Barclays Africa Group Limited

2017 Integrated Report

BARCLAYS

Our reporting suite

This integrated report is our primary report to shareholders and other stakeholders and is supplemented by the disclosures outlined below including documents published as part of our annual results announcement on 1 March 2018.

All of the reports listed below are available on barclaysafrica.com and on our interactive report site barclaysafrica2017ar.co.za. Comments or queries regarding these documents can be sent to groupinvestorrelations@barclaysafrica.com or groupsecretariat@barclaysafrica.com

Document	Scope and boundary	Reporting standards/frameworks	Assurance
Integrated report and environmental, social and governance disclosures			
• 2017 Integrated Report • 2017 GRI (Global Reporting Initiative) report • 2017 King IV review • 2017 Broad-based black economic empowerment (BBBEE) report • Notice of annual general meeting 2018	• Barclays Africa, including key banking and insurance subsidiaries • BBBEE applies to our South African operations	• International Integrated Reporting Council's (IIRC's) Integrated Reporting <IR> Framework • Companies Act No 71 of 2008 of South Africa • JSE Listings Requirements • King IV Report on Corporate Governance™ for South Africa, 2016 (King IV) • Amended Financial Sector Code • GRI G4 Standards; Financial Sector Supplement and the Greenhouse Gas Protocol	• Internal controls and management attestations • Compliance, internal audit and legal reviews • External audit opinion on financial information, and external assurance on select indicators • Independent BBBEE verification • Board approval, assisted by the Disclosure, Social and Ethics, and Directors' Affairs Committees
Financial, risk and capital management disclosures			
• Summarised consolidated and separate financial statements • Annual consolidated and separate financial statements • Pillar 3 risk and capital management report • Financial results booklet and investor presentation	• Barclays Africa including subsidiaries, associates and joint ventures • Note 49.3 of the annual financial statements provides a list of material subsidiaries and consolidated structured entities	• International Financial Reporting Standards (IFRS) • Companies Act of South Africa • Banks Act, No 94 of 1990 • JSE Listings Requirements • King IV	• Internal controls and management assurance • Compliance and internal audit and legal reviews • Board approval, assisted by the Group Audit and Compliance, and Group Risk and Capital Management Committees • External audit opinion (within the consolidated and separate financial statements)

Important shareholder dates

1 March 2018	2017 full year results announcement and 2017 final dividend declaration
16 April 2018	Final dividend payment
15 May 2018	Annual general meeting
1 August 2018[1]	2018 interim results announcement and interim dividend declaration
17 September 2018[1]	Interim dividend payment

[1] Subject to change.

About our integrated report

Barclays Africa Group Limited ('Barclays Africa' or 'the Group') strives to incorporate the principles of integrated thinking and reporting. This report aims to help the reader understand how we define and measure our value creation while executing our primary purpose – which is to help people achieve their ambitions by responsibly and sustainably, fulfilling their financial services needs.

The Separation and normalisation

On 1 June 2017, Barclays PLC executed the sell-down of its controlling interest in Barclays Africa, as part of our transition to being a standalone financial services group. The 'Separation' refers to the programme of activities over approximately three years which will disengage the businesses from one another.

Financial reporting changes

As part of its divestment, Barclays PLC contributed R12.6bn to Barclays Africa mainly in recognition of the investments required to separate the businesses. This is being invested primarily in rebranding, technology and other Separation-related projects, and it is expected that it will neutralise the capital and cash flow impact of Separation investments on the Group over time.

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

Scope and boundary

Reporting period

This annual integrated report, covers the period 1 January 2017 to 31 December 2017. Any notable events after 31 December 2017 up until the Board approving the report on 12 March 2018 are included.

Scope

This report encompasses the activities of Barclays Africa Group, and our banking and insurance subsidiaries. The BBBEE information applies only to our South African operations.

Financial and non-financial reporting

Our integrated report includes information regarding stakeholder relationships, material matters, risks and opportunities and our forward-looking strategy.

Audience

This is our primary report, aimed at our shareholders, but contains information relevant to our other stakeholders.

Forward-looking statements

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, ultimate results and outcomes may differ.

Stock of capital – the Six Capitals and our Balanced Scorecard

Our operations benefit from a number of key resources and stakeholder relationships. Through our business activities, we increase, decrease or transform the Six Capitals, as defined in the IIRC's <IR> Framework. Some impacts are easy to identify, quantify and manage, while others are complex and require us to actively consider and manage trade-offs. We believe our Balanced Scorecard – Customer & Client, Colleague, Citizenship, Conduct and Company – provides a suitable framework for measuring our business activities' impacts on the Six Capitals.

