successes with RBB, and accelerating seamless customer and client engagement and enablement through customer and client value propositions in response to their life stage journeys;
- consolidating Rest of Africa growth – extracting greater value from the existing footprint while simplifying and ensuring greater empowerment within the business model;
- growing and retaining premium flows and assets under management;
- leveraging internal and external distribution channels to maximise new business and flows;
- investing in customer, digital and data capabilities to support competitive market positioning and achieve targeted growth;
- optimising technology to drive operational efficiencies and automation through robotics and upgrading of our core platform environments;
- improving market visibility to build awareness of our wider range of offerings (Bank • Invest • Insure) to attract new customers;
- embedding Shared Growth through financially inclusive products and services and including more SMEs within our service value chain as service providers;
- attracting and retaining top talent; and
- embedding a robust risk and control environment.

A challenging operating environment

We believe our ability to create value is directly linked to our ability to effectively address a number of current and emerging issues. We must be responsive to the operating environment and its risks and opportunities.

The external environment continues to evolve across a broad spectrum of issues, and we assess and monitor the impacts of global, regional and local change. This set of considerations is a key input into our integrated planning process 16 and the process of identifying and managing our material matters.

Macroeconomic conditions

- Global economic conditions continue to negatively impact many African economies
- New global uncertainties arising from, for example, Brexit, potential US policy changes and interest rate changes
- Ongoing uncertainty and volatility in key economic indicators
- Domestic economic challenges, including inflation and currency depreciation
- In South Africa – there is persistent low growth, risk of a ratings downgrade persists, consumers remain under pressure, and business and consumer confidence is weak

Competition and technology

- Many local banks are growing faster than global and regional banks
- Raised expectations of customers and clients and self-service platforms are changing the nature of customer and client relationships
- Disintermediation/non-traditional competitors are distributing financial products
- New low-cost, fully digital banking products are being delivered faster, and at a lower cost through virtual solutions
- Fintech continues to disrupt personal banking, which is rapidly evolving to centre around mobile applications
- Complexity of managing technology, information and cyber risks is increasing

Regulatory change and conduct

- Increasing active supervision and regulation of financial services, with a particular focus on customer protection and corporate conduct
- Disparate regulatory standards across geographies and key areas of business
- Pressure on fees and margins, due to regulatory intervention and competitive forces
- Significant accounting and regulatory developments, including IFRS 9 (accounting for financial instruments), IFRS 4 (insurance contract accounting) and BCBS 239 (Basel Committee on Banking Supervision's principles for effective risk data aggregation and reporting)

People and skills

- Competition for specialised skill sets, such as IT, data analytics and risk management
- Resource mobility and new ways of working
- Imperative for inclusion and diversity
- Ongoing cost pressure and process automation impacting human resource requirements
- Evolving technological developments disconnect our future required resources and current employee skill sets
- Employees are increasingly seeking a tailored employee value proposition including flexible and dynamic working arrangements

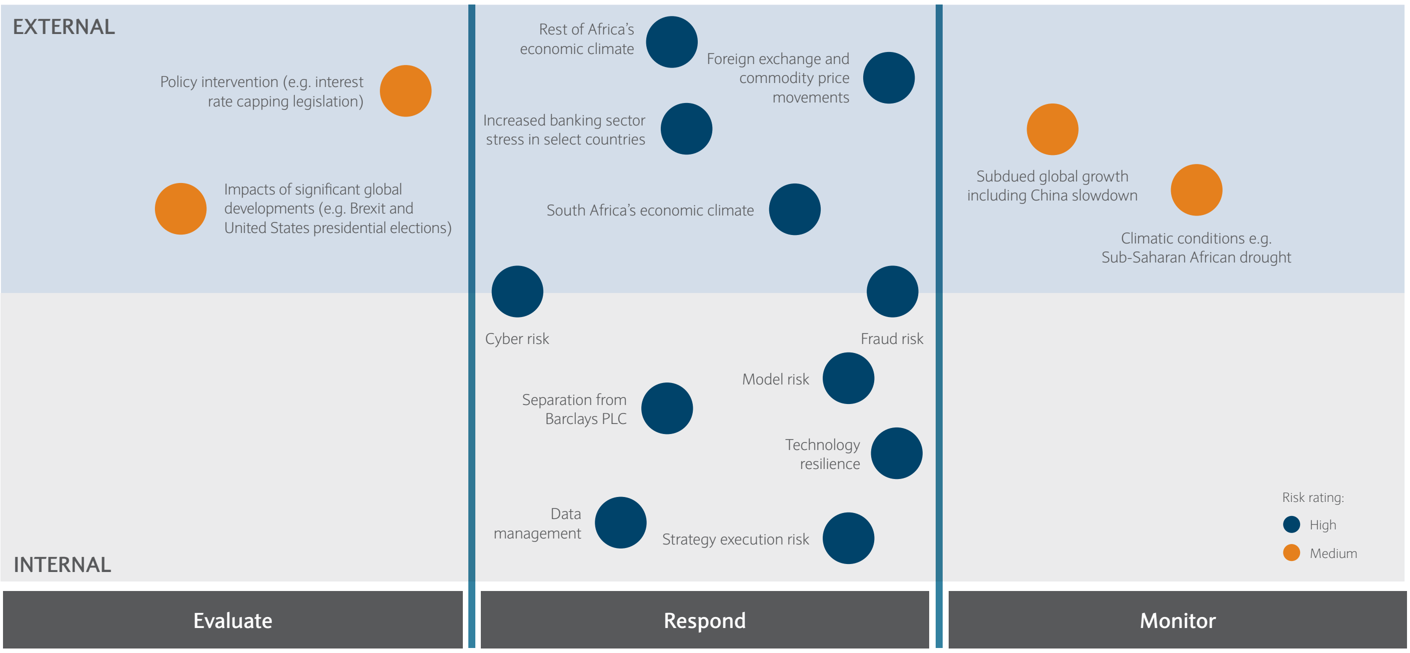
Social and environmental matters

- Rapid growth in the young population and expanding mass and middle market in Africa
- Extent of unemployment, especially among the youth
- Persistent political uncertainty and social unrest
- Activism in a broader range of social, environmental and governance-related matters
- Infrastructure challenges, including electricity and water supply

Drawing from this operating environment scan, there are a number of arising key risks that influence, or have the potential to influence our business over the short, medium and long term. In addition to these risks from the external environment, there are a number of risks specific to Barclays Africa.

We continuously monitor risks arising from macroeconomic, business, political, market and country-specific developments which might impact our portfolios, and take pre-emptive risk management actions where appropriate.

The following graphic outlines the landscape of risks most material to our strategic ambitions, and the table describes the ways in which they impact/influence our business and our mitigating actions.



Theme	Key risks	Potential impacts	Mitigating actions
Macroeconomic factors impact our ability to sustain business and achieve market commitments	› Foreign exchange and commodity price movements › Increased banking sector stress in select countries › South African economic climate (including the risk of sovereign downgrade) › Subdued global growth, including the China slowdown › Climatic conditions e.g. Sub-Saharan Africa drought	› Reduced revenue › Increased impairments	› Continue to respond to changes in leading indicators with definitive steps to mitigate risks and unlock opportunities
Strategic changes impact our ability to execute our plans that support market commitments	› Separation from Barclays PLC › Execution risk	› Delayed completion of projects › Increased expenditure	› Established a dedicated and integrated capability to address business-as-usual, transition and transformation change requirements
Technology impacting competitiveness and operational risk	› Cyber risk › Fraud risk › Technology resilience › Data management › Model risk	› Security breaches › Operational disruptions › Operational losses › Reputational damage	› Continue to invest in technology platforms, processes and controls
New and emerging regulations	› Policy intervention (e.g. interest rate capping legislation). › Impacts of significant global developments (e.g. Brexit and United States presidential elections) › Volatility in impairments resulting from IFRS 9 application	› Reduced revenue and or increased expenses › Non-compliance with regulations, resulting in penalties	› Maintain the coordinated, comprehensive and timely approach to identify, assess and respond to regulatory changes

Underpinned by sound risk management

Effective risk management and control are essential for sustainable and profitable growth. Within each area of business, we believe we must effectively manage all risks and the financial implications since it is only by remaining financially sustainable that we can deliver on our other commitments.

We face risks throughout our business every day, in everything we do. Risks exist when the outcome of a decision or action is uncertain and could impact whether, or how well, we deliver on our objectives. Certain risks arise from external events such as electricity shortages, economic shifts and regulatory change. We take select risks – such as lending money to a customer or client – after appropriate consideration. Other risks may arise from unintended consequences of internal actions, for example, an IT system failure or poor sales practices.

Risk management's role is to evaluate, respond to and monitor risks in the execution of our strategy. Our risk management framework sets out activities, tools, techniques and practices to better identify and manage material risks facing the Group. It also ensures appropriate responses are in place to protect the Group, and prevent detriment to our customers and clients, employees and other stakeholders. It is essential that business plans are supported by an effective risk management framework, allowing us to grow in a sustainable and responsible manner.

Principal risks

Our key risks – those that are foreseeable, continuous and material – are grouped into five principal risks. Each has a control framework with supporting policies and standards.

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

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

- **Traded market risk:** The risk that we will be impacted by changes in the level or volatility of positions in trading books, primarily in investment banking.
- **Non-traded market risk:** The risk of our earnings or capital being reduced due to the market risk exposure from banking book positions which may arise net of hedging activities.
- **Insurance risk:** The risk that future experiences relating to claims, expenses, policyholder behaviour and investment returns differ from the assumptions made when setting premiums or valuing policyholder liabilities.
- **Pension risk:** The risk that an adverse movement between pension assets and liabilities creates a pension deficit.

Funding risk The risk that we are unable to achieve our business plans because of capital and liquidity risk.

- **Capital risk:** The risk that we are unable to maintain adequate levels of capital. This could lead to an inability to support business activity, a failure to meet regulatory requirements, and/or changes to credit ratings – which could also result in increased costs or reduced capacity to raise funding.
- **Liquidity risk:** The risk that we are unable to meet our obligations as they fall due.

Operational risk Operational risk arises from potential for direct and/or indirect losses due to human factors, inadequate or failed internal processes, systems or external events.

Conduct risk The risk of detriment to customers, clients, counterparties or Barclays Africa and our employees, because of inappropriate judgment in the execution of business activities.

Improving risk data aggregation and reporting

The Basel Committee on Banking Supervision principles for effective risk data aggregation and risk reporting (BCBS 239) are intended to improve the quality of information that banks use in decision-making, particularly with regard to risk management.

Risk appetite and stress testing

Our risk appetite measures the extent and types of risk that we are prepared to take in executing our strategy. It combines a top-down view of capacity to take risk, with a bottom-up view of the risk profile associated with each business segment's ambitions. We aim to manage our risk profile in a forward-looking manner, and our risk trigger and management framework – which is continuously reviewed and strengthened – serves as an early warning system in the event of deteriorating circumstances. The indicators include economic and industry sector indicators directly correlated with risk measure and key financial performance measures.

We use stress testing and scenario analyses to assess the performance of the Group's portfolios in the expected economic environment, and to evaluate the impact of adverse economic conditions. Actual market stresses experienced throughout the financial system in recent years, are used to enhance the stress scenarios employed.

Risk trigger and management framework

Risk summary 51

Indicators that are monitored:

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

Risk budget i.e. planned risk appetite used based on budget

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

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

Three lines of defence

We apply a 'three lines of defence' model to govern risk across all segments and functions. Our enterprise risk management framework assigns specific responsibilities to each line of defence.

- **First line:** process and control owners in customer and client-facing business segments and select Group functions. They are responsible for managing risk and control in their processes on an end-to-end basis.
- **Second line:** independent risk, compliance, legal and control functions and management control groups which formulate the policies and standards for managing risk and control and ensure, through reviews, that the first line meets the requirements of the policies and standards.
- **Third line:** internal and external audit functions that confirm, through control testing and other reviews, that the first and second lines execute their responsibilities in an effective and consistent manner.

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

Evaluate, respond and monitor

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

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

Respond
The appropriate risk response ensures that risks are managed within our risk appetite. We can respond in three ways:

- Accept the risk, but take necessary mitigating actions such as using risk controls.
- Stop an existing activity, or do not start a proposed activity.
- Continue, but transfer risks to another party e.g. insurance.

Monitor
This is ongoing, proactive and is more than 'reporting'. It includes ensuring risks are maintained within risk appetite and verifying that controls are functioning as intended, and remain fit for purpose. It can challenge and prompt re-evaluation of the risks and/or changes in responses.

Balanced Scorecard performance summary

We continue to create value for our stakeholders despite a challenging operating environment

Progress is tracked by a number of sources including internal dashboards, regular management reporting materials and external measures, ensuring a balanced review of our performance.

	What do we consider as success?	How we measure success includes, but is not limited to	Top line metrics	Current performance
Company	› Achieving our financial targets within a reasonable timeframe, consistent with our aim of generating sustainable returns for the shareholders while managing the separation from Barclays PLC	Current financial targets of: › Returns › Capital › Cost › Revenue split	Return on equity **Target:** 18 – 20% Common Equity Tier 1 ratio **Target:** 9.5 – 11.5% Cost-to-income ratio **Target:** low 50s Revenue share from Rest of Africa **Target:** 20 – 25%	▼ **16.6%** △ **12.1%** ▼ **55.2%** △ **22.5%**
Customer & Client	› Being trusted by customers and clients and ensuring excellent customer and client service › Customer and clients recommending us to others › Successfully innovating and developing products and services that meet customers' and clients' needs › Offering products and services in an accessible way	› Customer surveys › Complaints performance › Client rankings and market shares	RBB and WIMI: ranking of Relationship Net Promoter Score® (NPS®) versus peer set[1] **Target:** 1st in 2018 CIB: Compound annual growth rate in client franchise contribution **Target:** 11% in 2018	= **4th** △ **16%**
Colleague	› Engaged and enabled employees › A diverse and inclusive workforce in which employees of all backgrounds are treated equally and have the opportunity to be successful and achieve their potential	› Employee engagement › Diversity and inclusion statistics	Sustained engagement of colleagues' score **Target:** ≥85% in 2018 Women in senior management **Target:** 35% in 2018 Senior black management[3] **Target:** 60% in 2017	= **75**[LA,2] △ **31.6%**[LA] △ **38.3%**
Citizenship	› Making decisions and doing business that provides our, customers and clients, shareholders, employees and the communities we serve with access to a prosperous future, through our Shared Growth philosophy › Proactively managing the environmental and societal impacts of our business	› Delivery against our Shared Growth goals › Employee engagement in Citizenship activities › Environmental and social impacts of our lending practices and the management of our impact on the environment	Shared growth Investment in education and skills **Target:** R1.4bn by 2018 Funds raised and deployed for enterprise and supply chain development **Target:** R1.3bn by 2018	△ **R184m**[LA] △ **R1.38bn raised**
Conduct	› A positive conduct and values-based environment › A business responsive to regulatory change and the resulting impacts	› Conduct and culture measures › External benchmarks and surveys	Conduct reputation survey[1,4] **Target:** 7.6/10 in 2018	▼ **6.3**/10

1 Bi-annual metrics.
2 Survey conducted in 2015.
3 South African operations only.
4 YouGov survey conducted in Botswana, Ghana, Kenya, South Africa and Zambia.
® Trademarks of Satmetrix Systems Inc., Bain and Co Inc. and Fred Reichheld.
LA This indicator is covered by the scope of a limited assurance engagement undertaken by EY and PwC. The basis of measurement thereof and the assurance statement can be found at barclaysafrica2016ar.co.za.

Company

We effectively manage risk, and create sustainable returns

Material focus areas

1 Sustainably growing revenue

2 Effectively managing risks

3 Disciplined cost management while enabling strategic investments

4 Delivering appropriate shareholder returns

Why this is important:

It is essential we maintain a strong relationship with our shareholders to ensure a shared understanding and vision for our future performance.

Desired outcomes

For our investors

- Growing, sustainable returns on their investments through dividends and share price
- Return on debt-based investments delivered in agreed upon timelines

For the Group

- Adequate levels of capital and liquidity to enable management to take advantage of opportunities
- Effective management of risks
- Investment and support from shareholders and analysts

Key matters raised by stakeholders

- Barclays PLC's sell-down, the resulting separation and potential revenue loss, system changes and management capacity
- Resilience and revenue growth in an uncertain/volatile economic environment and sustainable cost containment
- Strong and emerging competition particularly fintech in the retail space
- Operational risks including IT, cybercrime and physical security

Measuring our progress

	2013	2014	2015	**2016**	YoY trend
Revenue share from outside South Africa (%)	19.1	19.5	20.8	**22.5**	▲
Cost-to-income ratio (%)	56.3	56.8	56.0	**55.2**	▼
Return on equity (%)	15.5	16.7	17.0	**16.6**	▼

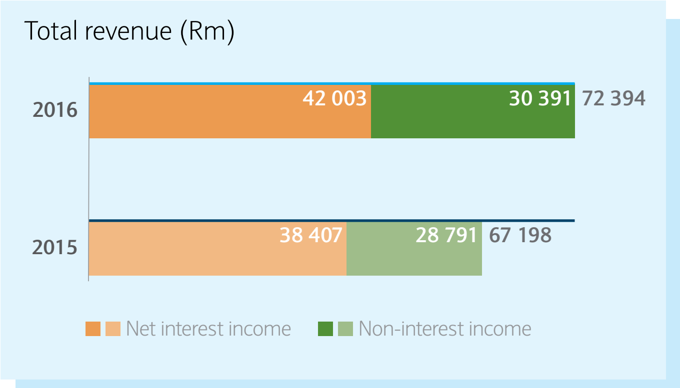
43 Further information relating to our financial and risk management performance.

Full details of our financial performance are contained in our 2016 Financial Results booklet and our Consolidated and separate financial statements, which can be downloaded from barclaysafrica2016ar.co.za.

1 Sustainably growing revenue

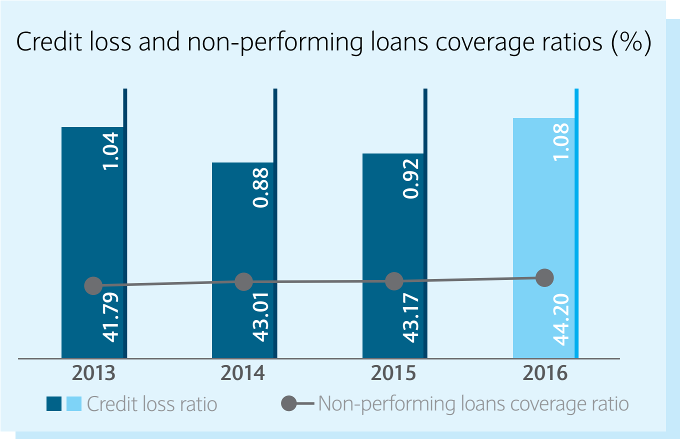
Our revenue trajectory continues improving in several target areas, including Rest of Africa Banking, Markets, Corporate South Africa and Retail Banking South Africa. Our revenue share from outside South Africa increased to 22.5% (2015: 20.8%). The weak macro backdrop and regulatory pressures in South Africa, coupled with limited growth in primary customer numbers curbed positive revenue momentum in RBB, which remains a priority in 2017.

We are top three by revenue in three of our largest markets – Botswana, Ghana, and South Africa, however, behind our target which includes Kenya and Zambia.



2 Effectively managing risks

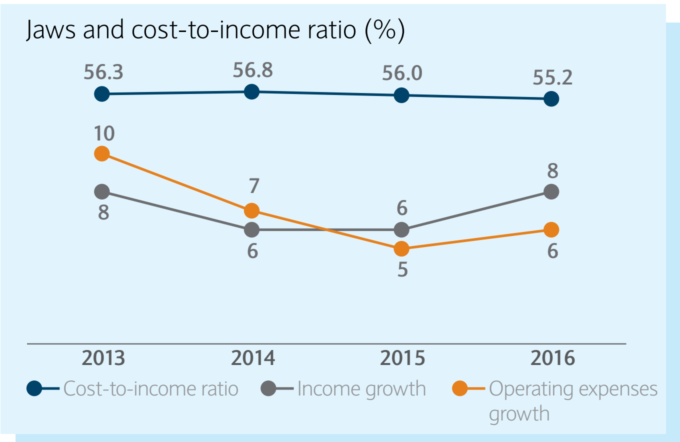
Our credit loss ratio increased to 1.08% (2015: 0.92%) due to macroeconomic pressures experienced by consumers and a significant impairment by a large corporate client. Our portfolio provision to performing loans and advances grew to 0.79% (2015: 0.65%), while coverage on non-performing loans rose to 44.20% (2015: 43.17%).



3 Disciplined cost management while enabling strategic investments

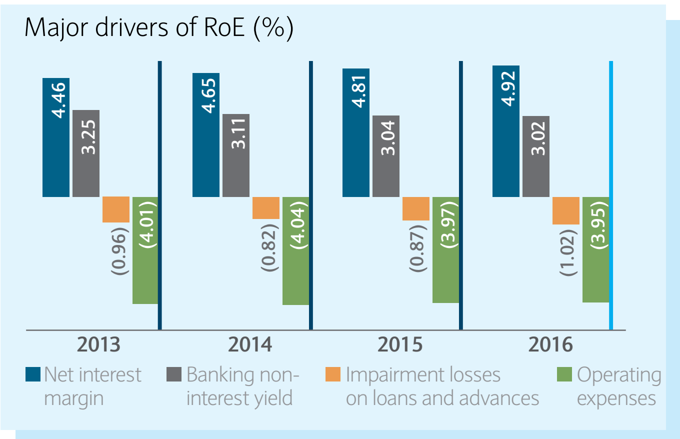
Our structural cost programme continues producing efficiency gains, while allowing us to invest in strategic initiatives, including technology, which increased to 19% of our total costs (2015: 18%).

Our cost base management caused operating expenses to grow below inflation in constant currency. This, combined with our revenue growth in several targeted areas outlined above, improved our cost-to-income ratio to 55.2% (2015: 56.0%).



4 Delivering appropriate shareholder returns

Our return on equity decreased slightly to 16.6% (2015: 17.0%). This is satisfactory, taking into account the operating environment and substantial single-name credit impairment charge. Excluding the latter, our return on equity would have increased year-on-year. While separating from Barclays PLC will impact our near-term returns, we still believe that our stated longer-term target remains appropriate for our Group.



Customer & Client

We aim to be the financial services group of choice

Material focus areas

1 Understanding customer and client needs

2 Creating and delivering solutions

3 Balanced distribution model

4 Ensuring trust and safety

Why this is important:

Customer service is central to our growth strategy. To retain existing and acquire new customers, we have to remain relevant by offering appropriate and innovative products and solutions at the right cost.

Desired outcomes

For our customers and clients

- Simple, efficient cost-effective banking solutions
- A safe and trustworthy financial services provider

For the Group

- Improved Net Promoter Score®
- Increased revenue from existing customers and clients, and new business
- Ultimately, customer and client trust and support

Key matters raised by stakeholders

- Access to financial services that are cost-effective, simple and convenient
- Financial inclusion through products, increased access points (physical and digital) and markets
- System reliability and availability to transact on their chosen platform
- Service levels and efficient resolution of service failures (complaints)
- Protection against fraud, and safety of personal data (customer privacy and data security)

Measuring our progress

	2013	2014	2015	**2016**	YoY trend
Total number of banking customers (million)	12.0	12.0	12.3	**11.8**	▼
› South Africa[1]	9.4[LA]	9.2[LA]	9.4[LA]	**9.4[LA]**	▲
› Rest of Africa	2.6	2.8	2.9	**2.4**	▼
Branches (number)	1 314	1 267	1 251	**1 207**	▼
ATMs (number)	10 780	10 643	10 378	**10 013**	▼
Net Promoter Score® (%)[2]	n/a	19.5[LA]	24[LA]	**28[LA]**	▲
› South Africa	12[LA]	19	22	**24**	▲
› Rest of Africa	20	21	32	**31**	▼
Complaints per 1 000 customers (number)[3]					
› South Africa	–	–	–	**0.82[LA]**	3
› Rest of Africa	–	–	–	**6.55**	3
Banking ombudsman complaints (opened/closed) (number)[4]	981/897[LA]	524/614[LA]	193/633[LA]	**798/767[LA]**	▲

[1] Total number of South African customers with open Absa core banking products such as cheque accounts, savings accounts, secured and unsecured loans (excludes wills, life policies, Edcon, Woolworths Financial Services and Virgin Money South Africa).
[2] Net Promoter Score® (NPS®) is a brand relationship score, defined as the percentage difference between the promoters and detractors, based on their likelihood to recommend the Group to friends and family. Net Promoter Score and NPS are trademarks of Satmetrix Systems, Inc., Bain & Company Inc. and Fred Reichheld.
[3] Total number of complaints (any expression of dissatisfaction) logged in the year per 1 000 customers. Previously reported complaints per 1 000 accounts and no comparative is available.
[4] The number of complaints opened and closed with the South African Ombudsman for Banking Services for the reporting period.
[LA] This indicator is covered by the scope of a limited assurance engagement undertaken by EY and PwC. The basis of measurement thereof and the assurance statement can be found at barclaysafrica2016ar.co.za.

1 Understanding customer and client needs

Customers and clients are increasingly demanding that businesses understand them better and use already-received information to provide better service. Interactions with our customers and clients, from a point-of-sale (POS) device, an ATM, internet banking or in a branch, are opportunities to understand them better. Harnessing this information allows us to better tailor customer and client solutions, which meet their needs at the right moment.

Technology has taken over a large part of the transactional banking relationship, and improves the speed with which we serve our customers and clients across all channels. It is not enough to understand data – it is the intelligent interaction between data, insights-driven solutions and human interactions with customers and clients that ultimately leads to differentiating ourselves through richer solutions with the correct products, services and advice.

2 Creating and delivering solutions

Our customer and client service model changes as we evolve our capabilities. We structure our core business activities and processes to develop solutions suited to our customers' and clients' individual life stages or their current business needs while providing outstanding experiences, privacy and security.

We continue enhancing core customer and client value propositions, strengthening existing, and building new strategic partnerships.

We continue to identify and anticipate customer and client needs. For example, we reduced administrative burdens on customers and clients by introducing account number portability, which allows them to keep their account number when changing account types. Our customers and clients are able to digitally upload their FICA documents for future use. We also offer a range of convenient payment and purchase options to customers and clients. Payment Pebble – a mobile payment acceptance device for any smartphone – enables quick payments.

Prepaid cards are available for youth accounts in Zambia, and CashSend allows cash withdrawals at our ATMs without a bank card, via a mobile phone in Botswana, Kenya and South Africa. Customers in South Africa can purchase prepaid electricity through ATMs, the Absa banking app, Absa Online portal and ChatBanking.

Customers and clients also have more control over payments made by direct debit through our first-to-market online debit order reversal in South Africa. Absa customers and clients can, within 40 days, request that an unauthorised debit order be reversed instantly, and prevent future debit order transactions from taking place.

Product access has been increased by using tablets to open accounts at remote locations across Botswana, Ghana, Kenya, Mauritius and Zambia. Customers and clients in Botswana, Ghana, Kenya and Uganda without access to smartphones can make use of Hello Money – a basic mobile phone banking solution. Online bill payments are available in Botswana, Ghana, Kenya, Tanzania, Uganda and Zambia.

We added functionalities to our cash-accepting devices, our app and online platforms. Self-registration is available for customers and clients on our Absa mobile banking app; stand-alone home loan and vehicle finance registration is available via Absa Online, and our Absa Homeowners app offers speed, convenience and 24/7 access along with in-principle credit decisions.