Financial

Balanced funding mix and solid equity position to support operations and business activities of taking deposits and lending.

Manufactured

Infrastructure (including property, equipment and digital) used in the production of services and the delivery of products to customers

Human

- Engaged employees within a diverse workforce
- Competent and skilled professionals

Natural

- Carbon emissions (air quality) management
- Water and waste management

Intellectual

- Safe, effective information and technology infrastructure
- Institutional knowledge and specialised skills and expertise
- Strong brand

Social and relationship

Collaborative relationships with a wide range of stakeholders including regulators, suppliers and the communities in which we operate. Contributing to socioeconomic development and societal wellbeing through our Shared Growth philosophy.

Materiality

We include information in the integrated report based on the principle of materiality. Material matters are those which have influenced, or could influence, our ability to create value over the short, medium and long term as we pursue our ambition to have a positive impact on society and deliver shareholder value.

Our ability to create value is impacted by a multitude of factors ranging from the operating environment and our responses to the risks and opportunities 16 to our business model and our chosen strategy 24. Through this report we provide the context for what we have deemed our material matters and how we are managing and governing our responses. Our Balanced Scorecard provides a suitable framework for reporting back on our performance and is presented along with our risk, governance and remuneration structures which support value creation. Our material matters have remained fundamentally the same as in 2016 with the Separation being a material matter extending across all elements of our Balanced Scorecard.

Company	Customer & Client	Colleague	Citizenship	Conduct
Sustainably growing revenue and delivering appropriate shareholder returns while managing the risks arising from the operating environment as well as the Separation.	Understanding customers' and clients' needs while ensuring trust and safety and providing relevant customer and client value propositions through a balanced distribution model that is engineered for the future.	Maintaining a diverse workforce of capable, committed and motivated employees with distributed leadership who are focused on, and empowered to, deliver on our strategic ambition.	Having a positive impact on society by investing in education small and medium business development and financial inclusion, while responsibly managing our environmental impact.	Driving ethical behaviour and delivering appropriate products and services compliant with the regulatory requirements and our social licence to operate.

Our Values

Our Values – Respect, Integrity, Service, Excellence and Stewardship – define the way we think, work and act.

Assurance

Our external reports contain a range of information which is governed by a diverse set of regulations, frameworks and codes. Processes and systems are not equally mature across the reports. For integrated reports specifically:

- disclosures are evolving alongside integrated reporting practices;
- management applies significant judgement in deciding what information to report;
- interpretive, abstract, qualitative or forward-looking information is subjective, which limits the extent of assurance; and
- among other technical challenges, the difficulty in developing suitable criteria and the related records, systems and controls currently inhibit a complete assurance of the content of integrated reports.

Our internal controls, management assurance, and compliance and internal audit reviews support the accuracy of our integrated report. We obtained external assurance on select indicators, and the external auditors have reviewed this report to ensure no information or statements contradict the audited annual financial statements.

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 a [LA]). The external assurance report issued by PwC and EY that contains their unmodified conclusion, and refers to the basis of measurement for these indicators, is available at barclaysafrica2017ar.co.za.

EY and KPMG Inc. have audited the Group's annual financial statements and have issued an unmodified opinion on these financial statements which are presented in accordance with IFRS.

Empowerdex has verified the BBBEE performance for our South African operations 48 (marked with a [V]). They have confirmed a Level 2 BBBEE rating.

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 our stakeholders.

The Board approved this report on 12 March 2018.

Icons used in this report

Company
Customer & Client
Colleague
Citizenship
Conduct

Page reference
Online information
LA Assured indicator
V Verified

Positive increase/decrease
Negative increase/decrease
Unchanged
Increase/decrease

Reading this report

Through this report we aim to address the key questions around the Barclays Africa journey, encompassing the execution of our current One Africa strategy, the Separation, and our bold new strategy to create sustainable value for all.