Business Banking's electronic sales platform has been enhanced, and we developed instant online account opening for businesses via digital channels. Small and medium enterprises can use Business Essentials Light – a cost-effective transactional account. We enabled the Halo Pay app to link to Absa digital services, allowing micro-businesses to issue payslips, pay employees from the business' Absa account and allow those employees with or without bank accounts to withdraw from Absa ATMs.

Our WIMI customers benefit from purchasing insurance and logging short-term insurance claims online and Absa's Affinity Life – a first-to-market predictive underwriting tool that uses customer-level data to predict what the outcome for medical underwriting would be without the inconvenience of full medical assessments.

In CIB, client engagement integrates client coverage across Africa through end-to-end relationship management origination activities, leveraging segment and sector specialisation.

We have been taking a leading role in helping develop products and investigate technologies that will bring efficiencies and cost savings to Africa. This includes Blockchain (a digital ledger where transactions are made in a cryptocurrency, and recorded chronologically and publicly) – which has the potential to fundamentally change the way certain businesses operate. Together with Barclays PLC, we facilitated the world's first trade finance transaction using Blockchain. Such a trade, which would normally take between 2 – 10 working days, was processed in just four hours. This technology is expected to create significant efficiencies, reduce costs and eliminate inherent risks associated with trade documentation. As a member of R3 – a global Blockchain consortium – we have access to global knowledge and tools and have initiated a working group in South Africa to co-create further Blockchain solutions.

3 Balanced distribution model

The ongoing evolution of financial services gives our customers and clients a choice from a range of relevant channels, suited to their individual lifestyles and needs. Our multi-channel strategy provides customers and clients with a range of platforms offering face-to-face and technology-based solutions. We continue improving customer and client experience by simplifying processes, reshaping our branch network and investing in our digital channels.

We provide physical access via 1 207 branches and 10 013 ATMs across our operations. We continue refurbishing and re-positioning some of our branches, ATMs and cash accepting devices. ATMs are available 24 hours a day, with functionalities such as cash acceptance and CashSend in all markets except for Seychelles. Cash withdrawal via a point-of-sale device is available in Seychelles (first-to-market), South Africa and Zambia.

Our digital strategy has two clear execution streams. The first focuses on system resilience and stability – including modernisation of our network, system availability, disaster recovery capabilities and the management of information and cyber risks. With the second, we are adapting our thinking to radically change customer and client experience and anticipate what financial services will look like in the future.

Strengthening and extending our online and mobile services remains a priority. 26% (2015: 23%) of our customers are now active on our digital platforms. We overhauled the Absa Online website and released a refreshed mobile Absa banking app with a redesigned human experience. We promoted online banking and other digital solutions in the Rest of Africa, providing customers and clients with more convenient banking capabilities. We also refreshed our Kenyan online banking website.

We are automating end-to-end processes, and implementing systems that simplify our customers' and clients' experiences, while re-engineering our front-end systems to provide employees with the right tools and capability to serve our customers and clients.

New technologies, such as wearables, mobile payment options and messaging apps, are changing consumers' lives, and banks are adopting these technologies to remain relevant and competitive. Our Application Programming Interface platform permits applications to safely link into online and mobile banking, payment processing, risk calculators and ATM locations. Award winning examples include ChatBanking (a first on Twitter in Africa and a global first on Facebook) which allows customers to perform limited transactions through social media.

We keep evolving and building new strategic capabilities that enable us to be relevant and competitive into the future. We have launched new digital payment technologies and are leveraging strategic partnerships to drive innovation, increase market access and enhance our customer and client value propositions. Launched in 2015, Rise Africa is an innovation community built around both a physical space and a digital platform, creating a local, regional and international community for the top fintech start-ups to connect, co-create and scale their innovative ideas and connect with corporates. Robotics and artificial intelligence are simplifying and automating our services.

Measuring our performance

The growth of our business is directly linked to the way we treat our customers and clients, and manage their assets. Our NPS® customer survey score in South Africa improved to 24% in 2016 (2015: 22%) while Rest of Africa achieved an average NPS® of 31% (2015: 32%). Our Group NPS® ended at 28%[LA] (2015: 24%[LA]).

In our first year of measurement, complaints per 1 000 customers was 0.85 for the Group. We resolved 54% of complaints at first point of contact (2015: 52.1%). In South Africa, the number of Ombudsman for Banking Services complaints increased to 798[LA] opened (2015: 193[LA]) and 767[LA] closed (2015: 633[LA]). The significant increase was experienced across the industry. Through our complaints monitoring and voice of customer research, we actively identify causes of dissatisfaction.

4 Ensuring trust and safety

For customers and clients, financial crime risks include ATM and branch security (for example, card skimming and robberies), card fraud, and online security risks – such as spyware and computer viruses. We aim to protect our customers and clients through our controls and processes, as well as education and awareness.

In 2016, we brought together our forensics, security and fraud operations, integrating investigations and enhancing the quality of our decision-making when mitigating risks. Our fraud prevention capability continued improving, benefiting from:

- ongoing customer awareness;
- more effective management of related key risks; and
- technology upgrades – including enhanced authentication and security for online banking, mobile banking, mobile banking apps and card-not-present transactions.

Total fraud losses amounted to R256m, 29% less than in 2015 (R362m), and continued decreasing ahead of industry trends, with 81% (R210m) of fraud losses (2015: 86%, R281m) attributable to South Africa. Card fraud remains the main contributor to fraud losses, amounting to 50%, (R128m) (2015: 43%, R156m) of total losses in the Group. The reduction in card fraud losses is mainly due to the introduction of more secure chip and PIN cards, as well as significant changes in the early detection of application and transaction fraud.

Customers and clients lost a total of R101m during 2016, largely due to more online transactions via internet and mobile banking. Fraudsters aggressively target customers with the intention of securing their account numbers, PINs and passwords. This increase in online fraud is a broader industry and global trend. Online fraud is currently the largest contributor to retail customer losses. Awareness remains a key defence, and we continue engaging with our customers and clients about the risks they face.

Violent crime prevention in South Africa has notably improved, with significant decreases in all crimes, except burglaries at ATMs, which have stabilised. In general, the reduction is thanks to successful application of advanced security technology. Operating conditions, in terms of physical security, have remained stable in operations outside South Africa.

As challenges such as cyber fraud and violent crimes remain we will continue investing in defences to protect our customers and clients, and the Group.

Colleague

We create an environment where employees can do their best work, and fulfil their potential

Material focus areas

1. Leaders as a source of value
2. Attracting and retaining quality employees
3. Building bench strength through distinctive development opportunities
4. Accelerating our diversity
5. Partnering for success

Why this is important:

Capable and engaged employees serve our customers and clients, and advance our reputation, driving our commercial success.

Key matters raised by stakeholders

- Leadership continuity and managerial depth
- Retention of critical skills
- Talent attraction and development
- Productivity through an agile culture
- Diversity and transformation

Desired outcomes

For our employees

- A workplace where employees can do their best work
- Performance underpins the rationale for recognition and reward
- Self-led development and career progression

For the Group

- High productivity through quality employees who are engaged and retained
- A ready pool of diverse and experienced talent equipped to meet current and future needs
- Outstanding leaders who inspire workforce productivity and agility

Measuring our progress[1]

	2013	2014	2015	2016	YoY trend
Total permanent employees (number)	41 433	40 662[LA]	39 964[LA]	**39 356[LA]**	▼
Total permanent and non-permanent employees (number)[2]	46 320	43 817[LA]	41 772[LA]	**41 241[LA]**	▼
Permanent employee turnover rate (%)[3]	11.7[LA]	10.8[LA]	12.0[LA]	**9.86[LA]**	▼
Retention of high-performing employees (%)	91.7	94.2	91.4	**93.5**	▲
Women in senior management (%)[4]	26.2	29.7[LA]	30.9[LA]	**31.6[LA]**	▲
Senior black management (%)[5]	32.2	32.2	35.6	**38.3**	▲
Total direct cost of development (Rm)[6]	341	314	320	**376**	▲

1 All employee metrics exclude Woolworths Financial Services.
2 Number of employees includes permanent and temporary employees.
3 The total number of terminated employment contracts expressed as a percentage of the average number of permanent employees for the year.
4 The number of female employees in managing principal/principal roles for South Africa, and director and managing director roles for Rest of Africa, expressed as a percentage of the total number employees in managing principal (director)/principal (managing director) roles as at 31 December 2016.
5 Percentage of senior black executives at managing principal level. (South African operations only).
6 Total direct costs of development replaces total reportable spend that was disclosed in prior years.
LA This indicator is covered by the scope of a limited assurance engagement undertaken by EY and PwC. The basis of measurement thereof and the assurance statement can be found at barclaysafrica2016ar.co.za.

Empowering performance

Our priority is strong business performance during a successful operational separation from Barclays PLC. Barclays Africa's sustained focus on employees, as a differentiating asset, has enabled us to accelerate our progress. Central to this is leadership continuity, critical skills retention, and our ability to attract and engage quality employees, independent of the Barclays PLC platform.

We are significantly investing in employee development and strengthening our employer brand. This includes building the leadership and managerial depth to underpin our future ambitions. As evidenced by many of our Colleague metrics, we continue making strong progress in attracting, developing and retaining the employee capabilities required to achieve our strategy. Our talent attraction and hiring metrics show that Barclays Africa is well resourced with quality employees, particularly in technology and digital, which are key enablers of our strategy. Our retention of leadership talent and critical skills is the highest it has been in the past four years.

Our leaders are focused on building a more agile and productive culture, founded on ethical values, personal accountability and transparency. This will be value accretive for all our stakeholders, including our employees. We are also upgrading our change management capability, so that we are well-positioned to take advantage of opportunities in our markets.

The revised operating model (South Africa Banking, Rest of Africa Banking and WIMI) ensures we have dedicated leadership, and commercial and technical capacity across our portfolios.

1 Leaders as a source of value

A competent executive team and strong leadership pipeline are key to delivering value for our customers and clients, and sustaining the confidence of our investors and regulators.

The strength of our executive talent pipeline, in which we invest significantly, is reflected in three out of four internal appointments to the Executive Committee over the past two years. We have a seasoned, stable and diverse executive team, of whom one-third is female (unchanged on 2015) and one-third black (2015: 25%).

Our executive leadership retention rate is encouraging. We retained 95% and 100% of our 136 managing principals in South Africa and Rest of Africa Banking respectively.

We invested R30.8m (2015: R22.9m) in our Global Leadership Curriculum, and our leaders who are accountable for people management participated in 6 100 training sessions (2015: 3 900). In addition, we launched a portfolio of bespoke leadership programmes (including Leadership Excellence and Management Excellence) to further strengthen our managerial capabilities – benefiting 1 334 employees. We segment and customise our leadership programmes. For example, in Kenya, 96% of leaders attended our Certified Employees Manager programme, and 150 leaders have been trained as internal coaches. This has significantly shifted the Kenyan performance culture, and employee turnover is now 3% (2015: 5%).

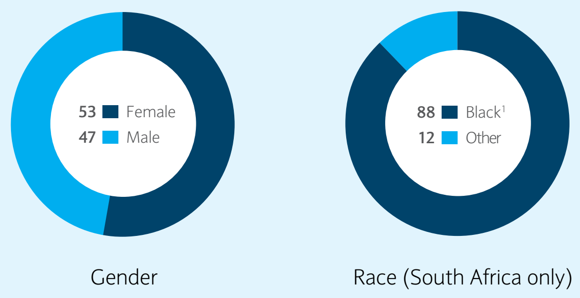
2 Attracting and retaining quality employees

We experienced the lowest total employee turnover in four years which reduced to 9.86%[LA] (2015: 12.0%). Importantly, 93.5% of high performers were retained (2015: 91.4%) and voluntary attrition reduced to 7.4% (2015: 8.0%).

Our improving employer brand and the pan-African opportunities we offer underpin our ability to attract top employees. We hired 6 771 people, and our average time to hire improved for the third consecutive year, down by 7.3% for 2016, to 38 days (2015: 41 days). Time to hire for senior managers also improved for the third consecutive year, down a further 23% to 53 days (2015: 69 days). We reduced our agency spend by 39%, as our employer brand and internal talent marketplace enables us to source more talent directly.

We are attracting a diverse workforce to broaden our perspectives and enhance performance as reflected in our hiring data.

New hires (%)



[1] Definition as per South African Broad-Based Black Economic Empowerment Act.

We have strengthened our technology, digital, data and financial crime functions. Given the strategic importance of digital capability, we hired 54 professionals who are being developed through our newly launched Digital Academy.

3 Building bench strength through distinctive development opportunities

Creating value for our employees through unique development and career experiences is a key component of our employee value proposition. We spent R376m (2015: R320m) on developing the technical, commercial and leadership capabilities of our employees.

Our commitment to developing our employees was recognised by BANKSETA in South Africa, with the top Skills@Work award for large employers. In Mauritius, we were recognised by the World HR Congress with the Global Training and Development Award.

Through our Internals First programme, 66% (4 469) of our 6 771 vacancies were filled by employees from within Barclays Africa, providing them with growth and career progression opportunities. Of these, 48% (2 145) were promoted, reflecting the strength of our internal talent pipeline. In addition, 135 employees benefited through pan-African assignments.

Our approach to learning is employee-led, and our employees benefited from 61 484 learning programmes (2015: 54 764). 1 288 employees received tertiary education bursaries at a cost of R32.9m (2015: 1 198 at R25.5m). Our investment in building our talent pool has reduced expatriates from Barclays PLC to 46 (2015: 65).

We continue to attract and develop high-potential young leaders. 113 graduates from across the continent participated in our Rising Eagles Programme. They join the 1 000 young professionals who have built their careers within the Group since the programme's inception in 2008.

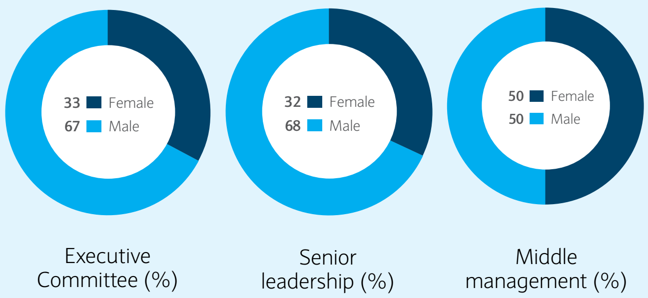
We offered 2 198 learnerships, 558 of whom were given to unemployed youth who gained work experience. Of these 558, 368 (66%) have been retained within the Group after completing their learnerships.

We are implementing a new change management approach that will build the change capability of some 6 600 leaders. We conducted a pilot in Kenya where 3 537 employees participated in 125 iChange sessions, and peer-to-peer change support through a digital change platform.

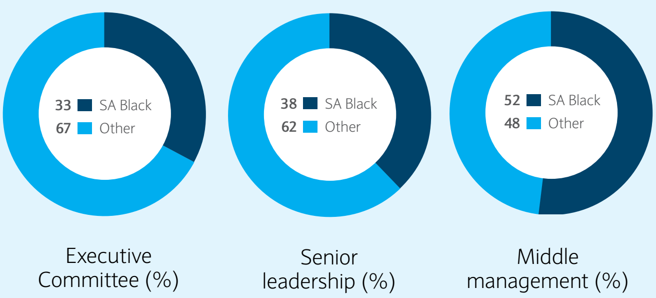
4 Accelerating our diversity

Barclays Africa has a distinct advantage in the wealth of diversity across the continent and in South Africa. Diversity is core to our Values, key to our commercial success and rooted in our deep commitment to Africa.

Women representation



Black[1] representation



[1] Definition as per South African Broad-Based Black Economic Empowerment Act.

61% of our employees are women, who accounted for 60% of all promotions in 2016 (2015: 58%). We have continued embedding gender-parity principles into our core employee processes and practices.

At the Gender Mainstreaming Awards, our success in advancing gender diversity was recognised with three podium awards and the overall top award for the 'Investing in Young Women' category. Our Women in Leadership employee network played a key role in this achievement.

We have also made good progress with employment equity 82 in South Africa. In summary, black employees make up 68.4% (2015: 67.6%) of the South African workforce, and accounted for 82.5% (2015: 76.3%) of South African promotions.

Of our 2 361 bursary recipients, graduates and learners, 1 967 (83%) are black South Africans of whom 1 318 (58%) are black women.

7.1% of our workforce is disabled, and they are supported by our Reach network. During 2016, the network created awareness of employees with disabilities through the 'This is Me' campaign, and we continue to support these employees with their workplace needs, including specialised facilities and technology.

Our Lesbian, Gay, Bisexual and Transgender, intersex (LGBTi) Spectrum Network is active across the continent, and has 750 members (2015: 100). This network championed multiple initiatives including education campaigns, pride celebrations, and the launch of an LGBTi mentoring programme.

5 Partnering for success

Our People Potential programme, which was designed together with our labour union partners across the continent, continues to limit the impact of potential employee displacement.

The programme provides high-touch career counselling, re-skilling opportunities and outplacement support. 77% of employees whose jobs were impacted and who participated in the programme, found alternative employment within Barclays Africa. 77 employees embraced the opportunity to multi-skill themselves in advance of potential workforce changes. In recognition of this programme, BANKSETA has partnered with us, providing R13.0m in funding to expand the programme.

We have developed strong partnerships with our unions, as reflected in our new streamlined disciplinary, grievance and capability management processes in South Africa.

54% of our workforce is represented by recognised trade unions.

Citizenship

We have a positive impact on the communities in which we operate

Material focus areas

1. Supporting education and skills development
2. Investing in enterprise development
3. Improving access to financial services
4. Environmental stewardship

Why this is important:

For us, Shared Growth means having a positive impact by developing partnerships that improve the lives of communities while delivering shareholder value.

Desired outcomes

For our communities

- Increased access to, and funding for, education opportunities
- Improved access to markets and financial services for small and medium businesses
- Improved financial wellness
- Decreased negative impact on the environment

For the Group

- Enhanced client relationships and economic growth through more viable small and medium businesses
- Minimised environmental impacts
- Strengthened social licence to operate

Key matters raised by stakeholders

- Solutions to societal challenges, such as education, employment opportunities and economic growth
- Access to relevant, affordable and convenient financial products and services
- Our environmental footprint and how we manage it
- Funding to support community development initiatives

Measuring our progress

	2013	2014	2015	**2016**	YoY trend
Shared Growth disbursements on education and skills development (Rm)[1]	126	155[LA]	186[LA]	**184[LA]**	Not comparable[1]
Small and medium enterprises supported (number)	35 576	42 594	25 966	**41 200**	▲
Financial literacy – number of consumers reached ('000)	116	193	169	**45**	▼
Total carbon footprint (tonnes CO_2)[2]	355 869	333 328[LA]	230 264[LA]	**263 742[LA]**	▲
Transactions reviewed in accordance with Equator Principles (number)[3]	18[LA]	2[LA]	7[LA]	**2[LA]**	▼

[1] In line with our Shared Growth strategy, we have refined our definition in terms of our community investment spend to focus on 'Shared growth disbursements towards education and skills development' and as a result, the 2016 value is not directly comparable to prior years where the metric included community investment related spend outside this focus area.
[2] Reporting period is 1 October to 30 September. Rest of Africa is only included in diesel, electricity and flights data. These numbers reflect the total Scope 1, 2 and 3 CO_2 emissions as defined in the Greenhouse Gas Protocol: operational control boundary. 2015 has been restated.
[3] Total number of project finance transactions reviewed for environmental and social risks in terms of the Equator Principles.
[LA] This indicator is covered by the scope of a limited assurance engagement undertaken by EY and PwC. The basis of measurement thereof and the assurance statement can be found at barclaysafrica2016ar.co.za.

Our business is driven by a philosophy of Shared Growth which, in Citizenship, is focused is on three areas: education and skills development, enterprise development and financial inclusion. To support and enable our Shared Growth commitments, we established an independent advisory council comprising of diverse, distinguished experts and thought leaders. The advisory council will provide insights and strategic guidance, as well as support the evaluation and review efforts on the overall progress, approach and direction of our Shared Growth efforts.

1 Supporting education and skills development

We are committed to education, and contribute to it mainly by empowering youth with skill-building programmes, mentoring them to enhance their employability prospects, and giving them financial assistance to better access education.

We committed R1.4bn to support education and skills development, targeting youth across our presence countries. Through public-private partnership, we are implementing various initiatives in basic and tertiary education.

ReadytoWork (our free interactive e-learning platform) provides four skills modules – work, money, people and entrepreneurship – to improve employment or self-employment prospects. We expanded its reach by engaging 20 implementation partners to deliver face-to-face training. We augmented our employability initiatives, applying a blended learning approach to our ReadytoWork programme, reaching a total of 205 306 learners across the continent (below our target of 250 000). We have also added several new features to the platform, including career guidance resources and CV templates, and created a mentorship database. We will continue enriching the education journey by enabling placements and work exposure opportunities for programme graduates.

We invested over R10m in a new programme which provides training in financial management and governance for school governing body members in South Africa. We reached 2 725 schools, trained 10 521 governing body members and 1 146 Department of Basic Education employees. This programme will continue in 2017.

In support of the South African government's Adopt-a-TVET initiative, we partnered with 16 technical and vocational education training colleges (TVETs) to provide workplace exposure and job-shadowing for 480 students. We will include more TVETs in 2017, and engage more employees to share their experience and expertise through guest lecturing and mentorship opportunities. We also invested R26m in strategic university initiatives to support the research and development of critical and scare skills faculties in 10 South African tertiary institutions.

We enhanced our scholarship programme, providing R80m in scholarships for 2 000 university students, thus helping to alleviate the South African student funding crisis.

Employee volunteering complements our Group-led activities. 10 582 employees gave 55 291 hours of their time, of which 66% were skills-based interventions aligned to our strategic focus areas.

Going forward, we will use innovative and business-relevant approaches to enable skills development; support education financing for qualifying students; collaborate with public sector partners in the development of artisan trades through workplace exposure programmes; and enable technological innovation through skill-building programmes in partnership with our digital experts.

2 Investing in enterprise development

We recognise our responsibility to support the development of a healthy SME sector and by doing so, contribute to economic growth.

Our enterprise development strategy is to enable access to development finance and complement it with business development support and enhanced market access via preferential procurement. Our structured value chain financing approach blends more affordable funds and/or guarantees from third parties with our commercial funding to provide more affordable financing rates to emerging businesses. We raised R1.38bn in financing to support SMEs and to assist our corporate clients to optimise their supply chains. We will accelerate the disbursement of these funds using a new technology platform customised for this initiative. R37.7m (2015: R27.4m) was invested in emerging SMEs and our seven (2015: seven) enterprise development hubs provide training and access to computers and boardrooms.

We are cognisant that an end-to-end solution that supports the holistic needs of the small business sector requires more than just finance; it requires capacity building, business development support, and market access to enable SMEs to grow and be sustainable. We continue co-investing with corporate clients and civil society partners across our markets in a number of free capacity building programmes and advisory services for SMEs. Our Enterprise Development Centres are one example of the non-financial support and advisory services we provide to SMEs. This year we incubated 345 SMEs, and reached an additional 41 200 SMEs (2015: 25 966) with business development support. Our South African insurance business provided R58m in small claims fulfilment opportunities to 50 SMEs

We remain committed to facilitating market access for small business through our procurement portal, which enables the matching of corporate buyers with SME service providers. We currently have 59 200 SMEs (2015: 37 200) and 7 000 (2015: 5 700) corporate buyers registered on the portal. Over R2.5bn of corporate procurement opportunities are made available each month.

Ghana: In an innovative arrangement with a corporate client in the poultry industry, 1 200 small hold farmers benefited from input credit, where the client purchased certified seeds, herbicides and fertilisers on behalf of the yellow maize farmers, who in turn supply the feeding mills with their grown product.

Botswana: By leveraging our ReadytoWork programme with the Barclays Business Clubs concept, youth participants were invited to attend training sessions and workshops to increase their exposure to entrepreneurship, and cultivate mentorship opportunities. 150 business clients participated in intensive workshops which focused on taxation, procurement, and the government's economic stimulation plan.

Mauritius: Elev8 – a Barclays Mauritius-supported incubator – enables established and aspiring entrepreneurs who have promising technology ideas, to develop and refine their propositions, and present to potential investors. In 2016, with the support of Anglo American, nine new fintech entrepreneurs were supported over a four-month period.

Zambia: We were the anchor sponsor of the Nyamuka Business Plan Competition to encourage new startups.

South Africa: Launched in early 2016, the ProGenY programme – in partnership with the Awethu Project – capitalises on our employee assets and expertise to upskill, mentor and provide critical training to aspiring entrepreneurs.

Kenya : The SheTrades campaign, a five-year initiative between the International Trade Centre and Business Banking Kenya, is providing 10 000 women-owned small businesses with skills building and international trade opportunities. In partnership with the Kenya Private Sector Alliance and Kenya National Chamber of Commerce and Industry, the programme consists of 54 webinars, 27 e-learning courses, 50 workshops and 14 trade exhibitions.

RiseAfrica: While investing in our own technology and systems, we also made an investment in empowering fintech start-ups. Designed to accelerate the delivery of break-through products, 10 ventures were selected from 450 start-ups in 45 countries to join the intensive three-month Barclays Accelerator programme in partnership with Techstars.

Further information relating to our enterprise development support in South Africa can be found in our BBBEE fact sheet.

3 Improving access to financial services

We continue focusing on supporting initiatives that provide relevant financial literacy to empower consumers, and on providing products and services that meet their needs.

Our interventions centre on enabling digital and non-digital channels to promote wider, more convenient access to financial services among underserved or unbanked consumers. We reached 339 037 new customers through our financial inclusion programmes and partnerships. Our partnership with PEP Stores South Africa provided banking access to 200 981 new customers, and our youth banking reached 50 115 youths through the MegaU free transactional account in South Africa. Atlas, our micro-lending pilot in Ghana, is used by over 30 000 customers.

Our financial inclusion hackathon brought together 70 diverse stakeholders to generate solutions to key challenges, including affordable savings solutions; financial literacy and access; microcredit and responsible lending; and micro insurance. The hackathon provided a platform for cross-sector collaboration to leverage next-generation technologies and human-centred thinking as a methodology for future developments in the financial inclusion space. Our consumer financial education interventions empower individuals to make informed choices and improve their lives through responsible personal financial management. We invested R29m (2015: R28m) in consumer education initiatives in South Africa, reaching 6 453 703 consumers through mobile telephone awareness campaigns and 45 930 in face-to-face interventions (2015: 169 000). Due to contractual timing constraints, implementation of our face-to-face education programmes was delayed and will continue into 2017 in addition to planned 2017 activities.

4 Environmental stewardship

While operating in a low-impact industry, we are aware of our responsibility in terms of environmental stewardship. Our most significant environmental impacts are (i) indirectly via our lending, investing and procurement practices and (ii) in managing our direct environmental footprint.

As an Equator Principles Financial Institution, we only provide project financing to project sponsors undertaking environmentally and socially responsible developments. In 2016, we screened two[LA] (2015: seven[LA]) project finance transactions that reached financial close, and provided advisory services for a power project. We provided further guidance on 151 general transactions (outside the Equator Principles definitions or scope) across various sectors, with the majority in mining and metals, followed by infrastructure and power generation (including renewable energy). Both of the reported Equator projects have been independently reviewed, and are located in South Africa, a non-designated country.

In Africa, energy security is key to economic growth, and we continue playing a role in funding both renewable energy and fossil fuel projects. South Africa is currently the continent's largest renewable energy market. 64 projects, with a total capacity of 3 916MW, have been approved by the Department of Energy. We have been involved in financing 20 projects, with a combined capital value of R52bn, making up a total of 1 598MW, including 456MW for solar photovoltaic, 892MW for wind and 250MW for concentrated solar technologies. This represents about 41% of all renewable energy projects (by MW) awarded so far. An additional 13 projects (1 318MW valued at R34bn) were expected to reach financial close in 2016; however, relevant approvals for 12 of these are still outstanding. We were lead arranger on the Kathu Concentrated Solar Project, a 100MW renewable energy plant to be constructed in the Northern Cape.

We continued our journey to reduce our use of natural resources and prevent pollution by using alternative energies such as gas and solar power. This also reduces energy costs and dependence on conventional electricity supply. Our South African sites experienced more reliance on grid power in 2016 compared to 2015, when we relied on more expensive alternative energies, due to electricity supply constraints. Supply has since stabilised, and we continued to balance the most cost-efficient and environmentally-efficient energy sources. This resulted in an overall increase in our grid electricity consumption while we reduced gas and diesel consumption (cleaner yet less efficient), which, in turn, resulted in an increased attributed carbon emission factor. Because of this changed mix of energy sources, our total carbon footprint increased to 263 742 tonnes CO_2[LA] (2015: 230 264 tonnes CO_2[LA]) while our total energy use reduced to 354 684 328 kWh[LA] (2015: 397 920 885 kWh[LA]). Our carbon emissions increased by 14.5% (reduction target: 10.0% by 2018), and energy consumption reduced by 10.8% (reduction target: 10.2% by 2018).

We reduced our corporate real estate by a further 39 989m^2 and embedded Green Star rating requirements in six new and refurbished buildings. We decreased our demand from national energy suppliers by over 23 million kWh (equivalent to powering 23 293 households) by relying on our Johannesburg Campus energy centre, and reduced our carbon footprint by 7 070 tonnes by using cleaner gas power supply. Our 1MW solar panel plant in Pretoria saved 1 548 tonnes of carbon emissions (equivalent to over 40 000 trees grown for 10 years). We saved 12.4m litres of water through leak management and grey water systems in five buildings. Our Carbon Disclosure Project (CDP) score stayed steady at B ('taking coordinated action on climate change issues') rating which is above the C ('knowledge of impacts on, and of, climate change issues') industry average.

Conduct

We act with integrity in everything that we do

Material focus areas

1 Driving an ethical culture

2 Responding to conduct-related regulations

3 Managing conduct-related risk

Why this is important:

Doing the right thing, in the right way enhances our reputation, promotes trust in the financial system, and helps ensure that we provide appropriate products and services.

Desired outcomes

For our regulators customers and clients

- Fair and ethical treatment when dealing with the Group
- A stable financial services sector
- Access to responsible financial services

For the Group

- Sound corporate values, high ethical standards, market integrity and good conduct practices
- Sustainable operations
- Ultimately, stakeholder trust and support

Key matters raised by stakeholders

- Need for an ethical work environment underpinned by sound corporate values
- Financial system stability spanning from financial soundness to fair treatment of consumers
- Adequate and timeous response to consumer and client-focused legislative changes
- Adapting to and influencing changes to legislation and regulations that have a substantial impact on the business and the financial services sector

Measuring our progress

	2013	2014	2015	2016	YoY trend
Conduct Index[1]	6.3/10	6.7/10	6.8/10	**6.3/10**	
Treating Customers Fairly (TCF) outcome score (%)					
› South Africa	58.1	63.0	61.0	**61.0**	
› Rest of Africa[2]	76.0	76.0	60.0	**63.9**	
Employees attesting to our code of conduct (the 'Barclays Way') (%)[3]	65.4	97.4[LA]	97.5[LA]	**98.4[LA]**	
Employees completing fighting financial crime training (%)[3]	n/a	98.4[LA]	97.5[LA]	**98.7[LA]**	
Employees completing Conduct Risk College training (%)[4]	n/a	n/a	94.5[LA]	**98.6[LA]**	
Disciplinary cases as a percentage of total employees (%)[5]	4.9	5.2	5.3	**4.8**	
Grievances as a percentage of total employees (%)	1.5	1.2	2.2	**3.2**	

1 Annual YouGov survey includes Botswana, Ghana, Kenya, South Africa and Zambia.
2 The methodology for the Rest of Africa survey was expanded from a single question in 2014, to include all TCF and conduct outcomes resulting in a reduction in scores in 2015.
3 The percentage is calculated based on existing employees who completed refresher training, and new employees who completed training (excluding non-operational employees).
4 The percentage is calculated based on existing employees (excluding non-operational employees) who have completed the training since it was implemented in 2015.
5 The calculation methodology has been refined to reflect total number of cases concluded in the year. This methodology has been applied to 2015 as well.
LA This indicator is covered by the scope of a limited assurance engagement undertaken by EY and PwC. The basis of measurement thereof and the assurance statement can be found at barclaysafrica2016ar.co.za.

1 Driving an ethical culture

At Barclays Africa, we see conduct as an opportunity to differentiate ourselves by developing high levels of trust with all our stakeholders. The financial services industry relies on trust, and good conduct is based on our daily behaviours, exhibited in our individual and collective actions and decisions.

Our code of conduct – the Barclays Way – outlines the behaviours which govern our way of working across the business.

It is a point of reference covering all aspects of employees' working relationships with:

- each other;
- our customers and clients;
- governments and regulators;
- business partners;
- suppliers;
- competitors; and
- the broader community.

Our conduct culture fosters values-based decision-making, and shows how our policies and practices align with our Values. We also have a supplier code of conduct, which outlines the standards we expect from them. The Barclays Lens is a complementary framework that moves decision-making beyond legal, regulatory and compliance concerns towards considering broader societal impact and opportunities.

We also participate in local and global platforms, such as the Group of Thirty Forum which recognises the systemic importance of the financial services sector, and the need to aspire to the highest standards of culture and conduct.

One of our primary objectives is building management capability that sets the appropriate leadership tone, and ensures high ethical standards are embedded in the business.

To support this, our leaders completed 6 100 leadership and management development interventions (2015: 3 900) and 625 (2015: 1 400) line managers undertook employee relations-specific training.

We have a comprehensive programme that educates and empowers all employees in terms of their rights and responsibilities. This contributes to a culture of trust.

Our training and awareness programmes, underpinned by clear policies, ensure that our employees:

- are aware of the values and behaviours expected of them – as outlined in our code of conduct – including those relating to gifts and entertainment;
- complete fighting financial crime training, which includes anti-bribery and corruption, anti-money laundering and sanctions;
- develop a sensitivity to situations of real or perceived conflict of interest and learn how to deal with them when they arise;
- put Treating Customers Fairly at the forefront of what we do; and
- are aware of the tools available to them to raise their concerns of unethical behaviour or suspected fraud through our whistleblowing programme.

Our performance management processes and reward decisions emphasise commercial objectives as much as behaviour, thus encouraging the right conduct, while making the consequences of misconduct clear.

2 Responding to conduct-related regulations

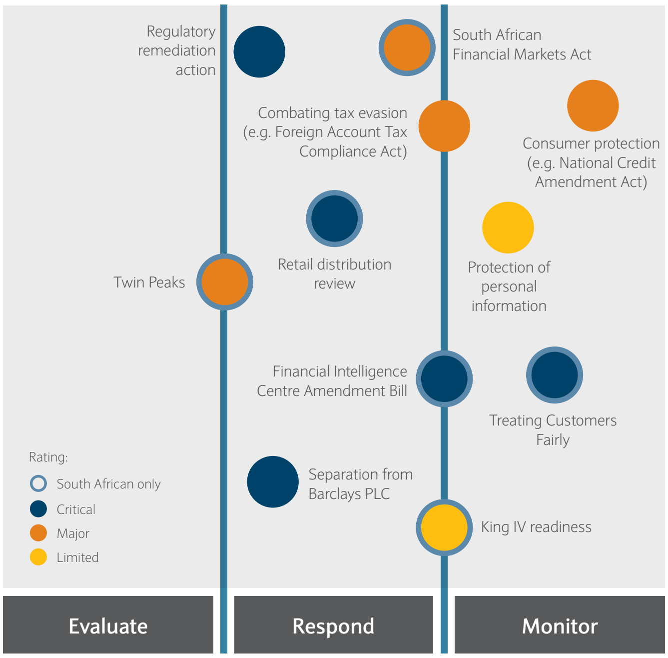
In addition to our own defined ethics culture, are laws, regulations and codes that further define expectations of how we conduct our business. These cover a wide array of aspects within our business, from Know Your Customer requirements (identity document, proof of residence and proof of income), to the protection and processing of information through to how we design and sell our products and services.

In South Africa, we are supervised and regulated mainly by the South African Reserve Bank, Financial Services Board and ancillary regulators such as the Competition Commission of South Africa and the Financial Intelligence Centre. The Reserve Bank oversees the banking industry, and follows a risk-based approach to supervision, while the Financial Services Board oversees non-banking financial services such as insurance and investment businesses. The National Credit Regulator regulates consumer credit, and the National Consumer Commission is responsible for other aspects of consumer protection not regulated by the Financial Services Board. The intention is to divide regulatory responsibilities in South Africa between the Reserve Bank and the Financial Services Board under Twin Peaks 41. Our operations in Rest of Africa are primarily supervised and regulated by the central banks and, in some instances, are also regulated by financial market authorities.

Regulations driving consumer protection and ethical behaviour in the financial services industry continue evolving. While this creates additional requirements from the Group, we support efforts to ensure a stable financial services sector and a safe and fair operating environment. In all instances, we proactively engage with our various regulators, either directly or in collaboration with industry associations. We work to balance the requirements and the cost of compliance to minimise the impact on customers and clients, and on shareholder returns.

As part of an international organisation we have implemented certain global standards, and this often means, to a certain extent, we have already implemented or addressed requirements by the time they are introduced in local regulations. We plan to maintain pace with global best practice after the separation

We continuously monitor key macroeconomic, business, political, market and country-specific developments which might impact our portfolios, and take pre-emptive risk management actions where appropriate. The diagram on the following page displays this regulatory environment, the stage of implementation and the impact on our operations.



External factors (shown above) are predominantly regulatory changes and initiatives such as Twin Peaks and King IV. Additionally, a number of matters have been profiled to which the Group responds through the relevant channels; however, these are being managed for remediation and reputational damage as appropriate.

Internal factors predominantly stem from effectively managing the required operational and structural changes, and embedding the product skills and knowledge necessary for response to regulations. Focus areas include system resilience to decrease service interruptions, increasing employees' product knowledge and skills needed to uphold Treating Customers Fairly practices, fairness of financial collections practices and remediation relating to regulatory findings. The separation from Barclays PLC potentially impacts conduct, due to the interconnectedness of the two groups. We are carefully planning and managing the separation process.

The regulatory landscape has wide-reaching impact on our business, and we provide a summary of the key regulatory themes currently in focus:

Combating money laundering, corruption and terrorist financing

We have a zero tolerance approach to non-compliance, and constantly enhance our control environment to reduce the risk of our employees, customers and clients breaching legislation when dealing with the Group. We follow a structured approach to ensure that business processes, policies or system changes required to support the regulatory change are implemented.

We have reviewed our anti-bribery and anti-corruption risk assessments against the United National Global Compact Principle – that business should work against corruption in all its forms, including extortion and bribery – as well as the Organisation for Economic Co-operation and Development Good Practice Guidance. The Board is satisfied with the outcomes of these self-reviews.

Protecting personal information

In various jurisdictions, we are governed by laws that control the processing and holding of personal data, as well as its security, with an increasing focus on cross-border processing and storage of data. This requires a careful balance between achieving efficiencies in processing, and meeting local requirements. We are also doing extensive work to prepare for the implementation of the Protection of Personal Information Act in South Africa.

Responsible credit and insurance

Governments in a number of jurisdictions are enacting or considering two legislative focus areas to regulate credit extension. The first seeks to reduce consumer indebtedness through limits and to ensure banks provide more information to credit bureaus. Matters relating to the limitation of fees and interest rates, maximum costs of credit life and mechanisms for resolving over-indebtedness are also being dealt with. The second initiative, as provided in the National Credit Amendment Act, provides for the once-off removal of defined adverse consumer credit history, followed by the automatic removal of legal judgments when debts are paid up.

Measuring our progress

We continuously evaluate our conduct-monitoring process, our review activities and our compliance controls. Based on these activities, we are able to either affirm the effectiveness of these programmes and controls or, where deficiencies are identified, adopt appropriate remedial and/or mitigating steps. When and where appropriate, we make public disclosures on material findings.

The National Credit Act is a key piece of legislation in the financial services sector and we acknowledge the National Credit Regulator's role in protecting consumers. We will therefore, continue to take every opportunity to entrench the requirements of the National Credit Act in our lending practices and continue to engage with the National Credit Regulator on any ongoing matters.

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

In the normal course of business, our various regulators conduct reviews of our business operations' controls and our progress in meeting regulatory requirements. We continuously focus on compliance and risk controls. Sometimes however, remedial action is required, and administrative penalties and fines are levied on the Group. In 2016, we incurred R12.3m in penalties – the most notable being the R10m penalty imposed on Absa Bank by the South African Reserve Bank in December 2016, relating to weaknesses in transaction monitoring protocols regarding anti-money laundering.

Twin Peaks reform readiness underway

In South Africa, the Financial Sector Regulation Bill will overlay existing pieces of financial sector legislation, creating a framework designed to supervise the financial sector comprehensively and, ultimately, ensure financial stability. It focuses on prudential supervision and market conduct supervision by creating a Prudential Authority housed within the South African Reserve Bank, while the Financial Services Board will be transformed into a dedicated market conduct regulator – the Financial Sector Conduct Authority.

This comprehensive market conduct policy framework aims to ensure better outcomes for customers and clients.

It will incorporate:

- Treating Customers Fairly principles;
- conduct rules for transactional banking and the Retail Distribution Review (which focuses on delivery of suitable products);
- access to suitable advice, remuneration and incentive structures; and
- guidelines relating to many of our products.

The Prudential Authority will be responsible for supervising the safety and soundness of financial institutions that provide financial products (including insurance), market infrastructures or payment systems.

This serves to, among others things:

- ensure that customers' and clients' funds are protected against the risk of institutions failing and that financial institutions can meet their promises to depositors, insurance policyholders, retirement fund members and investors;
- reduce the risks of using taxpayers' money to protect the economy from systemic failure; and
- provide new and revised guidelines relating to outsourcing and governance.

We are in a good position to implement Twin Peaks once it is enacted. Our governance framework is in place, supported by our experience in implementing international regulation relating to market conduct.

3 Managing conduct-related risk

It is essential that we monitor our performance against our own and regulatory conduct standards, and this performance is embedded in our three lines of defence risk management approach 25. Our conduct risk framework brings together our activities into a consolidated framework.

Focusing on conduct risk helps us to:

- provide appropriate products and services at the right prices to our customers and clients;
- uphold market integrity;
- reward the right activities and behaviours; and
- mitigate potential risk.

10 conduct risk outcomes on which we aim to deliver

Our culture places customer and client interests at the heart of our strategy, planning, decision-making and judgments.	We do not disadvantage or exploit customers, customer segments, clients, or markets. We do not distort market competition.	We proactively identify conduct risks and intervene before they crystallise by managing, escalating and mitigating them promptly.
Our strategy is to develop long-term banking relationships with our customers and clients by providing products and services that meet their needs and do not cause detriment.	We provide banking products and services that meet our customers' and clients' expectations and perform as represented. Our representations are accurate and comprehensible, so our customers and clients understand the products and services they are purchasing.	Our products, services and distribution channels are designed, monitored and managed to provide value, accessibility, transparency, and to meet the needs of our customers and clients.
We safeguard the privacy of our customers', clients' and employees' personal data.	We address any customer or client detriment and dissatisfaction in a timely and fair manner.	We facilitate market integrity.
		We uphold the reputation of Barclays Africa.

An important part of monitoring our progress is feedback from our stakeholders. We gather it in a number of ways:

Conduct Index: an independent reputation survey with stakeholders

Our conduct reputation survey measures perceptions across a range of questions relating to transparency, employee welfare, quality and customer value as well as trust. Respondents include business and political stakeholders, the media, non-governmental organisations, charities and other opinion formers. While still above our target of 5.9/10, the 2016 score decreased to 6.3 (2015: 6.8). While we are perceived to provide high-quality services, our score has been impacted by certain media coverage in 2016, such as the uncertainties relating to the Barclays PLC sell-down.

Treating Customers Fairly: an outsourced survey with our customers

Our comprehensive measurement of Treating Customers Fairly and the 10 conduct risk outcomes provide a broad view of our customers' and clients' actual experience. The survey assesses their perceptions about our corporate culture; product design and marketing; quality of information; quality of advice; services and expectations; barriers to switch to another service provider; cancel; and our complaints management.

The Rest of Africa score improved to 63.9 (2015: 60.0) while the South Africa score remained flat at 61.0. These scores remain below our internal ambition and lag behind our peers.

We remain focused on:

- improving our ability to provide advice that takes account of the customers' and clients' unique circumstances;
- identifying potential difficulties before they impact customers and clients; and
- ensuring we keep our customers' and clients' best interests at heart when promoting our products or services.

Monitoring the conduct of employees

We monitor the conduct of our employees through surveys and reviews of the number and root causes of disciplinary cases, grievances and whistleblowing statistics.

We have seen a decrease in the number of disciplinary cases as a percentage of permanent employees, primarily as a result of improved leadership, more effective processes and the early and sound management of poor performance. Of the 1 976 disciplinary cases concluded in the year, 462 were as a result of ethical breaches (2015: 395).

Our whistleblowing programme provides a safe platform to raise concerns of unethical behaviour or fraud confidentially and, where permissible, anonymously. 251 employee conduct-related whistleblowing cases were reported and concluded. However, only 35% (2015: 45%) were substantiated. Of the substantiated cases that were closed in the year 24% related to policy and procedure breaches, 33% to dishonesty, 38% to human resource grievances, 4% came from employee complaints and 1% from 'other'. Tip-offs are the most common detection of fraud, proving the importance of a whistleblowing function.

Grievances as a percentage of permanent employees rose to 3.2% (2015: 2.2%). This is mostly due to increasing effective grievance processes management across all our operations, and a more granular view of grievances related to annual performance management ratings and bonus payments – which are now dealt with individually. Overall, the number of grievances remains within tolerance levels.

Financial Director's review

Our resilient performance demonstrates the benefit of being a well-diversified group, both by activity and geography. While separating from Barclays PLC will impact our near-term returns, we believe that we are financially well positioned to deal with the separation.

Jason Quinn
Financial Director

- ▼ Return on Equity: 16.6%
- ▼ Return on risk-weighted assets: 2.14%
- ▲ Net interest margin: 4.92%
- ▲ Credit loss ratio: 1.08%
- ▼ Cost-to-income ratio: 55.2%
- ▲ Pre-provision profit: R32.4bn
- ▲ Headline earnings per share: 1 769.6c
- ▲ Dividend per share: 1 030c
- ▲ Net asset value per ordinary share: 10 980c
- ▲ Common Equity Tier 1: 12.1%
- ▼ RBB headline earnings: R9.3bn
- ▲ CIB headline earnings: R5.1bn
- ▼ WIMI headline earnings: R1.4bn

Overview of 2016

We produced another resilient performance, considering the disappointing macro backdrop and increasing regulatory pressures. Our 2016 trends were largely as we guided, as continued revenue growth in target areas and cost control produced solid 10% pre-provision profit growth, which enabled us to absorb higher credit impairments. With headline earnings up 5%, our return on equity declined slightly to 16.6%.

We improved our revenue trajectory, as our top line increased 8%, driven largely by net interest income growth. It is evident, however, that our asset and deposit growth have slowed, given the sluggish economy and our prudent credit strategy. Costs remain well-managed, as savings in identified areas continue to fund investment in growth initiatives. We indicated last year that the credit cycle had turned, and our charge increased 26%, as we dealt with a single name CIB exposure and further strengthened our portfolio provisions, while retail credit impairments increased off a relatively low base.

Full details of our financial performance are contained in our 2016 Financial Results booklet and our 2016 Consolidated and separate financial statements, which can be downloaded from barclaysafrica2016ar.co.za.

Our balance sheet remains prudently positioned, with robust levels of capital, liquidity and provisioning. Strong internal capital generation improved our Common Equity Tier 1 ratio to 12.1%, above the 11.5% top end of our Board target range, enabling us to declare a 3% higher dividend per share.

We continue to benefit from our well-diversified portfolio, with CIB's strong 27% earnings growth offsetting RBB and WIMI's respective 3% and 4% lower earnings. Our Rest of Africa operations continue to enhance Group growth, with earnings and revenue increasing 17% and 16% respectively, in part due to average rand weakness during the period, which reversed towards the end of the year.

Factors influencing our performance

Disappointing macro backdrop

South Africa's economic growth disappointed for the fourth consecutive year, with real GDP growing 0.3%, well below the 1.8% we had forecast. A weak job market, low consumer confidence, rising interest rates and higher inflation placed strain on households, impacting credit quality and retail loan growth. Businesses responded to the volatile environment and weak demand by curtailing investment spending, and a severe drought impacted the agriculture and related sectors.

The commodity cycle downturn, drought, electricity shortages, an adverse external environment and weaker fiscal balances in several countries also reduced economic growth in the Rest of Africa. Consequently, real GDP growth moderated to 3.7% on average across our presence countries, the lowest level since 2002. We have limited exposure to oil-exporting countries and growth across our portfolio remained well above that of South Africa.

Currency fluctuations

With Rest of Africa's increasing contribution to the Group, currency translations again impacted our results, particularly after the rand weakness in December 2015. This was noticeable in the first half of 2016, when rand weakness added 15% to Rest of Africa's revenue and 26% to its headline earnings. However, with the rand strength in the second half, the spot rate reduced our Rest of Africa loans and deposits by 13% year-on-year, while the weaker average rate for the year added 5% to our Rest of Africa revenue, and 3% to its costs and headline earnings. The impact of currency fluctuation was less at a Group level, as the average exchange rate added 1% to our earnings, a revenue and costs. It is worth noting that the current rand strength would be a drag on Rest of Africa's contribution in 2017, particularly in the first half.

Regulatory changes

Regulatory changes continue to impact our operations, earnings and balance sheet. Changes to interchange fees reduced our debit and credit card income in South Africa by R300m in 2015 and a further small amount in 2016. The National Credit Regulator introduced lower retail lending interest rate caps in South Africa effective from May 2016, which reduced our margins in personal loans and credit cards. The net impact was over R300m after mitigation, largely in the second half and will remain a drag in the first half of 2017. Introducing the National Credit Act income verification requirements reduced our credit card asset growth. Regulatory changes have impacted our balance sheet. These included new liquidity requirements, which we estimate cost an additional R150m in 2016 to improve our already strong liquidity levels.

We continue to see regulatory changes across the Rest of Africa, most notably, the Central Bank of Kenya introduced a retrospective interest rate cap on lending, and floor on deposits in September. These will reduce our Kenyan revenue in 2017, prior to any mitigation actions.

A diverse franchise

Our resilient 2016 performance demonstrates the benefits we enjoy from having a diverse portfolio of businesses, both by activity and geography. Within WIMI, solid South African growth largely absorbed losses in the Rest of Africa. At a divisional level, CIB's strong earnings growth offset lower earnings from WIMI and our largest franchise, RBB. It was also further evident within operating divisions, including RBB South Africa's well-balanced mix where, despite regulatory pressures, solid growth in Personal Loans and growth in Transactional and Deposits, Card and Business Banking partly offset reduced earnings in Home Loans and Vehicle and Asset Finance.

Rest of Africa strategy continues to deliver

Despite the tough macro environment in the Rest of Africa, our operations continued to enhance Group growth. Revenue grew 16%, or 11% in constant currency, well above South Africa's 5% increase. Its 17% headline earnings growth also exceeded South Africa's 2%. In fact, our Rest of Africa earnings have grown at more than double our South African rate since 2013, to now account for 19% of Group earnings from 15%. The acquisition of Barclays' Rest of Africa franchise remains earnings-enhancing. Importantly, these operations remain well-diversified, given our portfolio of countries, which protected us from difficult operating conditions in certain markets last year. It also has a good mix between CIB, where earnings grew 43%, and RBB, where earnings declined 3%. Hence, our Rest of Africa banking earnings grew 25%, to R2.8bn.

We continue to see attractive growth prospects in the Rest of Africa. Within RBB, retail credit penetration and access to banking are relatively low and offer a structural growth story in the longer term. We are also underweight in Business Banking, particularly SMEs, agriculture and the public sector. We expect to reduce RBB Rest of Africa's high 67.9% cost-to-income ratio through rolling out new products, improving its efficiency and growing its top line. There is scope to grow CIB further, initially in Markets and through targeted lending, and then by increasing our corporate transactional component. Hence, we aim to improve Rest of Africa's 15.8% banking return on equity medium term. Although WIMI posted a loss outside South Africa, barring any other unforeseen external influence, we are confident of a better performance from these operations.

Income statement analysis

	Results booklet page number[1]	2013 Rm	2014 Rm	2015 Rm	**2016 Rm**	YoY change %
Net interest income	23	32 351	35 601	38 407	**42 003**	9
Non-interest revenue	26	27 055	27 524	28 791	**30 391**	6
3 2 **Total revenue**		59 406	63 125	67 198	**72 394**	8
4 Operating expenses	33	(33 420)	(35 848)	(37 661)	**(39 956)**	6
1 **Pre-provision profit**		25 986	27 277	29 537	**32 438**	10
1 5 Credit losses	30	(6 987)	(6 290)	(6 920)	**(8 751)**	26
Other impairments and indirect tax		(1 033)	(1 412)	(1 443)	**(2 120)**	47
Associates and joint ventures		130	142	129	**115**	(11)
Profit before taxation		18 096	19 717	21 303	**21 682**	2
6 Taxation	35	(5 222)	(5 573)	(5 899)	**(5 835)**	3
Profit after taxation		12 874	14 144	15 404	**15 847**	(1)
Attributable earnings		11 981	13 216	14 331	**14 708**	3
Non-controlling interest		893	928	1 073	**1 139**	6
7 Headline earnings	21	11 843	13 032	14 287	**14 980**	5

[1] 2016 financial results booklet available for download at barclaysafrica2016ar.co.za.

1 Pre-provision profit drove earnings growth

The shape of our income statement was largely as we guided. Revenue growth improved to 8%, exceeding a well contained cost increase of 6% to grow pre-provision profits by 10%. A 26% rise in credit impairments, including a large single client exposure in CIB, dampened our earnings growth.

2 Maintaining revenue momentum in targeted areas

Despite the tough operating environment and regulatory pressures, we continue to grow revenue in several targeted areas. For example, we remain the largest card acquirer in Africa, with volumes up 13%, as we added new merchants. Debit card volumes also grew 13%. In Business Banking South Africa, commercial property finance grew for the first time in several years, rising 14%. Our total Corporate revenue grew 18% to R8.7bn. Within this, Corporate SA achieved double digit growth for the fourth consecutive year, with revenue increasing 13% to R4.5bn, with strong increases in term debt and working capital. Corporate in the Rest of Africa grew 24%, given strong balance sheet growth and improved margins. In Markets, our Africa desk has almost doubled its revenue since 2013 to R1.8bn, or 35% of CIB's total trading revenue. It continues to benefit from increased client activity, our expanded product offering and improved cross selling. In WIMI, Life Insurance's embedded value of new business grew 23%, in part due to improved sales of standalone products via our bank branches.

We did not sustain RBB's positive revenue momentum in South Africa. This was partly due to the weak macro backdrop and regulatory pressures, but also slow growth in primary customers. We did, however, continue to grow our affluent, private bank and youth customer base. Addressing overall rental customer growth remains a priority.