Core topics	The information we share with you	Where to look	
The Barclays PLC sell-down and the progress on the Separation.	• Progress on the execution of the Separation including governance	• Chairman's letter • Chief Executive Officer's letter • Separation update	2 6 20
What Barclays Africa looks like now and the role we will play in Africa in the future.	• A snapshot of Barclays Africa • Our structure and our business leaders • Our business model and our impacts on the Six Capitals	• Chief Executive Officer's letter • Group profile • Our leadership and organisational structure • Business model and value chain	6 10 28 12
Our operating environment and related opportunities and challenges.	• Macroeconomic, regulatory and socioeconomic conditions affecting the industry and our business • Risks and opportunities identified from ongoing environmental scanning and stakeholder engagement and our responses • Factors affecting our financial results	• Chairman's letter • Key market drivers • Top risks and opportunities • Financial Director's review	2 14 16 51
The way forward for Barclays Africa post the Separation; our strategy and resource allocation.	• Our integrated planning approach, covering the One Africa strategy, the Separation and our new corporate strategy • Our new corporate strategy, strategic priorities and enablers to achieve our objectives • Outlook/guidance for our future financial performance	• Chief Executive Officer's letter • Integrated planning • Corporate strategy • Separation update • Financial Director's review	6 18 24 20 51
The material matters across the Six Capitals, how we have managed these and the value created.	• Our material matters, how we manage them and our 2017 performance • Financial performance analysis including drivers of success and headwinds	• Balanced Scorecard • BBBEE performance summary • Financial Director's review	30 48 51
The risks facing our business and how we manage these.	• The risk horizon, risk impacts and our mitigating actions • Our enterprise risk management approach • Risk performance summary	• Top risks and opportunities • Risk management review	16 58
Governance of our business and how the Board has dealt with the evolving dynamics.	• Board competencies and demographic analysis • Key governance arrangements • Board and management committees • Key matters deliberated and assessment against the Board objectives • Our response to King IV • Board committee feedback	• Chairman's letter • Governance review	2 62
Our pay policy and decisions made.	• Our remuneration philosophy • Breakdown of pay composition • Executive director and prescribed officer pay	• Remuneration summary	81

Chairman's letter

A year of much progress in becoming a standalone financial services group; and of resilience in achieving results in a tough macroeconomic and socio-political climate.

Wendy Lucas-Bull
Chairman

2017 was a momentous year for our Group. We continued to focus on the implementation of our strategic commitments, while rolling out an unprecedented Separation, both within a challenging macroeconomic and socio-political context.

In December 2016 we reached agreement with Barclays PLC on how the Separation would happen, the available funding, and what it would take to execute on the programme.

Looking back, while the Board was conscious of Brexit and the changes in the United States administration, we could not have predicted the impact which these events would subsequently have in the global context, and we certainly could not have predicted the 2017 South African story.

It is clear from the lessons of the recent past that it is vital to build sustainably for the future, understand our constituency, and take all stakeholders into account when we make decisions.

Our Separation journey

In June 2017, Barclays PLC's shareholding in Barclays Africa reduced to 23.4% through a second bookbuild. This was followed in September by the delivery of a cash contribution enabling an interim empowerment structure to acquire 1.5% of the shares in Barclays Africa for purposes of a future broad-based black economic empowerment structure, and a further sale in November of 7% to two institutional shareholders. In just six months, Barclays PLC transitioned from being our majority shareholder to holding just 14.9% and Barclays Africa ceased to be a subsidiary in a broader banking group, becoming a standalone African financial services group.

Our Board and its Separation Oversight Committee were regularly updated on the sell-down and the utilisation of the financial contribution made by Barclays PLC, to assist in neutralising the operational impact of the Separation on our business. The focus now is on monitoring the execution of the significant investment spend required, as well as managing the associated risks. Of particular importance has been (i) the path to regulatory deconsolidation for Barclays PLC (to be conferred ultimately by the regulators in the UK) as the achievement of this is a critical milestone; and (ii) the engagement with our regulators across the continent where updates and briefings have been regularly provided.

A bold new strategy for a standalone business

The Separation provides us with a unique opportunity to forge a new path, with a new strategy for the Group, and to make material changes. The changes will be to the way we adopt technology and the opportunities this creates; the way in which we serve our customers and grow our businesses; and how we address employee remuneration (as we will be outside of the scope of the European Union's Capital Requirements Directive CRD IV, after regulatory deconsolidation).

Throughout 2017, Maria led the executive and leadership team in the creation of the new strategy in a process that ultimately involved thousands of employees, generating positive energy that was felt throughout the Group. Endorsed by the Board in December 2017, the strategy essentially identifies, and seeks to capture, the opportunities for growth brought about by technology, our footprint on the continent and our organisational capacity. It seeks to deepen our involvement in our communities, and to cultivate a new corporate culture.

We are working to create a culture that is entrepreneurial, innovative, and has a shared purpose and identity. The lens through which we can now look at Africa is different than before. As an independent entity, we have the opportunity to redefine our Group.

We are working to contribute significantly to the societies in which we operate, and to play our role in enhancing the African continent's growth and development. We have a Shared Growth strategy, and this new approach will include a broader and more encompassing view of that same strategy.

Rebranding is a crucial element of the Separation and the trajectory of our Group, and the Board considered options for the future having regard to the extensive research that had been done and the stakeholder engagement that had taken place. Our brand will be pivotal in how we go to market across the continent, how we engage with our customers, our regulators and our employees. On 1 March 2018 we announced the Group's brand to the market and our notice of annual general meeting includes a special resolution to change the name of Barclays Africa Group Limited to Absa Group Limited.