3 Solid net interest income growth

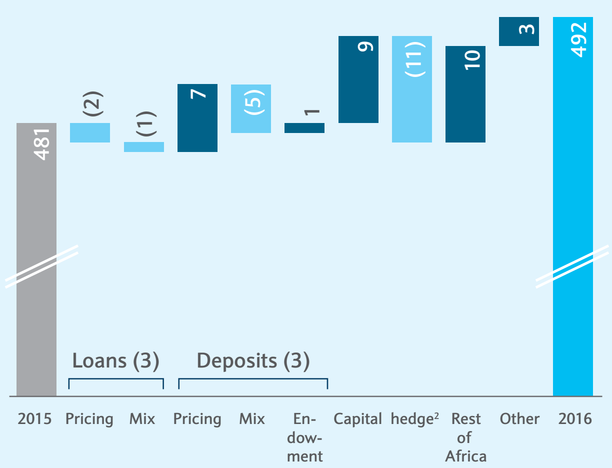
Net interest income grew 9% to R42.0bn, benefiting from 11 basis points of margin expansion to 4.92% and 7% higher average interest-bearing assets. Our Group net interest margin has consistently improved from 4.46% in 2013. This was largely due to a better deposit spread and an increasing contribution from the Rest of Africa, where our 8.46% margin is almost double South Africa's 4.29%.

As usual, there were several moving parts to our net interest margin. Unlike last year, our lending margins narrowed, due to regulatory changes, higher interest suspended and pricing pressure in Vehicle and Asset Finance, plus the mix impact of strong CIB loan growth at a lower margin than Retail. These outweighed improved Home Loans and Personal Loans margins.

Our deposit margin continued to widen, despite higher wholesale liquidity premiums. Our structural hedge released R268m, 11 basis points less than the R1.1bn in 2015, offsetting the 10 basis points endowment uplift on capital and deposits.

Rest of Africa's net interest margin improved by 23 basis points, which added 10 basis points to our Group margin. However, the impact of lower rates, rand strength and regulatory changes were evident in the second half. Lastly, the 'other' component of the change in net interest margin reflects the benefit of 75 basis points of prime rate increases in the first half and a substantial reduction in loans to banks offsetting higher borrowed funds and increased liquidity assets.

Change in net interest margin (basis points)[1]



[1] Percentage of average interest-bearing assets.
[2] Interest rate risk management.

Our revenue remains well-diversified, with non-interest income at 42% of the total, after growing 6% to R30.4bn. Net fee and commission income, which is 68% of this, increased 3% to R20.7bn. Cheque account fees grew 4% and electronic banking 3%, while Card's non-interest income grew 11%. CIB's non-interest income rose 13%, largely due to 30% higher trading revenue.

4 Continue saving to invest for growth

Our operating expenses grew 6% to R40bn, improving our cost-to-income ratio to 55.2% from 56.0%. The largest component, staff costs, increased 6% and accounted for 55% of the total. It rose less than inflation on a constant currency basis, in part due to headcount declining by 1%. Our structural cost programmes continue to produce efficiency gains that enable us to invest in strategic initiatives. Real estate footprint consolidation contained the increase in property costs and operating leases to 5%, while a reduction in sponsorships decreased marketing by 9%. Professional fees fell 8%, given less reliance on external service providers for IT development. We continue to invest in technology, with our total IT spend up 17%, to account for 19% of our costs. Amortisation of intangibles grew 35%, but remains relatively low.

5 Rising credit impairments

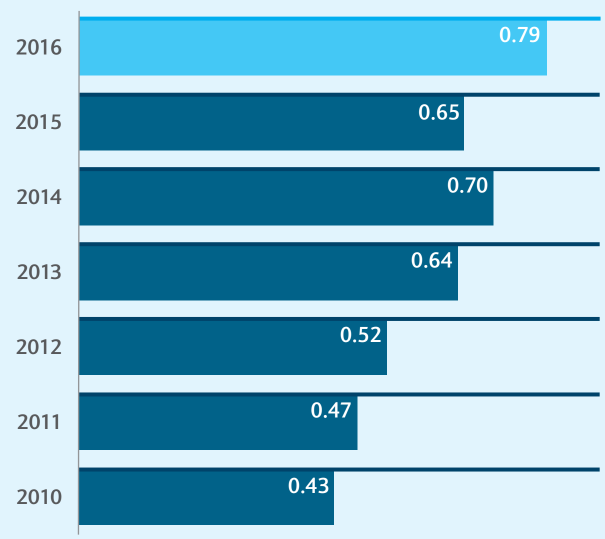
As we noted last year, the credit cycle has turned, and our credit impairments grew 26% to R8.8bn, increasing our credit loss ratio from 92 basis points to 108 basis points, which is in line with our through-the-cycle expectation of 110 basis points. When compared on a like-for-like basis to peers, excluding R300m of collection costs, our credit loss ratio was 104 basis points.

The main reasons for the increase in our credit loss ratio was a single name corporate exposure in CIB, which we booked in the first half and a further build in our macroeconomic overlays. Excluding these, our credit loss ratio increased slightly. We continue to increase our portfolio provisions, which grew 19% to R6bn or 79 basis points of our total performing loans, from 65 basis points. The increase included an additional R300m of macroeconomic overlays to R1.4bn, which have now more than doubled since 2014.

Our credit loss ratio in South Africa increased to 100 basis points from 86 basis points, given the single-name exposure in CIB and credit costs normalising across most of our retail portfolios, besides Card. The Rest of Africa charge rose to 160 basis points from 131 basis points due to higher RBB impairments, while CIB's declined given the non-recurrence of a large exposure in the base. RBB Rest of Africa's credit loss ratio rose noticeably to 296 basis points, principally in scheme personal loans in Kenya and Botswana, and its portfolio provisions to performing loans almost doubled to 214 basis points.

Our non-performing loans grew 11% to R31.1bn, or 3.9% of our total gross loans, from 3.5%. Most of the increase came in CIB during the first half of the year. Our specific impairment coverage of non-performing loans rose to 44.2%, increasing in most categories.

Portfolio provision to performing loans (%)



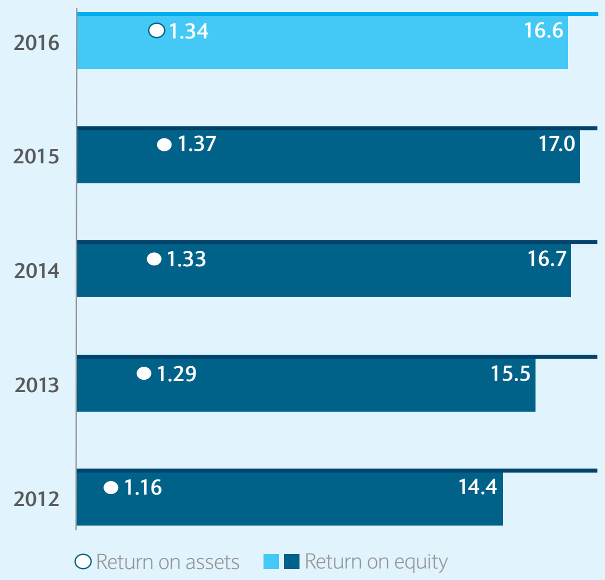
6 Effective tax rate remains relatively high

Our taxation expense declined 1% to R5.8bn, slightly below the 2% growth in pre-tax profit, resulting in a 26.9% effective tax rate. The decline was due to the recognition of deferred tax assets in our Life Insurance business, following changes to the Tax Act. Our Group tax rate remains relatively high, in part due to an effective rate of 33.9% in the Rest of Africa.

7 Resilient returns

Given 5% higher headline earnings, our return on equity only declined slightly to 16.6% from 17.0%. This is a satisfactory outcome considering the operating environment and the substantial single name credit impairment in the first half. Excluding the latter, our return on equity would have increased year-on-year. Our return on assets decreased slightly to 1.34%, which is still similar to 2008's high of 1.38%, when our return on equity was 23.4% in an environment of far higher leverage. South Africa's return on equity was 17.1%, while our Rest of Africa banking return was 15.8% and WIMI's was 23.9%.

Return on assets and return on equity (%)



Balance sheet analysis

	Results booklet[1]	2013 Rm	2014 Rm	2015 Rm	**2016 Rm**	YoY change %
① **Total assets**		962 863	991 414	1 144 604	**1 101 023**	(4)
② Of which: Loans and advances to customers	35	606 223	636 326	703 359	**720 309**	2
① **Total equity**	39	85 201	90 945	98 647	**102 280**	4
③ Capital and reserves attributable to ordinary equity holders of the Group		77 317	82 690	89 292	**93 057**	4
Non-controlling interest – ordinary and preference shares		7 884	8 255	9 355	**9 223**	(1)
Total liabilities		877 662	900 469	1 045 957	**998 743**	(5)
② Of which: Deposits due to customers	37	588 897	624 886	688 419	**674 865**	(2)
Total equity and liabilities		962 863	991 414	1 144 604	**1 101 023**	(4)
Loans-to-deposits and debt securities ratio (%)		88.3	87.1	86.1	**88.4**	

[1] 2016 financial results booklet available for download at barclaysafrica2016ar.co.za.

1 Our total assets decreased 4% to R1.1trn, largely due to substantial declines in our loans and advances to banks and trading portfolio assets of 42% and 30%, respectively. Excluding these, our assets grew 4%, with customer loans increasing 2%. Rand appreciation versus our Rest of Africa currencies also reduced our assets by 2%. On the funding side, debt securities grew 9%, while customer deposits decreased 2% and trading portfolio liabilities fell 48%. Equity grew 4% to R93bn, despite a decline in our foreign currency translation reserve, while borrowed funds increased 19% to R16bn.

2 Slower balance sheet growth

Net loans and advances to customers grew 2% to R720bn. The increase was over 4% in constant currency. The largest book, South African mortgages, declined 2%, reflecting muted industry growth and a lower share of new business. Excluding this book, our loans grew 4%.

In South Africa, Vehicle and Asset Finance grew 4%, despite an 8% drop in the vehicle finance market and 11% lower new car sales. We continue to benefit from partnerships here and the shift to used cars, where our market share is higher. Personal Loans grew 7%, with strong digital sales and a continued shift towards higher-quality customers. Card declined 4%, due to new income verification requirements and a reduction in our Edcon portfolio. Business Banking's book rose 9%, its strongest growth for several years, as commercial property finance increased 14% and Agri loans 13%. In total then, RBB's loans grew 1% in South Africa.

RBB Rest of Africa's loans fell 11%, despite rising 2% in constant currency. This low underlying growth reflected the difficult macro backdrop – with substantial rate increases, high inflation and liquidity constraints in some markets – and us tightening lending criteria in personal loans. However, we had solid constant currency growth in mortgages of 8% and commercial loans of 12%.

CIB's loans rose 7%, as growth slowed noticeably in the second half, although its average balances increased 23%, with term loans up 15%, while reverse repurchase agreements dropped 21% off a high base. Its SA loans grew 13% to R192bn, with high-quality new business across healthcare, technology, media, telecommunications and various industrial sectors. Growth was strong in target areas such as debt finance and trade loans. In the Rest of Africa, CIB's book grew 1% in constant currency, which equated to a 14% decline in rand, while its average book grew 19%.

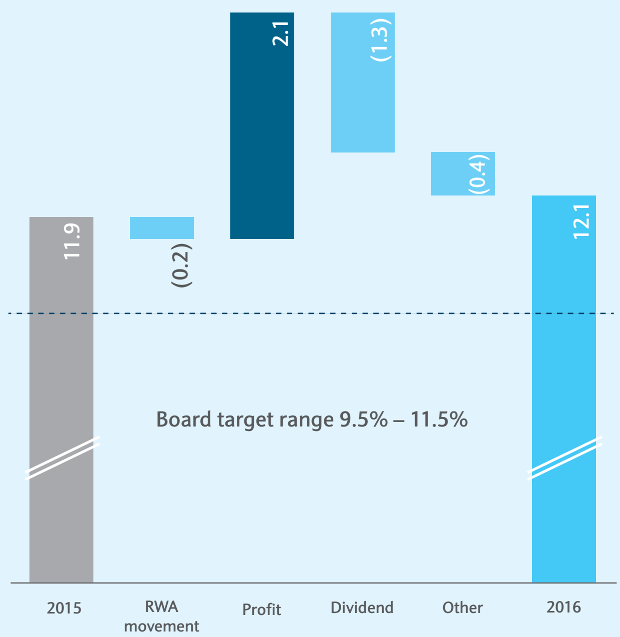
Our total customer deposits declined 2% to R675bn, although it increased 1% in constant currency. Retail deposits rose 7% in South Africa, with solid growth in investment products. Business Banking declined 1%, due to a sector-wide reduction in local and provincial government deposits, where we have a strong presence. As with loans, RBB Rest of Africa's deposits grew 2% in constant currency, but fell 12% due to currency translation. Its low underlying growth reflects tight liquidity in some markets and a reduction in time deposits. CIB's total deposits declined 7%, with the Rest of Africa down 20% (or 7% in constant currency) due to the strong rand and lower inflows. Its South African deposits decreased 2%, after losing a large, low margin client.

3 Capital and liquidity remain strong

Our Group risk-weighted assets grew marginally to R704bn, in part due to increased counterparty risk-weighted assets. We remain capital generative, with earnings adding 2.1% to our Common Equity Tier 1 ratio. Paying R 8.5bn of ordinary dividends reduced our ratio by 1.3%, while the R4.1bn decline in our foreign currency reserve was offset by the risk-weighted asset reduction of a stronger rand. Hence our Common Equity Tier 1 ratio increased to 12.1%, which is well above the 11.5% top end of our Board target range. Our Group leverage ratio including unappropriated profits improved to 7.1%, also well above the Board target of 4.5%. While we are still evaluating its likely impact, introducing IFRS 9 is likely to reduce our Common Equity Tier 1 next year. Our Group total capital ratio increased to 14.8%, at the top end of our board target range. Note that Absa Bank's Common Equity Tier 1 improved to 11.6% from 10.5%.

Our liquidity profile also remains healthy, with liquid assets and other sources of liquidity growing 20% to R239bn. Absa Bank's three-month average liquidity coverage ratio for the fourth quarter of 2016 was 98%, comfortably above the minimum hurdle of 70%. While net stable funding ratios only become effective on 1 January 2018, we are confident of complying with the 100% minimum.

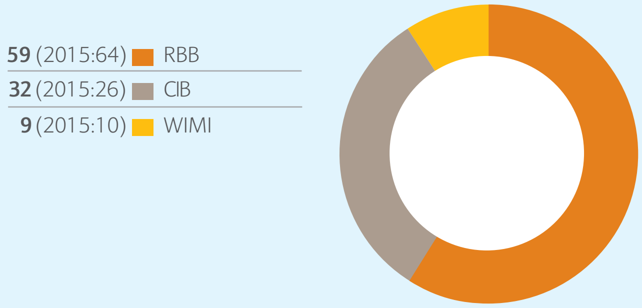
Common Equity Tier 1 ratio (%)



Segmental performance

Our earnings remain well diversified by both division and individual product lines.

Headline earnings contribution per segment (%)



Retail and Business Banking

Headline earnings ▼ 3%

RBB's earnings declined 3% to R9.3bn, or 59% of our earnings, excluding the Group centre. Pre-provision profits increased 5%, although 6% revenue growth lagged 7% cost growth, as RBB invested in technology. Balance sheet growth was limited, with loans and deposits both flat. Credit impairments grew 21%, increasing its credit loss ratio to 1.46%. RBB's return on regulatory capital decreased slightly to 21.3%.

Retail Banking South Africa

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

Business Banking South Africa

Headline earnings grew 1% to R2.1bn, given 5% higher pre-provision profits. Loan growth improved to 9%, increasing its revenue growth to 6%, in line with the rise in costs, resulting in a flat 61% cost-to-income ratio. Deposits declined 1%, largely due to the industry-wide reduction in public sector funds. Credit impairments grew 7% although its credit loss ratio was largely unchanged at 0.86%. Business Banking South Africa generated 14% of overall earnings, excluding the Group centre.

Retail and Business Banking Rest of Africa

Headline earnings declined 3% or 15% in constant currency to R769m, despite 23% higher pre-provision profits. Revenue grew 15%, or 9% in constant currency, with net interest income rising 19% as its net interest margin improved to 9.06%. Costs grew 11% or 7% in constant currency, so its cost-to-income ratio

In this section we present segments on the historical model. From 2017, we will report against our new segments.

decreased to 67.0%. However, credit impairments grew 73% due to higher personal loan and portfolio provisions, with coverage for performing loans almost doubling. Loans and deposits fell 11% and 12% respectively, despite both growing 2% in constant currency. RBB Rest of Africa contributed 5% of total earnings, excluding the Group centre.

Corporate and Investment Bank

Headline earnings ▲ 27%

Headline earnings rose 27% to above R5bn for the first time, as pre-provision profits increased 34%. CIB earnings grew 18% in South Africa and 43% in the Rest of Africa, or 35% in constant currency. CIB in the Rest of Africa accounts for 44% of CIB's earnings from 29% in 2013. Revenue grew 17%, with Rest of Africa increasing 24% and South Africa 13%. Markets revenue rose 25% to R5.1bn, with Rest of Africa up 26% and South Africa 25%, as fixed income and credit grew 51% and foreign exchange and commodities 21%. Credit impairments rose 77% due to a single name in the first half and increased portfolio provisions. Costs increased 2%, despite continuing to invest in technology. Corporate earnings grew 44% to R2.7bn, as 18% revenue growth exceeded 6% higher costs and credit impairments declined 8%. Investment Bank earnings rose 13% to R2.4bn, as the 16% revenue growth and 2% lower costs, as credit impairments increased 228%. CIB's loan growth slowed to 7%, in part due to the strong rand, although average balances were 23% higher. CIB's return on regulatory capital improved to 19.9%, with strong returns in the Rest of Africa. It contributed 32% of total earnings, excluding the Group centre.

Wealth, Investment Management and Insurance

Headline earnings ▼ 4%

Headline earnings declined 4% to R1.4bn, with continuing business lines down 1%. However, South African earnings from continuing business lines grew 11% to R1.5bn, with Life Insurance up 19%, due to 10% net premium income growth and 43% higher income from shareholder funds. Short-term Insurance in South Africa grew 17%, with a 4.3% underwriting margin and well contained costs, while reinsurance limited the rise in claims. Wealth and Investments' earnings grew 5%, with assets under management increasing 5% to R288bn on R13bn of net inflows. Rest of Africa lost R112m from a profit of R49m, given higher reserving, increased claims and substantially higher new business costs due to integrating First Assurance in Kenya and investing in our expansion strategy. WIMI's return on equity remains attractive at 23.9% and it generated 9% of total earnings, excluding the Group centre.

Looking ahead

Separation from Barclays PLC

Since 1 March last year, we have worked with Barclays PLC and our regulator in preparing for the separation. During this time we have taken into account a number of key considerations:

- The impact on our technology architecture, resilience, and competitiveness
- Our approach to rebranding
- Our leadership structures, remuneration arrangements to retain key skills and additional hires to support the separation
- Transitional services arrangements
- Alternative shareholding structures
- Risks arising from the sell-down
- The financial implications of the separation payments from Barclays PLC

I am pleased that we have agreed the terms of the transitional services arrangements and separation payments with Barclays PLC subject to regulatory approval. The proposed terms include contributions totaling £765m (R12.8bn[1]), primarily to fund the investment required for our separation. These are expected to leave us broadly capital and cash flow neutral after the required investments are made. There are three main components. Firstly, a £55m (R0.9bn[1]) payment to cover separation related expenses, of which £27.5m was received in December. Secondly, a £195m (R3.3bn[1]) payment to terminate the existing Master Services Agreement, and lastly, a £515m (R8.6bn[1]) contribution to fund investment in our operations, technology, rebranding and other separation projects. We will pay Barclays PLC to provide certain technology and operational services during the transitional period of up to three years. We believe these leave us well positioned to successfully separate and ensure our ongoing sustainability thereafter.

The separation process will impact our results for a number of years, most notably by increasing our costs, but also our capital base and endowment revenue thereon in the near-term. Consequently, we will report normalised numbers that better reflect our underlying performance once the process starts. In addition, Barclays has agreed to contribute an amount equivalent to 1.5% of our market capitalisation towards the establishment of larger broad-based economic empowerment scheme. The current value of their contribution is R2.1bn[2]. We will provide more detail on this and our separation in due course, once regulator approvals have been obtained.

Performance outlook

In South Africa, we expect a modest economic recovery and forecast GDP growth of 1.0% for 2017. Inflation should return to within the South African Reserve Bank's target band in the second quarter, resulting in flat interest rates for some time. We expect 4.5% average GDP growth in our presence countries in the rest of Africa.

Against this backdrop, and barring any regulatory and macroeconomic developments, we continue to expect low to mid-single digit loan growth, with CIB growing faster than RBB and South Africa lagging the Rest of Africa in constant currency. Our net interest margin is expected to decline slightly this year. Slower revenue growth, in part due to regulatory changes, is likely to produce negative Jaws near term, despite continued cost containment. We expect the strong rand and regulatory pressures to dampen our growth in the first half. At the same time, our credit loss ratio should improve in 2017, in part due to the large single name provision in the base, while last year's reduction in our retail early delinquencies in South Africa also bodes well. Our Common Equity Tier 1 ratio is likely to remain above Board targets, and we continue to expect that our dividend cover is likely to increase slightly medium term, while our normalised return on equity should be broadly similar to 2016's. While separating from Barclays will impact our near-term returns, we still believe that our stated longer-term targets remain appropriate for our Group, including an 18% return on equity and low 50s cost-to-income ratio.

[1] Based on the exchange rate at 31 December 2016.
[2] Based on the Barclays Africa Group closing share price on 31 December 2016.

Risk performance summary

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

Overview of 2016

Notwithstanding the deteriorating trends in some indicators, the overall performance continued being sound, with all risk and capital measures remaining within the Board-approved risk appetite.

- Challenging macroeconomic conditions continued putting pressure on consumers and businesses.
- Credit risk remains within risk appetite.
- Gross loans and advances to customers and clients increased by 2.7% through growth in our South Africa Wholesale portfolio, while our South Africa Retail portfolio was flat (mostly due to a small decline in home loans). Rest of Africa portfolios declined due to foreign currency movements (growth was 2.7% in constant currency).
- Our credit loss ratio increased to 108 basis points (2015: 92 basis points). Impairment charges increased to R8.8bn (2015: R6.9bn) as most retail portfolios in South Africa and Rest of Africa somewhat deteriorated, and we incurred a single name default in the Wholesale portfolio. We also raised an additional R283m in macroeconomic provisions.
- Non-performing loans as a percentage of loans and advances to banks and customers increased to 3.9% (2015: 3.5%), and our non-performing loan coverage improved to 44.2% (2015: 43.2%).
- Overall coverage on our performing loans increased to 79 basis points (2015: 65 basis points).
- Market risk exposures remained within our overall risk appetite.
- In line with the nature of our business, total operational risk losses increased, mainly due to transaction processing issues (49%) as well as fraud (37%) however these are within risk appetite.
- Our capital position remained above the minimum regulatory limit and the Board-approved Common Equity Tier 1 target range. Our liquidity position remained healthy, above the minimum regulatory requirements and maintained the buffers approved by the Board.
- Our short and long-term insurance risk was managed within our approved risk appetite.
- We continued to embed the management of conduct risk.

Looking ahead

We will:

- continue monitoring
  - and managing the effect of the separation from Barclays PLC on our risk profile;
  - the global economy and the effects of socio-economic challenges in key African markets; and
  - material changes in developed markets arising from key events, including Brexit, and US policy changes;
- focus further on technology risk, fraud risk (including cybercrime) and anti-money laundering;
- expand our conduct risk management controls, tools and reporting;
- increase our focus on data and model initiatives, arising from regulations including BCBS 239 and IFRS 9;
- continue enhancing our scenario development and stress testing processes, in order to fine-tune our business planning and measurement processes;
- embed insurance risk as a principal risk and implement appropriate controls in the Rest of Africa insurance entities;
- meet the insurance regulatory Solvency Assessment Management requirements (Pillars 1, 2 and 3);
- embed enhanced risk measurement tools and models to optimise extensive use of economic capital metrics in order to enhance the management of our risk portfolios; and
- aim to meet the minimum requirement of 100% for the net stable funding ratio, which comes into effect 1 January 2018.

24 Refer to risks associated with the execution of our business model.

View our Pillar 3 risk report at barclaysafrica2016ar.co.za.

		2013	2014	2015	2016	YoY trend
① Credit risk[1]	Growth in gross loans and advances to customers and banks (%)[2]	6.7	4.9	10.4	**2.7**	▼
	Credit loss ratio (%)	1.04	0.88	0.92	**1.08**	▲
	Non-performing loans as a percentage of gross loans and advances (%)	4.2	3.8	3.5	**3.9**	▲
	Non-performing loans coverage ratio (%)	41.8	43.0	43.2	**44.2**	▲
	Performing loans coverage ratio (%)	0.57	0.62	0.65	**0.79**	▲
	Risk-weighted assets as a percentage of exposure at default (%)[3]	43.17	43.11	44.57	**43.53**	▼
② Market risk	Average traded market risk – daily value at risk (Rm)[4]	24.7	22.3	27.0	**26.8**	▼
	Traded market risk regulatory capital (Rm)	1 630	2 178	2 501	**2 889**	▲
	Banking book annual earnings at risk for a 2% interest rate shock percentage of Group net interest income (%)	<7	<5	<6	**<6**	=
	Insurance short-term loss ratio (%)[5]	72.2	70.9	69.4	**71.9**	▲
	Life insurance new business margin (%)[5]	7.6	6.6	5.5	**5.0**	▼
③ Capital risk	Cost of equity (%)[6]	13.00	13.50	13.75	**14.75**	▲
	Total risk-weighted assets (Rm)	560 865	619 705	702 663	**703 785**	▲
	Common Equity Tier 1 ratio (%)[7]	12.1	11.9	11.9	**12.1**	▲
	Return on risk-weighted assets (%)	2.16	2.22	2.18	**2.14**	▼
	Return on average economic capital (%)	20.6	20.4	19.0	**16.9**	▼
	Return on equity (%)	15.5	16.7	17.0	**16.6**	▼
	Leverage ratio (including unappropriated profit)	6.9	6.7	6.7	**6.4**	▼
④ Liquidity risk	Sources of liquidity (Rm)	153 871	175 836	199 024	**239 265**	▲
	› High quality liquid assets (Rm)	81 974	88 537	105 332	**144 695**	▲
	› Other liquid assets (Rm)[8]	31 697	31 841	31 640	**33 201**	▲
	› Other sources of liquidity (Rm)	40 200	55 458	62 052	**61 369**	▼
	Long-term funding ratio (%)	24.3	21.9	21.0	**21.4**	▲
	Loan-to-deposits and debt securities ratio (%)	88.3	87.1	86.1	**88.4**	▲
	Liquidity coverage ratio (%)[9]	n/a	n/a	69.9	**95.2**	▲

1 Detailed disclosure for Retail and Wholesale credit portfolios are provided in our 2016 Pillar 3 risk report (barclaysafrica2016ar.co.za). 2014 numbers (excluding credit loss ratio) restated to include Rest of Africa and WIMI.
2 Includes trading book and banking book credit exposure.
3 Percentages include only portfolios subject to the internal-ratings based approaches.
4 Daily value at risk for Rest of Africa is based on a historical simulation model that uses sensitivity-based inputs rather than full revaluation as is done for South Africa.
5 Excludes Rest of Africa.
6 The average cost of equity is based on the capital asset pricing model.
7 Board target range 9. 5 – 11. 5%.
8 Rest of Africa.
9 The Group liquidity coverage ratio represents the simple average of the three month-end data points prior to December 2016. Surplus high quality liquid asset holdings in excess of the minimum requirement of 70% have been excluded from the aggregated high quality liquid asset number in the case of all Rest of Africa banking entities.

		2013	2014	2015	2016	YoY trend
5 Operational risk	Total losses as a percentage of gross income (%)	1.1	1.1	0.8	**0.8**	=
	Total losses (Rm)	659	735	541	**582**	▲
	Operational risk-weighted assets (Rm)	79 235	92 942	98 668	**100 433**	▲
6 Conduct risk	The key inherent conduct risk themes for 2016 were associated with information technology stability and resilience, product rationalisation, information risk management and Know Your Client remediation.					

1 Moderate loan growth and increasing impairments as a result of challenging macroeconomic conditions

- Growth in gross loans and advances to customers declined to 2.7% (2015: 10.4%) or 4.5% in constant currency terms. In South Africa, we had solid growth in our Business Bank, Corporate and Investment Bank portfolios, while our Retail portfolio remained flat. Our Home Loans portfolio decreased by 2%. The growth in South African Wholesale banking was offset by a decline in the Rest of Africa portfolios.
- Our credit loss ratio increased to 108 basis points (2015: 92 basis points). Our retail credit impairment charge increased to R6 590m (2015: R5 451m) due to the deterioration of most retail portfolios and additional macroeconomic provisions. South African retail credit performance deteriorated due to increased pressure on consumers as a result of the weakening macroeconomic environment. Our wholesale credit impairment charge increased to R2 197m (2015: R1 431m) mainly due to new single name impairments, and additional macroeconomic provisions.
- Our non-performing loans as a percentage of gross loans and advances increased to 3.9% (2015: 3.5%). Retail non-performing loans increased by 9.8% (2015: 0.2%) due to an increase in overdue accounts, while Wholesale non-performing loans increased by 14.6% (2015: 7.6%) due to new defaults in the consumer sector and Rest of Africa. The extent to which non-performing loans are covered by provisions increased to 44.2% (2015: 43.2%).
- The extent to which performing loans are covered by provisions, improved to 0.79% (2015: 0.65%).
- New risk model implementations across the retail portfolios and continuing capital optimisation efforts resulted in lower capital intensity levels.

2 Managing exposures within appetite

- Our trading exposures were managed within overall risk appetite, and the trading business remained resilient despite the macroeconomic conditions.
- Hedging enabled us to remain positively exposed to increases in interest rates. Interest rate risk management in the Rest of Africa remains challenging due to the relative unavailability of appropriate derivative instruments with which to hedge.
- Absa Financial Services submitted two interim Own Risk and Solvency Assessment reports to meet the parallel-run regulatory requirements. The third interim report under the Solvency Assessment Management requirements will be submitted to the Financial Services Board in the second quarter of 2017.
- Pension plans and benefits are provided in all our presence countries. The overall funding level of the schemes improved. The South African Absa Pension Fund remained the largest fund.

3 Maintaining an optimal mix of capital

- Our cost of equity increased to 14.75% (2015:13.75%) due to a higher risk-free rate which came into effect in the year.
- Our risk-weighted assets increased by 0.2% to R703.8bn (2015: R702.7bn). This increase was in line with asset growth and higher counterparty credit risk from over-the-counter derivatives which was partially offset by a reduction due to rand appreciation against most currencies.
- Capital levels remained above the minimum regulatory requirements and within, or above, our Board-approved capital target ranges.

4 Liquidity remains stable

- Our liquidity risk position remained sound and within key limits, and we consistently maintained a liquidity coverage ratio in excess of the regulatory minimum requirement of 70%. The liquidity coverage ratio disclosure is calculated using a three-month average of the month-end values for October 2016, November 2016 and December 2016. The three-month average high quality liquid assets increased from R110.0bn in 2015 to R142.1bn in 2016. We have a committed liquidity facility from the South African Reserve Bank, which reflects in our high quality liquid assets from 1 January 2016, thus benefiting our liquidity coverage ratio.
- Our long-term funding ratio increased to 21.4% (2015: 21.0%) to match the growth in longer-term assets. Our long-term funding is a combination of funding instruments, and issuances of financial instruments in capital markets and directly to private investors.
- Our loan-to-deposits and debt securities ratio increased to 88.4% (2015: 86.1%) primarily due to growth in loans and advances to customers.

5 Losses decreasing while fraud loss stabilises

- Our operational risk losses were higher than in 2015, though still within our risk appetite. In line with the nature of our business, the main contributors were transaction processing and payment-related issues, as well as fraud (49% and 37% respectively).
- Operational Risk's risk-weighted assets increased by 1.8%, in line with operating income and growth expectations.
- Technology improvements continued stabilising our technology environment and payments systems. We migrated our mainframe to a best-in-class data centre, and we are on track to migrate most critical services by September 2017.
- Card fraud losses remain the major driver of our overall net fraud losses, followed by lending fraud, and payment fraud which includes digital fraud. The overall fraud losses are within expectation.
- Our customer on-boarding processes have been enhanced, and we continue remediating non-compliant customers and to build analytical capability to detect money laundering threats and activities.
- Our information security transformation plan aims to continue to strengthen our cyber defences over the next five years.

6 We continue to monitor and implement conduct-related regulatory changes

We successfully embedded our conduct risk frameworks and tools in line with the Treating Customer Fairly requirements and principles.

We continue enhancing our regulatory controls, particularly those related to Know Your Client, anti-money laundering, and the National Credit Act.

- Our various regulators conduct reviews of our business operations' controls, and our progress in meeting requirements. We continuously focus on compliance and risk controls. Sometimes, however, remedial action is required, and administrative penalties and fines are levied on the Group.
- The remediation plan in respect of non-authenticated electronic debit orders in Corporate and Investment Bank is on track.
- The regulatory requirements relating to the deployment of in-country data centres in Uganda and Tanzania remains a concern for our Rest of Africa operations. However, both the National Bank of Commerce (Tanzania) and Barclays Bank Tanzania, are on track to ensure compliance.

38 Further information regarding our approach to conduct.

Governance review

Good corporate governance is important in creating and sustaining shareholder value; and ensuring that our behaviour is ethical and promotes positive outcomes for the benefit of all our stakeholders.

Wendy Lucas-Bull
Chairman

As a major bank, investment manager and insurer in our various presence markets, we have significant responsibilities to our customers, clients and the public in contributing to a stable and secure environment, thereby enhancing trust in the countries' financial systems.

Our Board Charter

- Is the foundation document for our governance principles and related practices
- Details matters reserved for the Board
- Defines separate roles for the Group Chairman and the Chief Executive Officer, as well as the Board's expectations of the chairmen of our Board committees, the lead independent director and the directors
- Outlines the mandate of our Board committees

Conduct

We are committed to the highest standards of integrity and ethical behaviour. Our code of conduct outlines the Values and behaviours that govern our way of working across our business. It fosters values-based decision-making, and demonstrates how our policies and practices align with our Values. Our Conduct Risk Framework 41 helps managers test appropriate behaviours and responses to customers and clients.

Being a large listed company with presence in 12 markets providing trusted financial services to our customers and clients, our corporate culture is strongly influenced by our approach to Conduct and the need to ensure a positive impact on our customers and clients.

Board

- Is responsible for creating and delivering sustainable shareholder value.
- Ensures an appropriate balance between promoting long-term sustainable growth and delivering short-term performance.
- Oversees the management of the Group's businesses, as assisted by various Board committees.
- Reviews and approves the strategic objectives and policies of the Group.
- Provides overall strategic direction within a framework of incentives and controls.

Directors' Affairs Committee (DAC)

Corporate governance, Board nominations and related matters

Group Audit and Compliance Committee (GACC) (includes Disclosure Committee)

Internal controls, compliance, internal and external audit, accounting and external reporting

Group Risk and Capital Management Committee (GRCMC)

Risk, risk appetite, capital and liquidity management

Group Remuneration Committee (RemCo)

Remuneration and incentive arrangements, policy and disclosures, executive appointments and succession

Social and Ethics Committee (SEC)

Conduct risk, sustainability, stakeholder management, corporate citizenship, ethics, labour, diversity and inclusion, and general human resources and talent management matters

Information Technology Committee (ITC)

IT systems, data, architecture and innovation, resilience and return on investment

Board Finance Committee (BFC)

Financial results, annual budgets, and acquisitions and disposals

Concentration Risk Committee (CoRC)

Credit exposures above 10% of the Group's qualifying capital and reserves, portfolio exposures, applicable impairment trends and concentration risks

Models Committee (MC)

Approval of material models and model governance oversight

Ad hoc committee for the Barclays PLC sell-down

Oversight and guidance to management on the impact of the sell-down

Executive Committee

Is responsible for the effective management of the business and the execution of our strategy, and is supported by the following committees:

- Treasury Committee
- Operational Risk and Control Committee
- Financial Risk Committee
- Market Risk Committee
- Execution and Operating Committee
- Cost Board
- Africa Investment Board
- Africa Group Credit Committee
- Remuneration Review Panel
- Conduct and Reputation Risk Committee
- Regulatory Investigations Oversight Committee
- Africa Citizenship Leadership Council
- Group Investment Committee

Key matters deliberated by our Board

We maintain a one-year rolling forward planner for discussions over the year. Apart from standard and regular agenda items, such as report-backs from each Board committee and comprehensive reports from the Chief Executive Officer and Financial Director, the following specific matters of material importance for the Group were tabled and deliberated at Board meetings during 2016:

February

- Approval of the annual financial results
- Enhanced oversight of the customer and client onboarding processes and the regulatory and reputational impact thereof
- Approved an updated enterprise risk management framework, specifically for Barclays Africa and its subsidiaries

March/April

- Integrated report – approval
- Oversight of, and advice to, management, regarding the separation process from Barclays PLC, including the establishing of the *Ad hoc* committee (a Board sub-committee)
- Training on wholesale credit, cybersecurity, and the implications of the then draft King IV Report on Corporate Governance for South Africa, 2016 (King IV)

May

- Business reviews on the three main customer and client-facing segments (RBB, CIB and WIMI), including execution against strategy

June/July

- Hosted the Africa chairmen's conference in Johannesburg
- Approved the appointment of Peter Matlare as executive director and Deputy CEO, and approved the change in management structure to form the basis of our new operating model
- Approval of the interim financial results
- Approved the appointment of Jason Quinn as our new Financial Director

September

- Strategy session, encompassing a macroeconomic update; operating environment and competitive landscape assessment; an investment analyst's view on our performance and market expectations; strategy by business and related risk alignment; and execution priorities
- Further training on IFRS 9 (accounting for financial instruments) requirements, shadow banking and cybersecurity culminating in presentations to, and discussions with, the South African Reserve Bank

October

- Annual meeting with the South African Reserve Bank to discuss strategy, performance, risk, and its 'flavour of the year' topics, including IFRS 9, shadow banking and cybersecurity
- Training on financial crime (with speakers from the Group and the South African Financial Intelligence Centre), as well as corporate insurance risk and coverage

December

- Integrated planning linked to the strategy – including a financial overview, key business initiatives, response to the macro environment and the market opportunity
- Approval of a short and medium-term integrated plan
- Approval of the regulatory submission in respect of the separation from Barclays PLC including the agreements reached with it

Progress against our 2016 governance objectives

Objective	Progress
1. Review the progress of our Group's strategy execution, including our Shared Growth agenda, focusing on our growth objectives (including the market commitments made), in the context of a sound control and risk environment, with ethical and transparent leadership.	› The Board actively monitored the progress on the strategy execution, having regard to the prevailing macro conditions and regulatory changes (such as interest rate caps) with the resultant impacts on our revenue-generative abilities and the need to reset certain targets and place reliance on other areas of our business to compensate. › We gave significant focus to the control and risk environment at Board and committee level, with detailed reviews of our payments and collections environments; fraud management; cyber and financial crime detection and prevention; supplier management; and regulatory reporting. › Our leadership remains ethical and transparent, with appropriate communication on and management of key and sensitive matters including those arising from inappropriate conduct and other control failures.
Rating: Full achievement	
2. Monitor the implementation of the Group's IT strategy, with a focus on resilience and appropriate investment spend.	› Our IT strategy focused on resilience. We have successfully moved to a new data centre and we continue to migrate services. We have observed a marked improvement in service, stability and recovery – in South Africa and in our other presence markets – and we have also requested ongoing analysis and reporting on investment spend and related returns.
Rating: Substantive achievement	
3. Ensure that risk and capital management frameworks are appropriate in the context of a shifting global regulatory and risk environment, and a changing operational environment.	› Our risk and capital management frameworks, as updated from time to time, remain appropriate in the context of a changing global regulatory, risk, and business environment. The teams working on major projects such as IFRS 9 (Financial Instruments) and Basel Committee on Banking Supervision BCBS 239 (Basel guidelines on risk reporting) report regularly to the Audit and Risk committees on their progress. Management has developed the discipline of stress testing, and the Risk Committee has monitored the resultant impact on our capital and liquidity ratios (all of which remained at satisfactory levels through a variety of stress scenarios).
Rating: Full achievement	
4. Monitor and assess the people agenda and the culture of our organisation.	› Through our Social and Ethics, and Group Remuneration committees, we paid appropriate attention to our people and culture agenda, doing ongoing work on succession planning and leadership development; cross-border placement opportunities for talented employees; ongoing work on diversity and inclusion; and our Values and the underlying behaviours.
Rating: Substantive achievement	
5. Monitor the Barclays PLC sell-down.	› In addition to the first four objectives, the Board played a critical governance and oversight role in the Barclays PLC sell-down. The Executive Steering Committee gave multiple updates to a dedicated *Ad hoc* committee, and all decision points were tabled to our Board.
Rating: Full achievement	

2017 governance objectives:

1. Review the progress of our Group's strategy execution, having regard to the prevailing macroeconomic conditions, and in the context of a sound control and risk environment, and ethical and transparent leadership.
2. Monitor the implementation of the Group's IT strategy, with a focus on resilience and appropriate investment spend.
3. Ensure that risk and capital management frameworks are appropriate in the context of a shifting global regulatory and risk environment, and a changing business environment.
4. Monitor and assess the people agenda and the culture of our organisation.
5. Oversee the Barclays PLC sell-down and the separation from Barclays Africa, with a specific focus on the execution thereof, following regulatory approval.

Key elements of our corporate governance

In alignment with the Companies Act and the JSE Listings Requirements, our Board considers the following:

Board composition[1] (independence, diversity – gender and race – and tenure)

Our Board has 17 members, 10 of whom are independent and four of whom are now executive directors – with the appointment of a new Financial Director and a second Deputy Chief Executive Officer. On 24 March 2016, shareholders were advised that lead independent director, Trevor Munday, would step down as director in the second half of 2016. However, on 8 November 2016, we announced that as a result of the increased demand on the Board due to the Barclays PLC sell-down, his departure has been postponed to provide continuity on our key committees.

Francis Okomo-Okello, the former Chairman of Barclays Bank of Kenya Limited, retired from that board on 7 October 2016. As indicated in previous reports, Francis has been regarded as independent in relation to Barclays Africa throughout.

12 of our 17 Board members are South African, of whom four are black and four are women. We aim to improve women representation on our Group Board. In 2016, we met our target of 25%, and we aim to reach 26%[2] in 2017. Women make up 33% of our country bank boards, and 25% of our South African subsidiary boards – both figures are up year-on-year.

Barclays PLC is reconsidering its nominees to our Board. These changes are subject to Board and regulatory processes and will be announced when finalised.

In accordance with King III, all directors serving on the Board for longer than nine years are assessed to determine the level of their independence and the quality of their contribution. Yolanda Cuba and Trevor Munday have been assessed in this regard, and the Board has found them suitably independent, with continuing strong contributions.

No individual director or group of directors has unfettered powers of decision-making.

Tenure	Executive directors	Independent non-executive directors	Non-executive directors
0 – 3 years	Jason Quinn	Alex Darko Daisy Naidoo Francis Okomo-Okello Paul O'Flaherty Wendy Lucas-Bull René van Wyk	Mark Merson
4 – 6 years	Peter Matlare[3]	Colin Beggs	Ashok Vaswani Patrick Clackson
7 – 9 years	David Hodnett Maria Ramos	Mohamed Husain	
> 9 years		Trevor Munday Yolanda Cuba	

1 As at 20 March 2017 and includes René van Wyk appointed in February 2017.
2 This is down from our previously reported target of 30% for 2017. This is as a result of the need to ensure Board continuity through the sell-down and separation processes, and includes the need to retain Barclays PLC nominees on the Board at this stage.
3 In his first year as an executive director (appointed 1 August 2016), having served as a non-executive director for the four-and-a-half years since December 2011.

Board appointments

To govern a group of this magnitude and complexity, we appoint directors with appropriate regard to their education, diversity, expertise and experience in order to enhance the required collective set of skills, to ensure robust governance, keen commercial decision-making and strong technical inputs. Directors are appointed through a formal and transparent process which is facilitated by the Directors' Affairs Committee on behalf of the Board. The Board as a whole approves all appointments on recommendation by the Directors' Affairs Committee. The Directors' Affairs Committee comprises only independent non-executive directors, and is chaired by the Group Chairman.

Group Company Secretary

Our Board remains satisfied with the competency and experience of Nadine Drutman (BCom, LLB, LLM), our Group Company Secretary. She maintains an arm's length relationship with the Board, providing guidance to Board members on the execution of their duties, and she maintains her knowledge of developments in corporate governance best practice and regulation. All Board members have unhindered access to her services in all aspects of the Board's mandate and the operations of the Group.

Board evaluation

In January 2017, the Board members evaluated the performance of the Board and the members, in respect of the 2016 year. The Board was found to be performing well. Identified areas of improvement will receive attention through the 2017 Board meeting cycle.

Applying King III principles

With the exception of the two areas below, the Group has applied all the principles of King III:

- **Remuneration:** Although deferred bonus awards are not subject to financial performance conditions, the exposure to share price and malus provisions in the plan provides appropriate links to performance and risk adjustment. This structure is in accordance with the requirements of the UK's Financial Stability Board's principles for sound compensation practices. It generally subjects our incentive awards to higher levels of deferral than found elsewhere in the local market.

King III fact sheet

- **Information Technology Committee:** The Chairman of the ITC is not an independent director. Our Board believes that Patrick Clackson has been well-placed to chair this committee, given his experience in banking and related systems as well as his ability to engage with and provide challenge to management on this topic.

Transition to King IV

Following the launch of King IV on 1 November 2016, we conducted an assessment of our Board Charter and committee terms of reference against the principles and recommended practices of King IV. Our view is that we are well positioned in terms of King IV and, in the main, already apply most of its recommended practices.

Key considerations to enhance our application of practices under King IV and to respond to the subsequent related JSE amendments include the following:

- The JSE introduced mandatory separate non-binding advisory votes by shareholders of the issuer at the annual general meeting on the remuneration policy and the implementation report (as described in King IV). We intend to include the second vote as part of our notice of annual general meeting in 2018. The Board notes that the consequences of not passing the non-binding advisory vote will require disclosure and engagement with shareholders.

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- King IV recommends that in relation to stakeholder relationships, the governing body should approve policy that articulates and gives effect to its direction on stakeholder relationships. We disclose our material issues in relation to stakeholders and will work towards an appropriate policy.

While we believe our level of disclosure is in line with current best practice, the specific disclosure obligations introduced by the recommended practices in King IV could lead to potential extensive additional disclosures in the form of our explanation of how we applied the principles.

King IV recommends that the board of the holding company should ensure the agreed group governance framework is implemented across the group, and the subsidiaries must form part of the governance arrangements for the group and must agree to all the policies of the group. We have approximately 145 subsidiary entities and will supplement our existing arrangements so as to strengthen our governance in respect of all active entities.

Changes to governance

During the year, we established an *Ad hoc* committee of the Board dedicated to provide oversight and advice to management in respect of the Barclays PLC sell-down and its impact on the Group. This committee met frequently, and provided guidance to management and feedback to the Barclays Africa and Absa Bank Boards.

We work with the country boards to continuously improve skill sets, governance practices and quality of reporting. This year saw heightened feedback to the country boards through their chairmen on the matter of the separation to maintain open communication. This empowers the country boards to engage with their regulators. This process is ongoing with regular interactions at board and management level.

The Group Remuneration and Human Resources Committee changed its name to the Group Remuneration Committee (RemCo) following a review of its terms of reference. Consequently, it is more focused on remuneration matters, together with executive succession, attraction and retention. All other human resources matters were confirmed to be within the purview of the Social and Ethics Committee.

2016 Board and committee attendance

Overall Board member attendance remained stable since 2015, at 95%. Included in the statistics are meetings with the regulator, board strategy meetings and training sessions. Total meetings increased to 64 (2015: 56).

We expect, and receive, significant commitment from our Board members. Besides the extensive work done through our nine committees (plus the *Ad hoc* committee), the Board members contribute actively to:

- the development and monitoring of strategy;
- the content of the financial statements, results announcements and integrated report;
- engagement with regulators;
- providing leadership to management; and
- being available for matters that arise on an *Ad hoc* basis.

Due to the extent of their executive responsibilities at Barclays PLC, Patrick Clackson and Ashok Vaswani were unable to attend all the meetings. Ashok Vaswani has availed himself to serve on the Board for another term and the Chairman has engaged with him regarding his attendance of Board meetings. The Board remains satisfied with Ashok's contributions. As mentioned on 59, the Barclays representation on our Board is likely to change in due course.

Name		Board	DAC	GACC	GRCMC	RemCo	SEC	ITC	BFC	CoRC	MC	Total	% Total	*Ad hoc* committee
Number of meetings		**11**	**11**	**8**	**7**	**5**	**3**	**4**	**8**	**3**	**4**	**64**		**19**
Alex Darko		11/11		7/8		5/5		4/4				27/28	96	
Ashok Vaswani[1]		6/9		MI				1/4				7/13	54	
Colin Beggs		11/11	11/11	8/8	6/7				8/8	3/3		47/48	98	19/19
Daisy Naidoo[2]		9/9		5/5						2/2		16/16	100	
David Hodnett[3]		11/11	5/5[A]	5/5 [MI]	3/3		3/3[A]	4/4	3/3[A]	3/3	4/4	41/41	100	14/15
Francis Okomo-Okello		11/11					3/3					14/14	100	
Jason Quinn[4]		7/8	5/5[A]	3/3 [MI]	4/4			1/1	5/5[A]	1/1	2/2	28/29	97	10/11
Maria Ramos		11/11	11/11[A]	7/8 [MI]	6/7	5/5[A]	3/3	4/4	8/8[A]	3/3	3/4	61/64	95	19/19
Mark Merson[1]		9/9			6/6				6/6			21/21	100	
Mohamed Husain[5]		10/11	10/11	8/8		5/5	3/3		5/5			41/43	95	18/19
Patrick Clackson[1]		6/9				3/4		4/4				13/17	76	
Paul O'Flaherty[6]		11/11	4/5	8/8	7/7	2/2				2/3		34/36	94	15/17
Peter Matlare[7]		11/11					3/3[A]	3/4				17/18	94	
Trevor Munday[8]		11/11	10/11	2/2	7/7				7/8	3/3		40/42	95	16/19
Wendy Lucas-Bull		11/11	11/11	8/8 [MI]	7/7	5/5	3/3	4/4	8/8	3/3		60/60	100	19/19
Yolanda Cuba		10/11				5/5			8/8	2/3		25/27	93	
Totals	**No**	**156/165**	**67/71**	**61/63**	**46/48**	**30/31**	**18/18**	**25/29**	**58/59**	**22/24**	**9/10**	**492/517**		**130/138**
	%	**(95)**	**(94)**	**(97)**	**(96)**	**(97)**	**(100)**	**(86)**	**(98)**	**(92)**	**(90)**	**(95)**		**(94)**

1 Recused from Board on 6 September and 15 December. Patrick was also recused from RemCo on 9 June and Mark was also recused from the BFC on 19 July and 5 December.
2 Daisy joined the Board, GACC and CoRC effective 17 May.
3 David resigned from the GRCMC, DAC, BFC effective 31 August, and the GACC from 1 October. He was recused from the *Ad hoc* committee on 21 June, 19 July, 25 October, and 13 December.
4 Jason joined the Board, GACC, GRCMC, DAC, CoRC, BFC and MC effective 1 September and the ITC from 1 November. He was recused from the *Ad hoc* committee on 25 October and the DAC on 14 December.
5 Mohamed resigned from BFC effective 1 October.
6 Paul joined the GACC and CRCMC effective February; was a member of CoRC from February to October; and joined RemCo and DAC effective 1 October.
7 Peter was a member of the SEC until he was appointed as an Executive Director, he remains an attendee.
8 Trevor resigned from the GACC effective 17 May.
MI Mandatory invitee.
A Attendee.

Key subsidiaries

Our Group comprises individual country banks (including Absa Bank) and their subsidiaries, and Absa Financial Services and its (mainly insurance and asset management) subsidiaries. Significant legal entities to the Group include:

- Absa Bank Limited (South Africa)
- Absa Financial Services Limited
- Barclays Bank of Botswana Limited
- Barclays Bank of Ghana Limited
- Barclays Bank of Kenya Limited
- Barclays Bank Mauritius Limited
- Barclays Bank Mozambique SA
- Barclays Bank (Seychelles) Limited
- National Bank of Commerce Limited
- Barclays Bank Tanzania Limited
- Barclays Bank of Uganda Limited
- Barclays Bank Zambia plc

There are open lines of communication between the chairmen of the subsidiary boards and the Barclays Africa Chairman. Peter Matlare, Deputy Chief Executive Officer: Rest of Africa Banking, made multiple visits to each country since his appointment, which has further strengthened ties with subsidiary management and boards as well as local regulators.

As Group Chairman, Wendy Lucas-Bull again hosted an Africa chairmen's conference during the year to discuss strategy execution and planning; Colin Beggs, Chairman of the Group Audit and Compliance Committee, hosted an audit committee training seminar for all members of subsidiary board audit committees to ensure alignment on technical interpretations of accounting statements, processes and best practice.

Committee reviews

Apart from standard and regular agenda items, the key activities of the Board committees in 2016 are set out below, with a focus on the high-priority items. The Committee memberships in the section that follows are as at 31 December 2016.

Directors' Affairs Committee

Wendy Lucas-Bull (Chairman)
Colin Beggs
Mohamed Husain
Paul O'Flaherty (from October 2016)
Trevor Munday

Attendees:
David Hodnett (until August 2016)
Jason Quinn (from September 2016)
Maria Ramos

Reviewed:

- our Group governance structure, focusing on non-executive director succession planning and appropriate skill sets;
- membership of the Group and subsidiary boards and committees to establish and maintain optimal size, composition, independence, tenure, skills, gender and diversity;
- matters of reputational risk including the South African Competition Commission regarding breaches in Competition Law relating to foreign exchange trading of the South African rand and the South African Public Protector's provisional report relating to the Bankorp matter;
- matters arising from inappropriate conduct and other control failures, and the actions taken by management in response;
- matters pertaining to regulatory engagement and regulatory commitments;
- progress on the Board/corporate governance objectives;
- board and committee attendance;
- findings and actions from the Board and Board committee evaluation (including a peer review);
- training for the main boards, committees and the subsidiary boards;
- executive director succession plans;
- the repositioning of the Actuarial Committee and the introduction of the Audit, Risk and Compliance Committee at the level of the Absa Financial Services Board; and
- the governance arrangements relating to the separation from Barclays PLC.

Approved:

- the appointment of the new chairman to Barclays Bank Kenya;
- the appointment of trustees for the Pension Fund Trust and Absa Foundation Trust;
- fees for non-executives on subsidiary boards; and
- the prescribed officers for disclosure purposes.

Recommended to the Board:

- the appointment of new independent directors Daisy Naidoo and René van Wyk;
- the appointments of Jason Quinn as the Financial Director and Peter Matlare as the Deputy Chief Executive Officer for Rest of Africa Banking;
- the appointment of Paul O'Flaherty as chairman of Group Remuneration Committee, Yolanda Cuba as chairman of Board Finance Committee and Jason Quinn as chairman of the Models Committee;

- board committee membership changes;
- competence of the Group Company Secretary;
- its committee terms of reference and related role profiles;
- the securities dealing code; and
- 2016/2017 Board fees, which were approved by shareholders at the 2016 annual general meeting.

The Committee is satisfied that it has fulfilled its responsibilities in accordance with its terms of reference and, having regard to the Board evaluation, is satisfied with the performance of the Board and its committees. The Committee's focus for 2017 includes regulator, investor and broader stakeholder relationships, and the continued strengthening of the skill sets and diversity of the major boards within the Group.

Group Audit and Compliance Committee

Colin Beggs (Chairman)	*Mandatory Invitees:*	*Attendees:*
Alex Darko	Ashok Vaswani	Chief Internal Auditor
Daisy Naidoo (from May 2016)	David Hodnett (until August 2016)	Chief Risk and Controls Officer
Mohamed Husain	Jason Quinn (from September 2016)	Chief Risk Officer
Paul O'Flaherty (from February 2016)	Maria Ramos	Head of Compliance
Trevor Munday (until May 2016)	Wendy Lucas-Bull	Head of Operational Risk
		External auditors

Reviewed:

- the Group's progress on the preparation for IFRS 9 (accounting for financial instruments), including addressing data requirements, retaining skilled resources and assessing macroeconomic factors in advance of the parallel run in 2017 and implementation in 2018;
- the financial implications of the separation arrangement with Barclays PLC;
- the creation of a centralised fraud risk management function with strategic and operational capabilities, as well as the use of data analytics to improve collaboration between cyber, information and fraud risk;
- progress on financial focus areas including the alignment of the annual financial reporting processes across Africa and auditor transition to KPMG in 2017;
- progress on compliance with the National Credit Regulator's affordability regulations;
- the stability in the payments and settlements area; and
- the Group's tax rate and tax philosophy.

Monitored:

- the Group's control environment, including the process of separation from Barclays PLC;
- impairments in credit portfolios, given the evolving macroeconomic environment;
- progress against the six-monthly internal audit plan, the resourcing of the function, and audit outcomes;
- the outcomes of regulatory engagements and the role of compliance in combined assurance coverage, the resourcing of the function and progress against their six-monthly compliance plans; and
- the ongoing migration of the Group's systems to a dedicated data centre in South Africa, and projects relating to in-country data centre requirements across the Rest of Africa.

Approved:

- the fit and proper status of the outgoing and incoming Financial Director and the Finance, Internal Audit and Compliance functions;
- the Group's anti-money laundering policy;
- management's assessment of the performance and independence of the External Auditors for the 2015 reporting period;
- the audit fees and fees for non-audit services for 2016; and
- the incentive pool in the context of financial performance, as recommended by the Group Remuneration Committee.

Recommended to the Board:

- the full-year and interim financial statements;
- dividends to shareholders;
- investment valuations;
- solvency and liquidity of the Group and of Absa Bank on a quarterly basis; and
- the Group and Absa Bank as a going concern for the twelve months following year end.

The Committee is satisfied that it has fulfilled its responsibilities in accordance with its terms of reference and remains satisfied with the overall control environment, including those aspects supporting the financial statements for 2016, as confirmed by internal and external audit. In 2017, the Committee will continue monitoring further improvements in identified areas including cybercrime, financial crime and fraud.

View the full Group Audit and Compliance Committee statement within our consolidated and separate financial statements available at barclaysafrica2016ar.co.za.

Group Risk and Capital Management Committee

Trevor Munday (Chairman)
Colin Beggs
David Hodnett (until August 2016)
Jason Quinn (from September 2016)
Maria Ramos
Mark Merson
Paul O'Flaherty (from February 2016)
Wendy Lucas-Bull

Attendees:
Chief Internal Auditor
Chief Risk Officer
Head of Compliance
Group Treasurer
External auditors

Reviewed:

- the risk implications of the separation from Barclays PLC relating to technology and brand;
- the transitional outsourced arrangements with Barclays PLC in light of its sell-down;
- the corporate insurance coverage which was previously brokered through Barclays PLC;
- the Group's strategic perspective of shadow banking, the extent of our involvement and the potential impact thereof;
- management actions when risk appetite limits are breached;
- the impact of recommended dividends on the Group capital and liquidity position;
- market development of total loss-absorbing capacity for globally systemically important banks;
- cyber risk updates, issues and developments;
- updates on business continuity management metrics and business programmes;
- the embedment of the risk data aggregation and reporting framework for Basel Committee on Banking Supervision (BCBS) 239;
- legal risk updates and certain forensic investigations in the Group;
- the structural hedge programme in place for a portion of Absa Bank's liabilities;
- stress testing for the integrated planning (budgeting) process for 2017; and
- the recent developments with regards to the Basel III net stable funding ratio.

Monitored:

- the risk profile report dealing with (i) the economic environment; (ii) key risk issues and related lead and lag indicators; (iii) risk appetite and utilisation; (iv) all the principal risk categories; and (v) legal risk;
- current and projected Group capital and liquidity levels, and supported management's initiatives to optimise capital, risk-weighted assets and liquidity; and
- feedback on model risk and related projects.

Approved:

- the results of certain annual stress testing required for submission to the South African Reserve Bank;
- the risk and capital management disclosures for the risk management reports, integrated report and the financial results booklets;
- the outsourced arrangements with third parties including the implementation aspects of using cloud technology supported by the Information Technology Committee; and
- the Group's (i) contingency funding plan; (ii) capital risk and liquidity risk frameworks and policies; (iii) liquidity risk appetite; and (iv) market risk frameworks.

Recommended to the Board:

- the annual review of the enterprise risk management framework;
- the additional capitalisation of Absa Bank for preference share funding transactions;
- the appropriation of profits for Barclays Africa and Absa Bank for regulatory purposes;
- management's annual internal capital adequacy assessment process (ICAAP) report for submission to the South African Reserve Bank;
- the updated recovery plan for submission to the South African Reserve Bank;
- taking up a collateral liquidity facility from the South African Reserve Bank from 2017 to meet Basel III liquidity requirements;
- the issuance of Tier 2 capital (subordinated debt) at Group level under the domestic medium-term notes (DMTN) programme for investment in Absa Bank;
- medium-term risk review and stress testing results, including management's assessment of risk appetite and financial volatility for 2017;
- medium-term capital plans (2017 – 2021), capital target ranges (2017), leverage ratio target (2017) and the economic capital target coverage ratio (2017) after taking into account the capital plan assumptions including dividends, cost of capital, regulatory constraints, stress scenarios, Basel III amendments and peer analysis;
- medium-term funding plan (2017 – 2021); and
- the Group's and Absa Bank's cost of equity 2017.

The Committee is satisfied that it has fulfilled its responsibilities in accordance with its terms of reference, and remains comfortable with the Group's levels of risk, capital and liquidity. The Committee's 2017 focus areas include the current and projected levels of capital of all regulated entities within the Group considering Basel III and the European Union's Capital Requirement Directive IV; stress testing in the context of changing economic conditions; further embedding cybercrime mitigation processes and the execution of our separation from Barclays PLC.

Group Remuneration Committee

Mohamed Husain (Chairman) (until September 2016)
Paul O'Flaherty (Chairman) (from October 2016)
Alex Darko
Mohamed Husain
Patrick Clackson
Wendy Lucas-Bull
Yolanda Cuba

Attendees:
Maria Ramos
Chief Executive: Human Resources
Head of Reward

Reviewed:

- 2016/2017 remuneration structure, policy, governance and philosophy including:
  - the proposed incentive funding approach/methodology with a focus on the executive team; and
  - updates on role-based pay, material risk takers and the European Banking Authority and Prudential Regulatory Authority guidelines and statements on compensation;
- the Group Chairman's performance review of the Chief Executive Officer, and the Chief Executive Officer's performance reviews of our two Deputy Chief Executive Officers, Financial Director and other Executive Committee members;
- proposals for senior hires and terminations, providing approvals as per the Committee's mandate;
- updates from the management's Remuneration Review Panel on risk, compliance and conduct-related incidents, and the resulting impact on remuneration;
- updates on pensions and benefits across the Group;
- regular reports from risk and finance and considered the implications for remuneration related decisions;
- reports on subsidiary entities pertaining to pay and benefits;
- peer local and international trends in disclosure of executive pay;
- the optimal way in which to disclose pay and links to performance; and
- reports from external advisers on trends in compensation practices, impact of King IV, and industry approaches.

Responded to investor feedback on:

- our remuneration disclosures by further enhancing our remuneration report in line with best practice; and
- the absence of significant long-term incentives and the related performance conditions. We intend to grant forfeitable performance shares under our Long-Term Incentive Plan with a mix of financial and non-financial performance targets.

Approved:

- vesting outcomes for the 2013 Long-Term Incentive Plan awards after considering the achievement of the performance targets as at 31 December 2015, for vesting in October 2016;
- compensation for all Executive Committee members;
- the salary mandates for bargaining unit and non-bargaining unit employees;
- the remuneration report for inclusion in the 2016 Integrated Report; and
- following consideration of proposals, lock-in awards for select senior management in response to the Barclays PLC sell-down.

Recommended to the Board:

- proposed 2016 incentive pools, projected 2016 total compensation costs and compensation ratios; and
- final 2015 incentive pools; and
- the compensation for the Chief Executive Officer and other executive directors.

The Committee is satisfied that it has fulfilled its responsibilities in accordance with its terms of reference and with the status of remuneration and incentives in the Group. Considerable time was spent on refining the link between pay and performance and, together with the *Ad hoc* committee, considering the separation from Barclays PLC and, how best to retain key senior management during this process. The Committee's focus in 2017 will be on (i) introducing appropriate performance conditions linked to our Long-Term Incentive Plan to ensure alignment with our shareholders' interests; and (ii) adopting King IV principles relating to remuneration.

Social and Ethics Committee

Mohamed Husain (Chairman)
Francis Okomo-Okello
Maria Ramos
Wendy Lucas-Bull

Attendees:
David Hodnett
Peter Matlare (a member until his appointment as Executive Director)
Chief Executive: Human Resources
Chief Executive: Marketing and Corporate Relations
Group General Counsel

Reviewed:

- regular updates on conduct and reputation risks, as well as regulatory and general developments that could influence conduct risk management;
- key organisational health indicators such as ethics management, talent attraction and acquisition, employee turnover and wellness, human resource-related process improvements, learning and development, employee relations, diversity and inclusion;
- regular updates on leadership, as well as talent management, disability initiatives, and learnership programmes;
- the outcomes of the employee opinion and culture surveys;
- feedback on customer complaints and other satisfaction metrics;
- updates on advertising approach, sponsorship portfolio and related spend;
- updates on the Group's environmental impact, including energy and water usage, carbon emissions, construction waste and confidential waste;
- the promotion of equality and our BEE scorecard, in the context of the Employment Equity Act, the Broad-Based Black Economic Empowerment Act, and related regulatory landscape;
- the mapping of sustainability frameworks (including the principles set out in the United Nations Global Compact and the Organisation for Economic Co-operation and Development recommendations regarding corruption), and agreed on the approach for participation in environmental, social and governance frameworks and related reporting;
- the progress of the execution of the Shared Growth plan, which focuses on citizenship initiatives and spend, education and skills, community enterprise development and financial inclusion; and
- the outcome of assurance activities performed on conduct and ethics by Internal Audit and Compliance.

Monitored:

- the status of premises' health and safety and remediation thereof, and the assurance-related activities;
- initiatives to improve service delivery by the human resources function; and
- customer and client engagement and retention, complaints trends and root cause analysis in specific business areas together with activities in place to address these matters.

The Committee is satisfied that it has fulfilled its responsibilities in accordance with its terms of reference and particularly with the embedment of conduct risk management within the Group, the status of the organisational health indicators, and the impact on our culture and Values. The Committee's focus areas for 2017 remain conduct risk, stakeholder engagement, Shared Growth, labour and employment matters, employee wellness, health and safety, as well as diversity and inclusion. Changes as a result of King IV will also be incorporated in the work of the Committee.

Information Technology Committee

Patrick Clackson (Chairman)
Alex Darko
Ashok Vaswani
David Hodnett
Jason Quinn (from September 2016)
Maria Ramos
Peter Matlare
Wendy Lucas-Bull

Attendees:
Chief Information Officer
Chief Operating Officer
Chief Risk Officer

Reviewed:

- the systems and technology estate of the Group;
- the anticipated impacts arising from Barclays PLC sell-down;
- management's actions to improve stability of the Group's payments systems and core infrastructure and platforms in operations outside South Africa; and
- execution progress of our new digital strategy, which aims to strengthen the Group's position as a recognised digital retail bank in Africa, and noted the delivery of the first Barclays Accelerator programme.

Monitored:

- ongoing progress of disaster recovery and data centre migration in South Africa, and separately in the Rest of Africa, having regard to regulatory requirements for in-country processing;
- the progress of the infrastructure remediation in Rest of Africa;
- innovation and change initiatives, and focused on reducing the application portfolio, moving applications to more efficient platforms and the continuous engineering of processes, applications and development;
- the implementation of our cybersecurity strategy to contain the impact of cybercrime on our systems and our customers' and clients' accounts;
- systems availability and stability, their impact on customers, clients and employees, and our ability to respond to incidents; and
- strategic IT investment spend and benefits, as well as management's efforts to reduce the cost-to-income ratio of our IT function.

Approved:

- the second and third phase of adopting cloud computing technology, moving to live transaction data being housed in the cloud.

The Committee is satisfied that it has fulfilled its responsibilities in accordance with its terms of reference, particularly having regard to the significant oversight on key areas of business-as-usual technology operations and innovative transformation activities. The 2017 focus will remain on infrastructure, cybersecurity, system availability and stability, disaster recovery, digital transformation and innovation.

Board Finance Committee

Trevor Munday (Chairman) (until September 2016; remains a member)
Yolanda Cuba (Chairman) (from October 2016; previously a member)
Colin Beggs
Mark Merson
Mohamed Husain (until September 2016)
Wendy Lucas-Bull

Attendees:
David Hodnett (until August 2016)
Jason Quinn (from September 2016)
Maria Ramos

Considered and assessed:

- the planning costs relating to the Barclays PLC sell-down; and
- the progress of the property consolidation strategy upgrades throughout the portfolio.

Approved:

- the results announcements and profit commentaries to the market within parameters set by the Board in February and July; and
- various acquisition, disposal and supplier contracts in accordance with its mandate, notably the acquisition of the property on which the Absa Bank Auckland Park (Johannesburg) call centre is situated.

Recommended to the Board:

- the Group's revised annual short and medium-term budgets for 2016, and then for 2017;
- the revised strategy to enter the Nigerian market with the new focus on establishing, as a single entity, an issuing house, underwriter and investment adviser, and with a banking entity to follow provided the prevailing regulatory and economic conditions are supportive of such entry;
- additional capitalisation of Absa Bank to facilitate preference share funding transactions in Absa Bank;
- together with the Group Risk and Capital Management Committee, the taking up of a collateral liquidity facility from the South African Reserve Bank pursuant to the Basel III liquidity requirements; and
- the separation contributions to be made by Barclays PLC to Barclays Africa and the analysis of other financial implications of the sell-down for the Group and Absa Bank.

The Committee is satisfied that it has fulfilled its responsibilities, in accordance with its terms of reference, and will continue acting on its mandate and provide robust challenge to management on the setting of budgets and on investments and disposals.

Concentration Risk Committee

Trevor Munday (Chairman)
Colin Beggs (until October 2016)
Daisy Naidoo (from May 2016)
David Hodnett
Jason Quinn (from September 2016)
Maria Ramos
Paul O'Flaherty (from February until October 2016)
Yolanda Cuba
Wendy Lucas-Bull

Other quorum members:
Chief Credit Officer
Chief Risk Officer

Monitored:

- levels of wholesale credit, including material concentrations, watch list clients as well as sector and geographic trends;
- key sectors through regular updates including agriculture (primary and secondary), banking, mining and metals, retail, and public sector;
- Barclays Africa commercial property finance and prime services businesses;
- the impact of Brexit and a possible sovereign downgrade in South Africa;
- forex rate risk;
- country limits for our Rest of Africa portfolio;
- wholesale credit risk appetite; and
- stress triggers, stress losses, and mandate and scale.

Recommended to the Board:

- credit facilities to clients above 10% of the Group's qualifying capital and reserves.

The Committee is satisfied that it has fulfilled its responsibilities in accordance with its terms of reference and that all regulatory requirements were met with regard to large exposures. The Committee continued its analysis of key sectors with several deep dives in areas experiencing economic pressure. The Committee will continue undertaking industry and product-specific reviews taking changing economic conditions into account, and will continue assessing the risk profile of the Group's large exposures to ensure that such exposures are managed within risk appetite.

Models Committee

David Hodnett (Chairman) (until September 2016; remains a member)
Jason Quinn (Chairman) (from October 2016)
Maria Ramos
Chief Executive: CIB
Chief Executive: RBB
Chief Executive: WIMI

Attendees:
Chief Risk Officer
Head: Model Risk Management

Reviewed:

- the list of models within the scope of the Committee's mandate.

Monitored:

- the governance of models including the embedment of the model risk policy and the results and levels of model validation coverage;
- the reporting of relevant risk metrics and the impact of Basel Committee on Banking Supervision (BCBS) 239; and
- the development of IT infrastructure to support the governance of models and model data.

Approved:

- the Group's regulatory capital, economic capital, impairment and other Group-level material models in accordance with the model risk policy and based on the recommendations of the independent validation unit; and
- the implementation of appropriate post-model adjustments.

The Committee is satisfied that it has fulfilled its responsibilities in accordance with its terms of reference, and in particular, with the progress made during the year. It will continue monitoring further embedment of the model risk policy and compliance with regulatory standards set by the South African Reserve Bank and other regulators. The membership will change from 2017 to include the Chief Risk Officer, with the business segment chief executives becoming invitees.

Ad hoc committee

Wendy Lucas-Bull (Chairman)
Colin Beggs
Mohamed Husain
Paul O'Flaherty
Trevor Munday
David Hodnett
Jason Quinn
Maria Ramos
Chief Risk Officer

The *Ad hoc* committee was established to advise management in relation to the sell-down and to make recommendations to the relevant Board committees and the Board regarding all aspects of the sell-down and the separation process.

Considered and recommended to the Board and relevant Board committees:

- the overall quantum of the separation payments from Barclays PLC, the tax and accounting implications thereof, and the timing of the flow of funds;
- application to the relevant regulators including proposed terms and conditions forming part of that application;
- requirements relating to the transitional services arrangements with Barclays PLC including outsourcing arrangements;
- the impact of separation on Barclays Africa's technology architecture, resilience, and competitiveness;
- merits of the alternative shareholding structures and any risk arising therefrom;
- risks arising from the sell-down including potential brand change; and
- impact on our leadership structures and remuneration arrangements necessary for the retention of skills.

Remuneration report

The Group Remuneration Committee ensures that our reward practices are aligned with shareholder interests, both in the performance of our employees and the values they uphold.

Paul O'Flaherty
Chairman of the Group Remuneration Committee

Headline earnings growth
5% (2015: 10%)

Return on Equity
16.6% (2015: 17.0%)

Compensation to net income
32.7% (2015: 32.9%)

Cost-to-income ratio
55.2% (2015: 56.0%)

Annual bonus pool to headline earnings
15.2% (2015: 15.4%)

Compensation to pre-compensation profit before tax
49.0% (2015: 48.2%)

2016 Gini coefficient[1]
0.44 (2015: 0.44)

2016 bonus pool increase
3.5% (2015: 5.3%)

Overview of 2016

Performance and remuneration

We recognise remuneration is an area of particular interest to shareholders and regulators. In setting and considering changes to remuneration, it is critical we listen to and take account of their views and insights. We have continued enhancing our disclosures, including ensuring fair and responsible[2] remuneration.

The audited remuneration tables are disclosed in our 2016 consolidated and separate financial statements available at barclaysafrica2016ar.co.za.

Disclosures relating to senior managers and material risk takers are provided in our 2016 Pillar 3 risk management report.

[1] An organisation's Gini coefficient represents the degree of variation of remuneration of its employees. The value is between 0 and 1, where 0 indicates that all employees are paid the same.
[2] Fair and responsible remuneration is defined as ensuring executive remuneration is reviewed in the context of overall remuneration within Barclays Africa. This includes remuneration decisions which are made in the context of sharing value that takes shareholders, customers and all level of our employees into account.

Our response to remuneration matters raised by shareholders is outlined below:

Feedback	Actions
Disclosure of executive remuneration needs to be enhanced and the link between performance and reward needs to be more transparent.	Additional disclosures, including the bonus pool for executive directors and prescribed officers, have been included to enhance the transparency between performance and remuneration. This includes a simplified disclosure of executive bonuses, including the split between Group, business and individual performance.
Executives need to have enhanced exposure to the share price.	Minimum shareholding requirements have been introduced for all Executive Committee members.
There is a lack of long-term incentive awards to align executive pay with shareholder interests.	We intend to grant forfeitable performance shares under our Long-Term Incentive Plan in 2017. In accordance with the plan's rules, these will vest in three years, subject to the achievement of key financials and strategic targets. This will further align executive reward with shareholder value.
Critical leadership needs to be retained to protect shareholder value.	Forfeitable restricted shares, with a two-year performance period, have been awarded to 74 executives with skills critical to the successful separation from Barclays PLC. Further awards will be granted in 2017 to ensure key skills are protected.
There has to be fair and responsible pay across the Group.	We continue to award higher pay increases at the more junior levels. This is reflected in our 2016 Gini coefficient of 0.44.

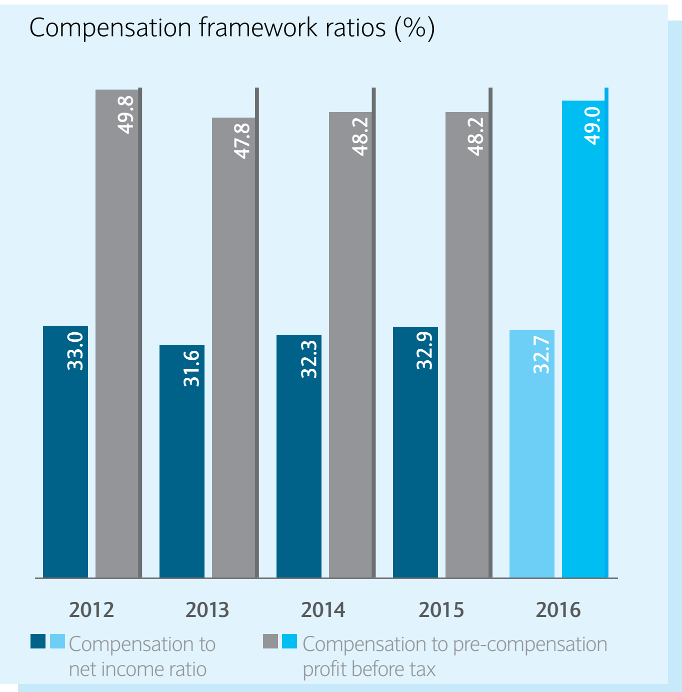
Pay and performance highlights

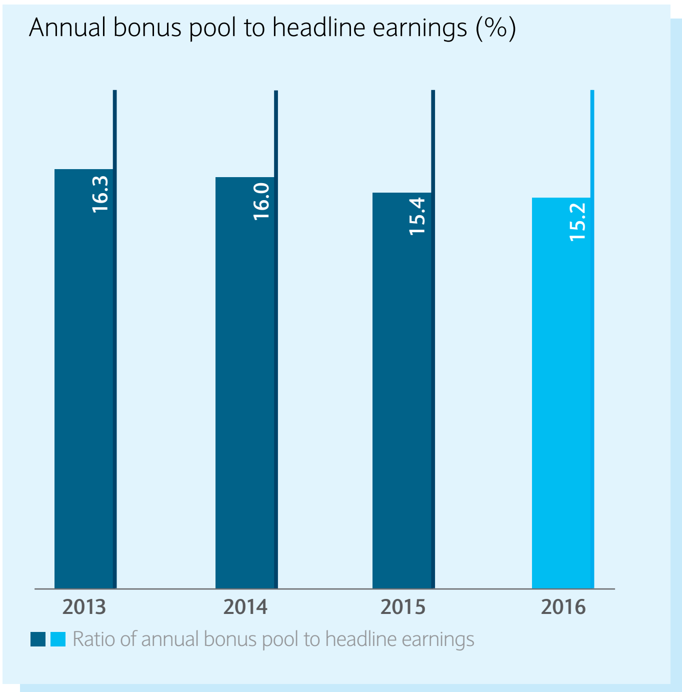
We considered the following Barclays Africa performance headlines in making compensation decisions in 2016:

- Group headline growth of 5% (2% growth in South Africa and 17% in the Rest of Africa) as income outpaced cost increases
- Return on equity declined slightly to 16.6%
- Revenue growth of 8% underpinned by consistently strong contribution from our Rest of Africa and Corporate and Investment Bank
- Cost-to-income ratio improved from 56% in 2015 to 55.2% in 2016

Our decisions on total compensation were made against the backdrop of these performance headlines, while considering our compensation trends over prior years. The outcomes of our decisions on the Group's total compensation for 2016 can be summarised as follows:

- The compensation to net income ratio is 32.7%, which is 0.2 percentage points lower than 2015.
- The compensation to pre-compensation profit before tax increased by 0.8 percentage points.
- Total compensation increased to R20.828bn (5.1%), of which salaries increased to R15.917bn (5.5%). The year-on-year changes illustrate our continued focus on these ratios and generating quality earnings with a focus on costs.
- The ratio of our annual bonus pool to headline earnings continued to reduce in 2016 (15.2%).





Regulatory impacts

Our remuneration approach and disclosures fully comply with regulatory and statutory provisions relating to reward governance in all the countries in which we operate. They are also in accordance with relevant regulatory requirements in the United Kingdom and European Union.

We have changed the structure of this report to align with the principles and recommended practices of King IV as we demonstrate our continued commitment to strong corporate governance:

- This report is split into three sections: Section A details our remuneration policy and governance, Section B addresses the implementation of the remuneration policy in 2016, and Section C highlights changes envisaged in 2017.
- We have increased transparency, to ensure fair and responsible pay through the disclosure of relative measures such as our 2016 Gini coefficient (calculated by VASDEX Associates Proprietary Limited – a specialist performance and reward consultancy).
- We enhanced the disclosure of executive performance to demonstrate alignment of remuneration with performance.
- As required by Regulation 43 of the South African Banks Act (Act no. 94 of 1990), the remuneration of risk, compliance, legal and internal audit employees is determined independently within the function, rather than by the business they support, and within the parameters of the pool we allocated to them.
- We have continued focusing on compliance with the European Union's Capital Requirements Directive (CRD) IV, and, in particular, the 2:1 maximum ratio of variable to fixed pay, additional holding periods and clawback provisions for material risk takers.

Section A: Remuneration policy and governance

Remuneration policy

Our remuneration policy details the principles that govern our remuneration approach. Our principles ensure remuneration is competitive, incentivises performance and reflects regulatory requirements. A central feature of our remuneration policy is that remuneration must be aligned with risk, and with the conduct expectations of Barclays Africa, as well as those of our regulators and stakeholders.

Our policy applies to all Barclays Africa employees, and ensures their alignment with Group priorities. We achieve this by linking remuneration to an assessment of performance, based on expected standards of delivery and behaviour.

Remuneration decisions must:

1. Support the objective of attracting, retaining and competitively rewarding employees who have the ability, experience, skills and values to deliver our strategy.
2. Reward business results that are achieved in a manner consistent with our Values.
3. Protect and promote shareholder interests by incentivising employees to deliver sustained performance and create long-term value through the delivery of the Group's strategy. Remuneration decisions will reflect the performance of individuals.
4. Create a direct and recognisable alignment between remuneration and risk exposure, as well as adjusting current and deferred incentives for current and historic risk, including malus adjustments, where appropriate.
5. Be simple and clear for employees and stakeholders, with a focus on ensuring the link between pay and performance is well understood.
6. Ensure that the balance between shareholder returns and remuneration is appropriate, clear and supports long-term shareholder interests.

These principles are unchanged, and underpin our 2016 remuneration decisions.

Remuneration structure

While we apply a common remuneration structure across the Group, we sometimes differentiate its implementation according to local market practice and statutory or regulatory requirements.

We apply a holistic and balanced approach to reward. We position pay at the market median, while remuneration for critical skills is positioned above the market median to attract talented individuals with outstanding track records.

Our approach includes providing:

- an environment where employees can do their best work and optimise their potential;
- a fixed salary based on the role, individual-specific skills, experience and track record;
- an annual bonus, subject to affordability and performance;
- benefits that reflect the lifestyle needs of employees, including pension and insurance; and
- a recognition scheme where employees are commended for their contribution.

Some customer-facing employees participate in formulaic incentive plans aligned with objectives, as measured based on a Balanced Scorecard of performance with good customer outcomes at the core.

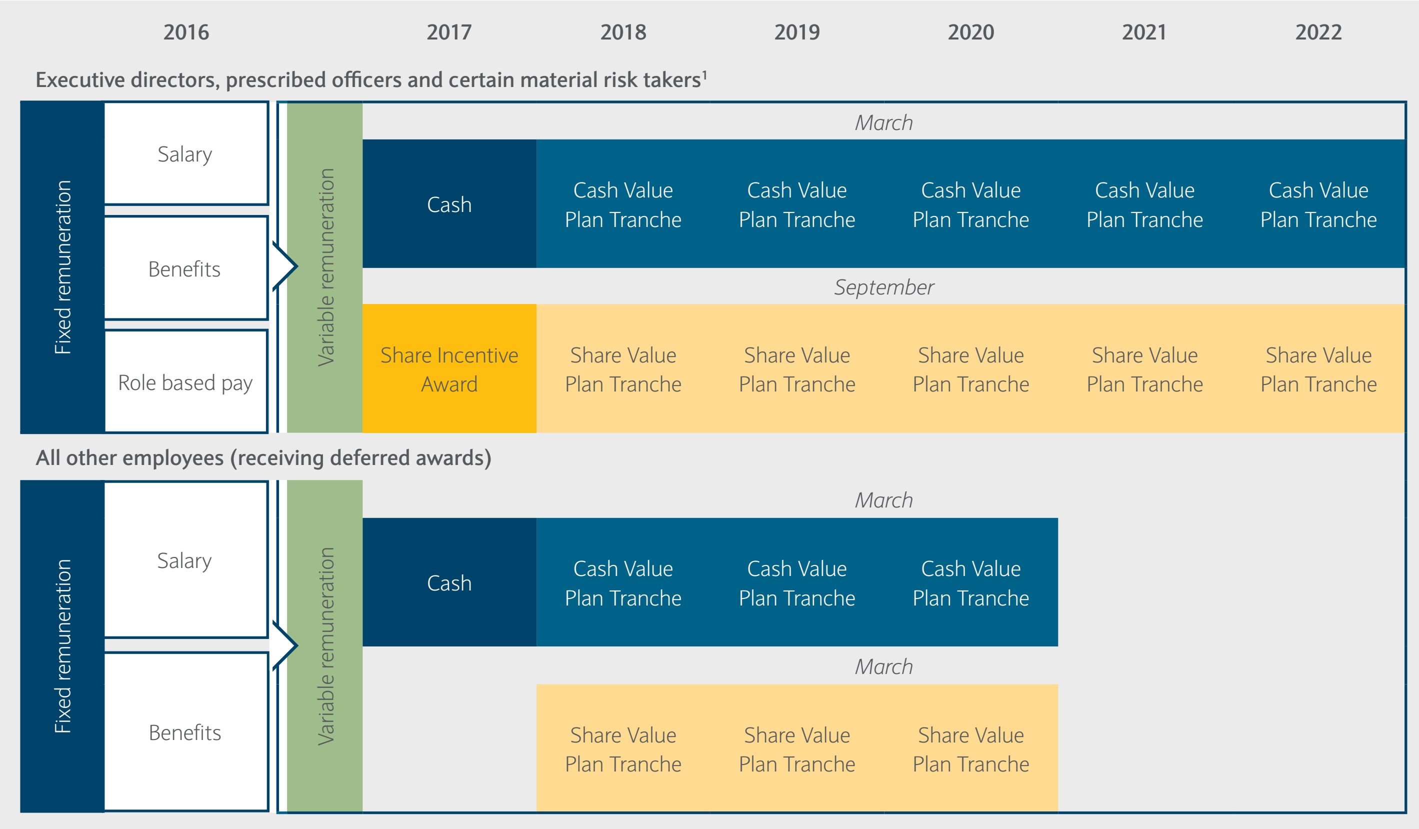
Composition of total remuneration

Our total remuneration comprises fixed and variable components. The delivery of these is as follows:

Fixed remuneration Fixed remuneration reflects the role, location, responsibilities, skills and experience.	Salary		Reflects an individual's skills and experience and provides the basis for a competitive remuneration package.
	Role based pay		Fixed remuneration not considered as salary for pension and benefit purposes, unless legally required in a particular geography.
	Benefits		Competitive benefits (including pension, insurance etc.) appropriate to an employee's role and location.
Variable remuneration[1] Variable remuneration rewards the achievement of Group, business unit, team and individual objectives.	Non-deferred	Cash	For executive directors, prescribed officers and material risk takers, 50% of the non-deferred bonus award is delivered in cash. For all other employees, 100% of the non-deferred bonus award is delivered in cash. All non-deferred bonus awards are paid in March.
		Share Incentive Award	For executive directors, prescribed officers and material risk takers, 50% of any non-deferred bonus award is delivered as shares at or around the time that the award is paid. This releases after six months, in September.
For executive directors and prescribed officers, 40% of variable remuneration is non-deferred and 60% is deferred.	Deferred[2]	Cash Value Plan	50% of the deferred annual bonus award releases in three equal annual tranches (five equal tranches for certain material risk takers, including executive directors and prescribed officers), subject to continued service and malus provisions.
		Share Value Plan	At least 50% of any deferred annual bonus award vests in three equal annual tranches (five equal tranches for certain material risk takers, including executive directors and prescribed officers), subject to continued service and malus provisions. An additional six-month holding period applies for executive directors, prescribed officers and other material risk takers.

1 All variable remuneration awarded to executive directors, prescribed officers and other material risk takers is subject to a clawback provision.
2 The deferred annual bonus award is delivered 50% Cash Value Plan and 50% Share Value Plan. Employees can elect 100% Share Value Plan.

2016 remuneration is delivered as follows:



[1] The Prudential Regulatory Authority made revisions to the Remuneration Rulebook, which apply from 1 January 2016. These include variable remuneration deferral over five years for certain material risk takers, including the executive directors and prescribed officers. The regulation will continue to be applied while we are regulated by the Prudential Regulatory Authority.

Process to determine bonuses

We determine bonus pools based on affordability and performance.

1. We determine Group, business unit and function bonus pools based on Barclays Africa's as well as individual business units' performance. We adjust bonus pools, as appropriate, for risk and control events.
2. Managers recommend bonus awards after having assessed individual performance against personal objectives and behaviour in line with our Values. A robust process ensures individuals who are accountable, directly or indirectly, for risk events have their remuneration adjusted appropriately.
3. Consistency checks are conducted at Group, business unit and function level.
4. We review and approve proposed bonus pools and senior manager awards. The aggregate Group bonus pool is approved by the Group Audit and Compliance Committee, based on the Group's 2016 performance.

Service contracts and termination arrangements

Appointment dates to the executive director and prescribed officer position:

Maria Ramos – 1 May 2009
David Hodnett – 1 March 2010
Peter Matlare – 1 August 2016
Jason Quinn – 1 September 2016
Craig Bond – 1 January 2013
Nomkhita Nqweni – 1 October 2015

Our approach to payments in the event of termination is to take account of the individual circumstances, including the reason for termination, individual performance, contractual obligations and the terms of the deferred bonus plans.

	Policy	Details
Notice period	All executive directors and prescribed officers have a six-month notice period, with their potential compensation for loss of office being six months' fixed remuneration.	Executive directors may be required to work during the notice period, or may be placed on garden leave, or if not required to work, the full notice period may be provided with pay in lieu of notice (subject to mitigation where relevant).
Treatment of role based pay	Role based pay ceases to be payable from the termination date. Therefore, it will be paid during the notice period and/or garden leave, but not where Barclays Africa elects to make payment in lieu of notice (unless otherwise required by law).	For our Chief Executive Officer, her role based pay was split 50% in phantom shares and 50% in cash, with phantom share restrictions lifting over five years (20% each year), in line with the Barclays PLC approach. Shares to be delivered on the next quarterly delivery date shall be pro rated for the number of days, from the start of the relevant quarter to the termination date.
Treatment of annual bonus on termination	There is no automatic entitlement to bonus on termination, but it may be considered at the Committee's discretion and subject to performance measures being met and pro rata for service. No bonus will be payable in the case of gross misconduct or resignation.	
Treatment of unvested deferred bonus awards	Outstanding deferred bonus awards would lapse if the executive officer or prescribed officer leaves by reason of resignation or termination for gross misconduct. However, in the case of death, or if the executive director or prescribed officer is an eligible leaver defined as leaving due to injury, disability or ill health, retirement, redundancy, or in circumstances where Barclays Africa terminates the employment, he/she would continue to be eligible to be considered for unvested portions of deferred awards – subject to the rules of the relevant plan – unless the Committee determines otherwise in exceptional cases. Deferred awards are subject to malus provisions which enable the Committee to reduce the vesting level of deferred bonuses (including to nil).	In an eligible leaver situation, deferred bonus awards may be considered for release in full on the scheduled release date unless the Committee determines otherwise in exceptional circumstances.

Remuneration governance

All deferred awards are subject to continued employment and malus provisions. Under these provisions, we may reduce the level of vesting of deferred awards, including to zero where (but not limited to):

- a participant deliberately misled the Group, the market and/or shareholders in relation to the financial performance of the Group;
- a participant caused harm to our reputation, or where their actions amounted to misconduct, incompetence, poor performance or negligence;
- there is a material restatement of the Group's financial statements;
- there is a material failure of risk management in the Group; and/or
- there is a significant deterioration in the Group's financial health.

The Remuneration Review Panel (RRP) is an executive sub-committee of the RemCo and is chaired by the Chief Risk Officer. The RRP makes recommendations to the RemCo on risk management, compliance and control matters relating to remuneration. In particular, the RRP makes recommendations to us on adjustments to bonus pools, individual awards, malus adjustments and clawback.

The RRP follows a robust process for considering risk and conduct matters and the associated consequences reflected in individual incentive decisions. When considering individual responsibility, a variety of factors are taken into account, such as:

- whether the individual was solely responsible for the event, or whether others were also responsible, if not directly involved;
- whether the individual was aware (or could reasonably have been expected to be aware) of the failure;
- whether the individual took or missed opportunities to take adequate steps to address the failure; and
- where the individual, by virtue of seniority, could be deemed indirectly responsible, including employees who drive the Group's culture and set its strategy.

Individuals who were directly or indirectly accountable for an event have had their remuneration adjusted as appropriate. This includes reductions in current year bonus and reductions in vesting amounts of deferred awards through the application of malus.

Following the recommendation of the RRP, we determined that certain bonus pools and/or individual awards will be reduced after considering risk and conduct events within the business.

Clawback applies to any variable remuneration awarded to a material risk taker from 1 January 2015. The RemCo may apply clawback, at any time during the seven-year period from the date on which variable remuneration is awarded, if:

- there is reasonable evidence of employee misbehaviour or material error; and/or
- the Group or business unit suffers a material risk management failure, taking account of the individual's proximity to and responsibility for that incident.

Section B: Implementation of remuneration policy for financial year 2016

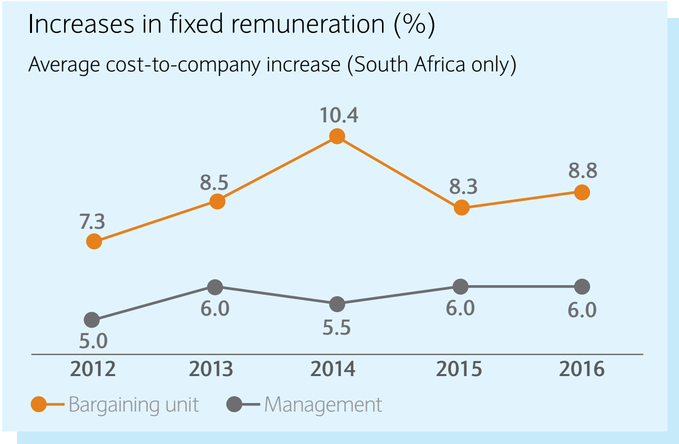
How did we perform and pay in 2016?

Our pay decisions took full consideration of financial performance, including progress against the Balanced Scorecard objectives. This is in line with improving returns to shareholders and accelerating delivery.

The total executive directors' and prescribed officers' remuneration decreased 3.1% as we revised our operating model and dedicated executive capability to South African banking, Rest of Africa banking, and Wealth, Investment Management and Insurance. As stated, our policy is to pay above market median remuneration for our top performers and critical talent. By retaining our very best people, we optimise our ability to deliver our strategy and shareholder value.

Guaranteed remuneration

We continue to award higher increases to junior levels as shown below.



How do we incentivise performance?

All employees share in the overall performance of the Group. Accordingly, 50% of each business unit's share of the bonus pool was determined based on Group's performance. The balance was strongly differentiated by business unit performance.

The annual bonus incentive pool has increased by 3.5% in absolute terms, with a total value of R2 276m. A separate bonus pool (R82m) was approved for additional hires to support the successful separation from Barclays PLC, including the build out of technology and financial crime. Including the restricted awards, the total incentives increase is 8.7%.

Composition of 2016 total incentive awards

	2014 R 000	2015 R 000	**2016 R 000**	YoY change %
Non-deferred bonus pool	1 649	1 787	**1 766**	(0.1)
Deferred bonus pool	439	412	**510**	2.3
Annual bonus pool	2 088	2 199	**2 276**	3.5
Commission and other incentives	68	125	**124**	(0.9)
Retention awards	359	134	**–**	–
Separate bonus pool related to Barclays PLC separation	–	–	**82**	–
Restricted awards			**191**	–
Total incentives granted	2 515	2 458	**2 673**	8.7
Total permanent employees (number)	40 662	39 964	**39 356**	(1.5)
Total employees who received a bonus (number)	36 600	36 686	**36 227**	(1.3)

Executive Committee incentives are up by 8% on the prior year.

We are committed to sound governance as reflected in our clawback and deferral approach. For executive directors and prescribed officers, 2016 bonuses were delivered 20% in cash in March, 20% in shares retained for six months (being the non-deferred portion) and 60% of the annual award deferred over five years, subject to continued employment and malus provisions. For material risk takers, deferred share awards are also subject to an additional six-month retention period, with shares releasing in September of each year.

Fixed remuneration

Our adjustments were informed by performance, market competitiveness, as well as role changes during the year. We finalised adjustments during the first quarter of 2017 and these will be effective from 1 April 2017.

	2015		2016		**2017**		
	Cost to company R 000	Role based pay[1] R 000	Cost to company R 000	Role based pay R 000	**Cost to company R 000**	**Role based pay R 000**	2017 Fixed pay % change
Executive directors							
Maria Ramos	8 000	6 500	8 000	6 500	**8 600**	**6 500**	4
David Hodnett	6 542	3 500	7 000	5 000	**7 000**	**5 000**	–
Peter Matlare[2]	–	–	6 500	3 500	**6 500**	**3 500**	–
Jason Quinn[3]	–	–	5 300	–	**5 300**	**–**	–
Prescribed officers							
Craig Bond	6 042	5 000	6 042	5 000	**6 042**	**5 000**	–
Nomkhita Nqweni[4]	4 000	1 500	5 000	2 500	**5 000**	**2 500**	–
Stephen van Coller[5]	4 000	7 000	4 000	7 000	**–**	**–**	–

1 Role based pay is a unique element introduced to ensure that the remuneration of our executive directors, prescribed officers and material risk takers remains commensurate with market pay levels given the impact of European regulations. It will be phased out once the Barclays PLC sell-down is complete and the new LTIP begins to vest.
2 Appointed effective 1 August 2016.
3 Appointed effective 1 September 2016.
4 Appointed effective 1 October 2015.
5 Resigned effective 30 September 2016.

Variable remuneration

The variable remuneration for our executive directors and prescribed officers was determined based on a combination of Group, business unit and individual performance as outlined in the table below. For Group and business unit performance we consider headline earnings, return on equity and cost containment as adjusted for risk and control events. The variable remuneration (rand value) has been determined proportionally where there has been change in the individual's role in the year.

All our executive directors and prescribed officers are material risk takers and therefore the maximum potential variable remuneration, in accordance with European Banking Association requirements, may not exceed 200% of total fixed remuneration.

	Group performance as a % of fixed remuneration[1]		Business/function performance as a % of fixed remuneration[1]		Individual performance[2] as a % of fixed remuneration[1]		Final Award as a % of fixed remuneration[1] (Group performance + Business/Function performance + Individual performance)	
	Maximum	Outcome	Maximum	Outcome	Maximum	Outcome	Maximum	Outcome
Executive directors								
Maria Ramos	160	**76**	–	**–**	40	**27**	**200**	**103**
David Hodnett	80	**38**	80	**49**	40	**34**	**200**	**121**
Peter Matlare	80	**38**	80	**43**	40	**15**	**200**	**96**[3]
Jason Quinn	80	**38**	80	**40**	40	**16**	**200**	**94**
Prescribed officers								
Craig Bond	80	**38**	80	**35**	40	**10**	**200**	**83**
Nomkhita Nqweni	80	**38**	80	**32**	40	**17**	**200**	**87**

1 Fixed remuneration refers to the cost-to-company and role based pay package as at 31 December 2016.
2 Determined on individual performance and/or RemCo discretion.
3 Peter Matlare's variable award (rand value) was calculated with reference to his total cost-to-company and his role-based pay for the five months of his employment.

Restricted awards

The RemCo granted Restricted Share Awards to 74 key employees (total value of R191m), including executive directors and prescribed officers, to retain skills critical during the Barclays PLC sell-down and beyond. The details of the awards were as follows:

Form of award: Cash, which will be converted to and settled as equity, once the executives are cleared to deal (as defined in the JSE Listings Requirements) having regard to the sell-down.

Award date: 1 October 2016

Performance period: Two years ending on 30 September 2018

Deferral periods: The deferral period for material risk takers will be aligned to the requirements as set out by the Prudential Regulatory Authority. The Group deferral approach will apply to non-material risk takers.

Performance conditions:

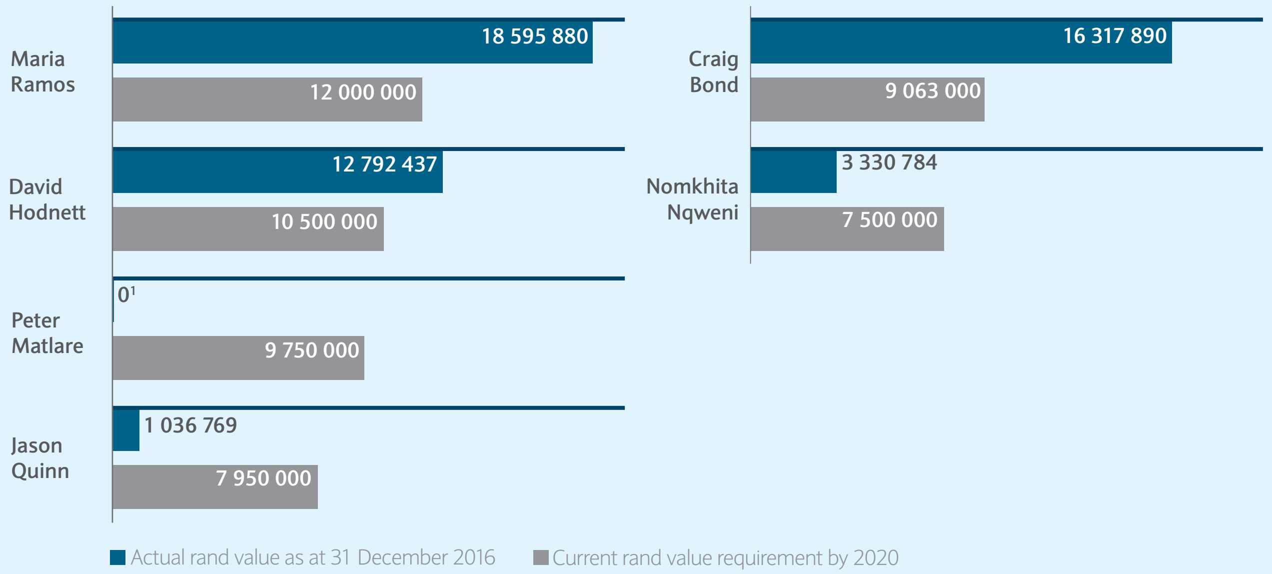
- Individual performance rating of 'strong' or above through to the end of the performance period. This will be measured through the achievement of key business and individual objectives including participant's contribution to the successful separation from Barclays PLC.
- Participant remaining an employee of Barclays Africa or Barclays PLC and not being under notice when the payment, award or recommendation is made.
- The employee not being under investigation or suspension when the award is made.

	2016 Restricted Share Award R 000	Proportion of 2016 total fixed remuneration %
Executive directors		
Maria Ramos	8 000	55
David Hodnett	7 000	58
Peter Matlare	–	–
Jason Quinn	3 000	57
Prescribed officers		
Craig Bond	3 000	27
Nomkhita Nqweni	3 000	40

Minimum shareholding requirements

To ensure greater executive exposure to the share price, Executive Committee members are required to have a minimum shareholding of 1.5 times their cost-to-company (salary and benefits, but excluding role based pay). This will be built up at a rate of at least 20% per annum over five years from 2016. The shareholding as at 31 December 2016 against the requirement for each executive director and prescribed officer is as follows (based on the Barclays Africa share price of R168.69 as at 31 December 2016):

Minimum shareholding requirements (R)



[1] Peter Matlare was not granted any shares during the period.

How much were executive directors and prescribed officers paid in 2016?

When we consider executive director and prescribed officer remuneration, we do so with a detailed understanding of remuneration for the broader employee population, and use the data to compare remuneration and ensure consistency across the Group.

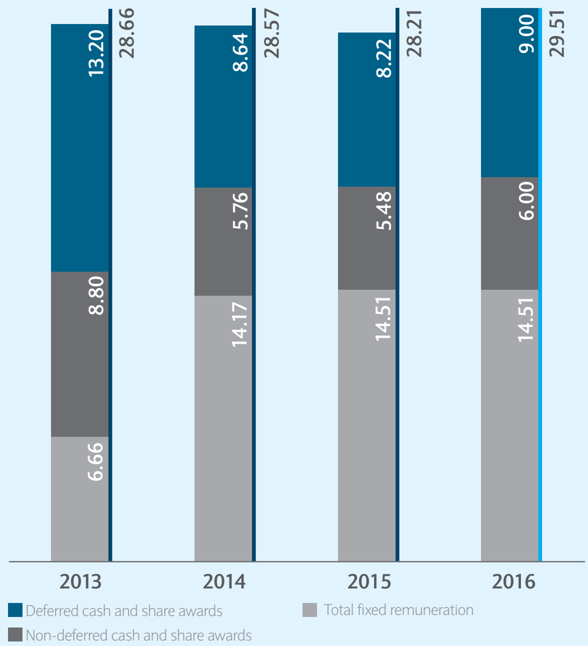
These tables exclude the 2016 Restricted Awards as disclosed on 77 as these awards relate to the retaining of critical skills during the sell-down and beyond.

Maria Ramos, Chief Executive Officer

Maria's 2016 role based pay was split 50% in phantom shares and 50% in cash, with phantom share restrictions lifting over five years (20% each year), in line with the Barclays PLC approach.

	2013 R	2014 R	2015 R	**2016 R**
Salary	6 059 852	6 978 920	7 282 552	**7 622 073**
Role based pay	–	6 500 000	6 500 000	**6 500 000**
Medical aid	76 128	81 840	89 208	**97 680**
Retirement benefits	492 593	567 593	592 593	**244 599**
Other employee benefits	29 647	42 860	44 960	**44 960**
Total fixed remuneration	6 658 220	14 171 213	14 509 313	**14 509 312**
Non-deferred cash award	4 400 000	2 880 000	2 740 000	**3 000 000**
Non-deferred share award	4 400 000	2 880 000	2 740 000	**3 000 000**
Deferred cash award	6 600 000	–	4 110 000	**4 500 000**
Deferred share award	6 600 000	8 640 000	4 110 000	**4 500 000**
Total variable remuneration	22 000 000	14 400 000	13 700 000	**15 000 000**
Total remuneration	28 658 220	28 571 213	28 209 313	**29 509 312**

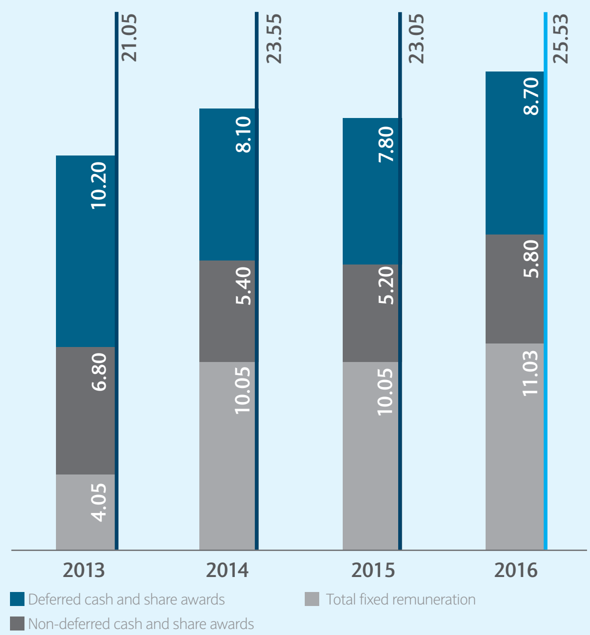
Total remuneration (Rm)



David Hodnett, Deputy Chief Executive Officer: South Africa Banking

	2013 R	2014 R	2015 R	**2016 R**
Salary	3 649 863	5 903 600	5 913 471	**6 388 552**
Role based pay	–	3 500 000	3 500 000	**4 250 000**
Medical aid	97 944	105 288	114 768	**125 664**
Retirement benefits	285 185	483 037	484 593	**226 599**
Other employee benefits	18 129	62 438	38 480	**39 498**
Total fixed remuneration	4 051 121	10 054 363	10 051 312	**11 030 313**
Non-deferred cash award	3 400 000	2 700 000	2 600 000	**2 900 000**
Non-deferred share award	3 400 000	2 700 000	2 600 000	**2 900 000**
Deferred cash award	5 100 000	–	3 900 00	**4 350 000**
Deferred share award	5 100 000	8 100 000	3 900 00	**4 350 000**
Total variable remuneration	17 000 000	13 500 000	13 000 000	**14 500 000**
Total remuneration	21 051 121	23 554 363	23 051 312	**25 530 313**

Total remuneration (Rm)

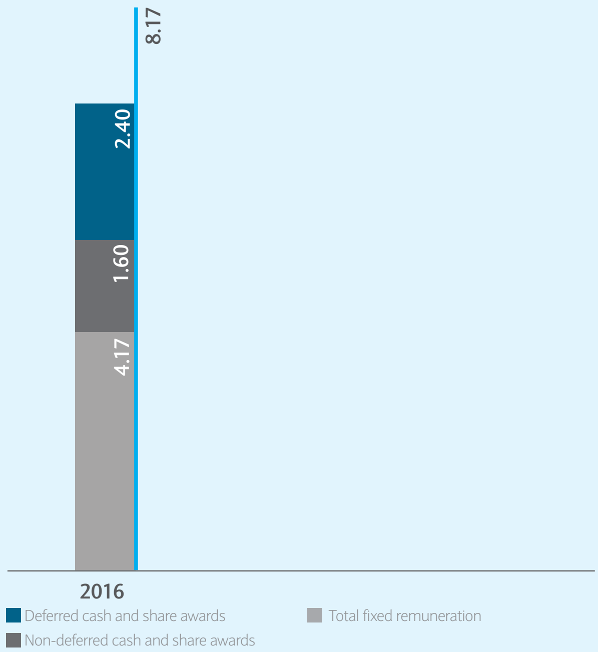


Peter Matlare, Deputy Chief Executive Officer: Rest of Africa Banking

Peter joined the Group as an executive director from 1 August 2016. His remuneration is for five months of employment.

	2016 R
Salary	2 439 812
Role based pay	1 458 333
Medical aid	55 828
Retirement benefits	200 617
Other employee benefits	15 180
Total fixed remuneration	**4 169 770**
Non-deferred cash award	800 000
Non-deferred share award	800 000
Deferred cash award	1 200 000
Deferred share award	1 200 000
Total variable remuneration	**4 000 000**
Total remuneration	**8 169 770**

Total remuneration (Rm)

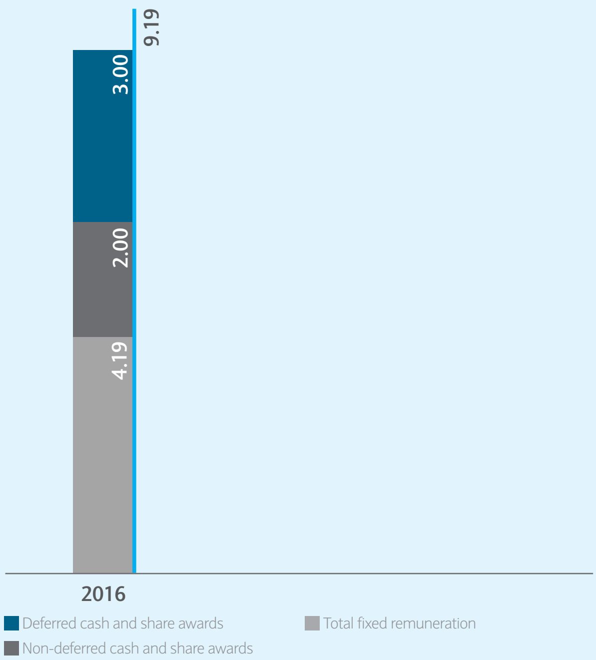


Jason Quinn, Financial Director

Jason was appointed as Financial Director effective from 1 September 2016.

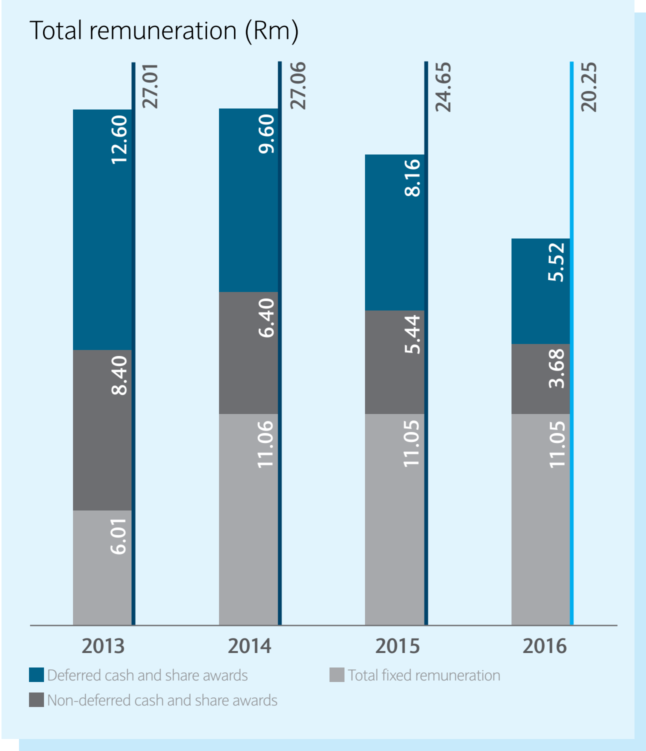
	2016 R
Salary	3 459 337
Role based pay	333 333
Medical aid	84 012
Retirement benefits	284 843
Other employee benefits	26 495
Total fixed remuneration	**4 188 020**
Non-deferred cash award	1 000 000
Non-deferred share award	1 000 000
Deferred cash award	1 500 000
Deferred share award	1 500 000
Total variable remuneration	**5 000 000**
Total remuneration	**9 188 020**

Total remuneration (Rm)



Craig Bond, Chief Executive: Retail and Business Banking

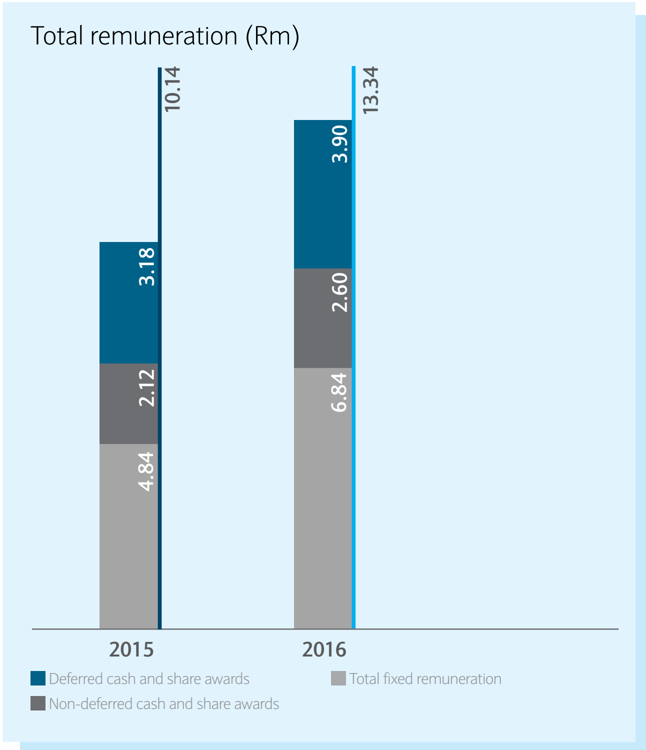
	2013 R	2014 R	2015 R	**2016 R**
Salary	5 439 072	5 442 860	5 452 730	**5 668 964**
Role based pay	–	5 000 000	5 000 000	**5 000 000**
Medical aid	97 944	105 288	114 768	**125 664**
Retirement benefits	444 444	446 000	447 556	**220 426**
Other employee benefits	26 760	62 966	36 258	**36 258**
Total fixed remuneration	6 008 220	11 057 114	11 051 312	**11 051 312**
Non-deferred cash award	4 200 000	3 200 000	2 720 000	**1 840 000**
Non-deferred share award	4 200 000	3 200 000	2 720 000	**1 840 000**
Deferred cash award	6 300 000	4 800 000	4 080 000	**2 760 000**
Deferred share award	6 300 000	4 800 000	4 080 000	**2 760 000**
Total variable remuneration	21 000 000	16 000 000	13 600 000	**9 200 000**
Total remuneration	27 008 220	27 057 114	24 651 312	**20 251 312**



Nomkhita Nqweni, Chief Executive: Wealth, Investment Management and Insurance

Nomkhita was appointed to the role of Chief Executive effective from 1 October 2015.

	2015 R	**2016 R**
Salary	3 246 561	**4 049 835**
Role based pay	1 166 667	**2 500 000**
Medical aid	46 464	**50 412**
Retirement benefits	271 605	**195 216**
Other employee benefits	111 349	**47 182**
Total fixed remuneration	4 842 646	**6 842 645**
Non-deferred cash award	1 060 000	**1 300 000**
Non-deferred share award	1 060 000	**1 300 000**
Deferred cash award	1 590 000	**1 950 000**
Deferred share award	1 590 000	**1 950 000**
Total variable remuneration	5 300 000	**6 500 000**
Total remuneration	10 142 646	**13 342 645**

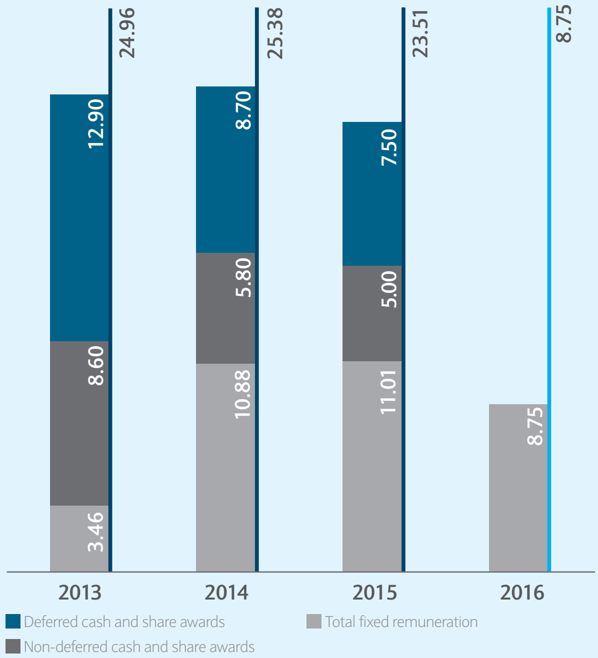


Stephen van Coller, Chief Executive: Corporate and Investment Bank

Stephen resigned effective from 30 September 2016.

	2013 R	2014 R	2015 R	**2016 R**
Salary	3 078 387	3 453 636	3 558 286	**2 730 389**
Role based pay	–	7 000 000	7 000 000	**5 250 000**
Medical aid	108 852	117 012	127 548	**104 742**
Retirement benefits	255 556	287 037	296 296	**151 466**
Other employee benefits	15 425	26 027	27 182	**515 824**
Total fixed remuneration	3 458 220	10 883 712	11 009 312	**8 752 421**
Non-deferred cash award	4 300 000	2 900 000	2 500 000	–
Non-deferred share award	4 300 000	2 900 000	2 500 000	–
Deferred cash award	6 450 000	–	–	–
Deferred share award	6 450 000	8 700 000	7 500 000	–
Total variable remuneration	21 500 000	14 500 000	12 500 000	–
Total remuneration	24 958 220	25 383 712	23 509 312	**8 752 421**

Total remuneration (Rm)



Section C: Changes envisaged for 2017

We will review our remuneration policy to ensure that future arrangements are fully aligned with our strategy as a standalone entity, including accelerating delivery to our shareholders. Specifically, we intend to address compensation and bonus structures, benefits, performance management and governance, taking into account stakeholder feedback, the sell-down and the principles and recommended practices of King IV.

These changes will be:

Objective	RemCo-approved approach
Reward strategy and approach to determining bonus pools	A holistic review of our remuneration philosophy, with particular focus on greater exposure to share price and alignment of executive reward and shareholder value creation. The objective of this review is creating an outcome which is fit for purpose post sell-down and drives performance to create sustainable shareholder value. This includes reviewing the approach to bonus pool formulation to link to sustainable growth and shareholder value.
Greater equity as a component of remuneration	To align individual reward to shareholder value and create greater exposure to the share price through the reintroduction of our Long-Term Incentive Plan and we will consider the introduction of an employee share ownership plan for shareholder approval in 2018.
Retain critical skills in our leadership	We will expose leaders with critical skills to greater levels of equity through an additional restricted share award which will be forfeitable. This will enhance our retention and assist with the successful separation from Barclays PLC and continued business performance.

Broad-Based Black Economic Empowerment performance summary

In South Africa, a number of persistent developmental challenges endure. We embrace the principles of the Broad-Based Black Economic Empowerment (BBBEE) Amendment Act, which serves as the basis for the Department of Trade and Industry's Financial Sector Code.

	Key indicators (%)	Maximum points	2013	2014	2015	2016	YoY trend
1	Ownership	14.00	6.62	8.73	8.66	**9.94**	▲
2	Management control	8.00	3.04	3.24	3.63	**4.96**	▲
3	Employment equity	15.00	9.70	9.87	10.22	**11.72**	▲
4	Skills development	10.00	9.07	9.12	9.68	**10.00**	▲
5	Preferential procurement	16.00	14.92	15.28	16.00	**16.00**	=
6	Empowerment financing	15.00	13.91	14.80	15.00	**15.00**	=
6	Enterprise development	5.00	5.00	5.00	5.00	**5.00**	=
7	Socio-economic development	3.00	3.00	3.00	3.00	**3.00**	=
8	Access to financial services	14.00	9.90	10.40	10.00	**12.94**	▲
	Total	100.00	75.16	79.44	81.19	**88.56**	▲
	BBBEE contributor level status		Level 3	Level 3	Level 3	**Level 2**	▲

1 Creating ownership opportunities

In 2004, we were the first of the major banks to allocate 10% ownership to black partners through the Batho Bonke empowerment consortium. The deal was unwound partly in 2009 (4.99%) and the remainder in 2012 (5.01%), after the consortium sold their equity. With the introduction of the Financial Sector Code, which has followed a once empowered, always empowered principle since 2011, we are still able to claim a portion of our black ownership points in respect of the sale of the 5.01% in 2012. Our ownership score of 9.94 is the aggregation of (i) the once empowered, always empowered principle, (ii) indirect ownership, and (iii) equity equivalents arising from surplus BBBEE transaction financing. This translates to black and black women ownership of 17.4% (2015: 16.1%) and 6.7% (2015: 6.2%) respectively.

As part of the separation agreement, Barclays PLC has agreed to contribute an amount equal to 1.5% of our market capitalisation (R2.1bn[1]) towards the establishment of a new BBBEE scheme.

[1] Based on the Barclays Africa closing share price of R168.69 on 31 December 2016.

2 Management control continues to transform

Our Board comprised 16 directors as at 31 December 2016. 11 are South African, of whom two are black men and two are black women. The remaining five consist of Ghanaian, Kenyan, Singaporean and British nationals (two) reflecting the pan-African nature of our business and our membership of Barclays PLC. Daisy Naidoo was appointed as an independent non-executive director during the year, increasing the black and black women composition of our Board to 25% (2015: 23.1%) and 12.5% (2015: 7.7%). Peter Matlare's appointment as Deputy Chief Executive Officer: Rest of Africa, and hence his change in status to an executive director (previously non-executive) increased the black composition of executive directors to, 25% (2015: 0%). René van Wyk, a white South African, joined the Board on 1 February 2017, and is not included in the analysis above as the date of his appointment is outside of the verification time frame.

The Executive Committee, within top management, comprises 12 members (2015: 11) of whom four (2015: three) are black and two (2015: two) are black women. We continue transforming our South African top management representation against our target of 40%, with an increase to 25.9% (2015: 18.4%) black and 12.1% (2015: 8.8%) black women.

3 Making progress with employment equity

In South Africa, 69% (2015: 68%) of employees, 88% (2015: 75%) of new hires and 82.5% (2015: 76.3%) of promotions were black. Our black representation increases were: (i) junior management, to 74.5%.(2015: 72.4%), against a target of 80%; (ii) middle management, to 54.8% (2015: 52.4%), against a target of 75%; and (iii) senior management, to 40.1% (2015: 35.6%), against a target of 60%. These middle management employees serve as a critical pipeline for senior succession, and are provided with a combination of formal learning, coaching and mentoring opportunities.

4 Forming partnerships to address skills development needs

We address skills development gaps in South Africa through management and leadership development, graduate programmes, learnerships, bursaries and sponsorships for tertiary institutions. Of our 2 361 bursary, graduate programme and learnerships recipients, 1 967 are black South Africans (of whom 1 318 are black females). We created work opportunities for 558 unemployed black learners, 368 (66.7%) of whom we have retained in the organisation post their learnership or internship. Additionally, we continue participating in formally funded programmes with BANKSETA – a statutory body established to support and grow skills needed in the banking sector. Our commitment to developing our employees was recognised by BANKSETA, with the top Skills@Work award for large employers.

5 Preferential procurement increasing

Our procurement spend is weighted according to the BBBEE contributor level status of suppliers. For example, spend with a Level 1 contributor would receive a 135% weighting. Changes to the Financial Sector Code led to a decrease in some suppliers' contributor levels and, subsequently, our total weighted spend on products and services decreased to R17.8bn (2015: R19.6bn) from 2 608 (2015: 3 482) accredited suppliers. However, the changes to the classifications of small and micro enterprises increased the number of small and medium enterprises (SMEs) qualifying as such, and increased the related weighted spend to R3.1bn (2015: R2.9bn). Un-weighted procurement spend with 50% black-owned suppliers increased by 10% to R4.5bn (2015: R4.1bn) and spend with 30% black women-owned suppliers increased by 17% to R3.4bn (2015: R2.9bn). We continue to find ways to increase spend with accredited black-owned and black women-owned suppliers through enterprise development initiatives and by inviting such suppliers to the majority of our sourcing events.

6 Empowerment financing and enterprise development continues

Our empowerment financing is made up of targeted investments and BBBEE transaction financing. Targeted investments include transformational infrastructure that supports economic development, agricultural development, affordable housing, and black SMEs. Our empowerment financing target was exceeded and reached R31.7bn (2015: R30.4bn). BBBEE transaction financing of R16.5bn (2015: R14.5bn) was provided for the purchase of direct ownerships in entities, well above our R14.8bn target.

We raised R1.38bn in financing to support SMEs and to assist our corporate clients to optimise their supply chains. R37.7m (2015: R27.4m) was invested in emerging SMEs and our seven (2015: seven) enterprise development hubs provide training and access to computers and boardrooms. We incubated 345 SMEs against a target of 300, and reached an additional 41 200 SMEs (2015: 25 966) with business development support. Absa's online procurement portal facilitates market access for small businesses by matching corporate buyers with SME suppliers and encourages corporates to buy more services and products from SMEs. There are currently 59 200 (2015: 37 200) SMEs and 7 000 (2015: 5 700) corporate buyers registered on the portal, and over R2.5bn of corporate procurement opportunities are made available each month. In addition, our Short-term Insurance business created a central service database that enabled R58m in small claims fulfilment opportunities to 50 SMEs.

7 Socio-economic development focusing on education

Our contributions to youth skill-building programmes, mentoring and financial assistance demonstrate our commitment to education.

In an effort to alleviate the student funding crisis, we enhanced our scholarship programme, and invested R80m in scholarships for 2 000 university students. An additional R26m was provided for strategic university initiatives to support the research and development of critical and scare skills faculties in 10 South African tertiary institutions. In support of the South African government's Adopt-a-TVET initiative, we partnered with 16 technical and vocational education training colleges (TVETs) to provide workplace exposure and job-shadowing for 480 students. We invested over R10m in training for school governing body members, reaching 2 725 schools, training 10 521 governing body members and 1 146 Department of Basic Education employees.

8 Access to financial services

We focus on relevant, affordable products and services, and innovative delivery channels to facilitate easier access to financial services and consumer education that improves financial literacy.

Our partnership with PEP Stores South Africa provided banking access to 200 981 new customers, and our youth bank account, MegaU, delivered 50 115 free transactional accounts.

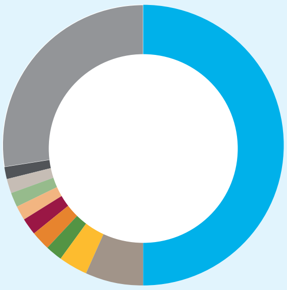
We invested R29.4m (2015: R27.6m) in consumer education initiatives that improve financial literacy. Our reach included 6 453 703 customers through mobile telephone awareness campaigns and, although our face-to-face interaction decreased due to roll-out delays, we still reached 45 930 (2015: 169 000) customers.

Our full BBBEE report is available for download at barclaysafrica2016ar.co.za.

Shareholder information

Shareholder analysis

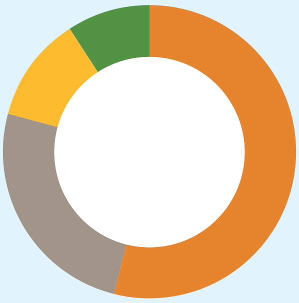
Major ordinary shareholders (%)



50.10 (62.32)	Barclays Bank PLC[1] (UK)
6.86 (5.58)	Public Investment Corporation (SA)
3.11 (1.76)	Old Mutual Asset Managers (SA)
2.16 (1.10)	Allan Gray (SA)
2.01 (1.37)	Prudential Investment Managers (SA)
1.93 (0.01)	Schroders Plc (US)
1.69 (1.28)	Black Rock Incorporated (US)
1.66 (1.21)	The Vanguard Group Incorporated (US, AU)
1.65 (1.42)	Dimensional Fund Advisors (US, UK)
1.62 (1.57)	Sanlam Investment Management (SA)
27.21 (22.36)	Other

[1] Barclays Bank PLC's holding is split between Barclays Bank PLC (34.82%) and Barclays Africa Group Holdings (15.28%).

Major shareholding split by geography (%)



54.11 (64.12)	United Kingdom
25.32 (20.67)	South Africa
11.64 (7.91)	United States and Canada
8.93 (7.30)	Other countries

Public and non-public shareholders

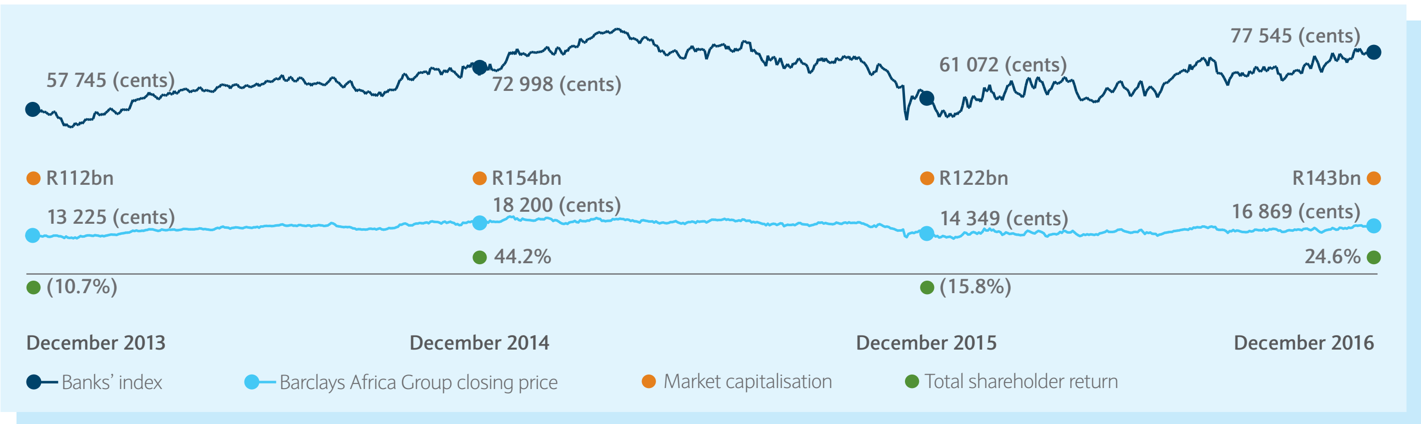
	2015			**2016**		
	Number of holders	Number of shares	% of issued capital	Number of holders	Number of shares	% of issued capital
Public shareholders	34 115	317 389 392	37.44	**33 389**	**421 747 152**	**49.75**
Non-public shareholders	11	530 361 287	62.56	**11**	**426 003 527**	**50.25**
› Barclays Bank PLC	2	528 315 581	62.32	**2**	**424 723 090**	**50.1**
› Treasury shares[1]	2	2 025 369	0.24	**2**	**1 075 595**	**0.13**
› Directors	7	20 337	–	**7**	**204 842**	**0.02**
Total	34 126	847 750 679	100	**33 400**	**847 750 679**	**100**

[1] 873 831 shares held by Absa Life Limited (2015: 820 000) and 201 764 (2015: 1 205 369) shares held in trust for shared-based payments.

Directors' beneficial share interest

	Direct number of shares		Indirect number of shares		Total	
	2015	**2016**	2015	**2016**	2015	**2016**
Colin Beggs	2 000	**2 000**	–	**–**	2 000	**2 000**
David Hodnett	2 966	**75 834**	–	**–**	2 966	**75 834**
Jason Quinn	n/a	**6 146**	n/a	**–**	n/a	**6 146**
Maria Ramos	4 746	**110 237**	–	**–**	4 746	**110 237**
Mohamed Husain	1 000	**1 000**	–	**–**	1 000	**1 000**
Trevor Munday	1 000	**1 000**	2 000	**2 000**	3 000	**3 000**
Wendy Lucas-Bull	1 000	**1 000**	4 625	**4 625**	5 625	**5 625**
Yolanda Cuba	1 000	**1 000**	–		1 000	**1 000**
Total	13 712	**198 217**	6 625	**6 625**	20 337	**198 696**

Share performance on the JSE



Shareholder diary

Annual general meeting[1]	16 May 2017	
Announcement of the 2017 interim results[1]	28 July 2017	
Financial year-end	31 December 2017	
2016 final dividend	Declaration date	23 February 2017
	Last day to trade	4 April 2017
	Ex-dividend date	5 April 2017
	Record date	7 April 2017
	Payment date	10 April 2017
2017 interim dividend[1]	Declaration date	28 July 2017
	Last day to trade	5 September 2017
	Ex-dividend date	6 September 2017
	Record date	8 September 2017
	Payment date	11 September 2017

[1] Subject to change.

Notes

Notes

Notes

Contact details

Barclays Africa Group Limited

Incorporated in the Republic of South Africa

Registration number: 1986/003934/06

Authorised financial services and registered credit provider (NCRCP7)

JSE share code: BGA

ISIN: ZAE000174124

Registered office

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PO Box 7735, Johannesburg, 2000

Switchboard: +27 (0)11 350 4000

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Head Investor Relations

Alan Hartdegen

Telephone: +27 (0)11 350 2598

Group Company Secretary

Nadine Drutman

Telephone: +27 (0)11 350 5347

Head of Financial Control

John Annandale

Telephone: +27 (0)11 350 3496

Queries

Please direct investor relations and annual report queries to ir@barclaysafrica.com

Please direct media queries to groupmedia@barclaysafrica.com

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

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

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

Transfer secretary

Computershare Investor Services Proprietary Limited

Telephone: +27 (0)11 370 5000

computershare.com/za/

ADR depositary

BNY Mellon

Telephone: +1 212 815 2248

bnymellon.com

Auditors

Ernst & Young Inc.

Telephone: +27 (0)11 772 3000

ey.com/ZA/en/Home

PricewaterhouseCoopers Inc.[1]

Telephone: +27 (0)11 797 4000

pwc.co.za

KPMG Inc.[1]

Telephone: +27 (0)11 647 7111

kpmg.com/za/en/home

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

Sponsors

Lead independent sponsor

J.P. Morgan Equities South Africa Proprietary Limited

Telephone: +27 (0)11 507 0300

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

Joint sponsor

Absa Bank Limited (Corporate and Investment Bank)

Telephone: +27 (0)11 895 6843

equitysponsor@absacapital.com

Significant banking subsidiaries

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

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

Representative offices

Absa Namibia Proprietary Limited

Absa Capital Representative Office Nigeria Limited