The 2017 South African story

South Africa is our largest market. Developments in its politics and economy tend to have a significant impact on our operating context.

The year 2017 tested every aspect of separation of powers and national governance, and was marred by political uncertainty as the governing African National Congress (ANC) saw a heated leadership contest ahead of its elective conference at the end of the year. While we obtained clarity as to the ANC leadership by year-end, concerns about corruption and systematic, undue influence on organs of state and parts of the private sector continued. These transgressions have resulted in substantial losses to the South African fiscus and loss of trust in key public and private sector institutions and leadership.

Offenders need to be prosecuted and governance measures need to be improved in all spheres of the state and in the economy in general.

A number of our service providers were implicated in these allegations, prompting our Board to reconsider our Group's relationship with them. We considered the nature of their services, the complexities and risks of replacing them, and the responses/remedial actions required. We decided towards the end of the year that we would not contract McKinsey for new work, while we decided that the Group would retain the services of SAP and EOH considering the available information and the responses from these organisations.

We indicated our concerns regarding KPMG Inc. in our media statement of 2 October 2017. While we welcomed the new leadership at the firm, and the commencement of various independent reviews, we are concerned about the limited scope of these reviews. Several factors must be measured when appointing or terminating auditors, including audit quality, independence and the complexity of a major bank audit. Furthermore, our primary regulator, the South African Reserve Bank requires joint auditors for the major South African banks. Our audit committee secured additional support, enhanced quality processes as well as quality reviews from KPMG, locally and internationally. We note the establishment of a KPMG board with an independent chair and we will review our position as more information becomes available.

The developments in South Africa have prompted a raft of understandably negative messages from the ratings agencies. One of their major concerns (besides the general state of the South African economic outlook and the anticipated rise in debt-to-GDP ratio) was the governance and going concern status of the major state owned entities. This theme was also of great concern to the Board, having regard to the systemic risk to the country, and to our specific credit exposures to these entities, and became an area of focus, particularly during the second half of 2017.

Through all of this, the South African judiciary steadfastly maintained its independence and commitment to the rule of law. Several courts delivered judgments that upheld the supremacy of the Constitution of South Africa and helped to retain a measure of confidence in the country.

One of these court interventions pertained to the Public Protector's Bankorp report, which directed that an amount of R1.25bn be recovered from Absa Bank (in relation to assistance provided by the South African Reserve Bank to Bankorp, a distressed bank later acquired by Absa Bank in 1992).

Our position has consistently been that this conclusion drawn by the Public Protector is erroneous and therefore we supported management's decision to seek a review thereof in the High Court. The cost implications of this report have been significant for us, not just financially and in terms of management time, but in terms of damage to our reputation and physical threat to our employees and customers. While the Board was deeply troubled by the unwarranted harassment of our branch staff and customers, we welcomed the professionalism, care and rigour exhibited in the execution of business continuity measures. The court process culminated in a judgment delivered in mid-February 2018 that strongly upheld our position and that of the South African Reserve Bank and set aside the report and remedial action.

2017 ended with a significant governance failure in one of our large corporate clients, exposing financiers, creditors, pension funds, and a range of other investors and stakeholders to substantial losses.

Fortunately, 2018 brought welcome change with the election of Cyril Ramaphosa as South Africa's new President, bringing hope for the years to come. We, together with many South Africans, see this as a turning point in our country's history.

Rest of Africa

The 2017 story for our Rest of Africa banks and insurance companies brought more positive news, with generally more stable political environments (albeit with some political challenges in Kenya and Zambia). Though economic growth was tentative in some markets, it remained positive in many of our presence countries, with Ghana and Uganda standing out and recording brisk growth during the year. In these fast-changing markets, I am grateful for the expertise and oversight of the chairmen and boards of our bank subsidiaries. Regular engagement with the chairmen continued, with productive discussions on various topics including the new corporate strategy and the Separation.

What is the outcome of all of this; what does it mean for us?

The conditions in South Africa in 2017 have contributed to a low growth environment; with GDP growing at 1,3% in 2017, where unemployment (and youth unemployment in particular) rose to a new high, where emigration picked up and business confidence has dropped.

With delays in government spending in various areas, infrastructure projects are taking longer to mobilise. This impacts business momentum generally, and our corporate and lending activities in particular. Notwithstanding the difficult operating environment and the decline in key macro numbers, the business responded admirably with discipline in costs and collections, the latter positively impacting credit impairments which are an outcome of a strategic approach to appropriate lending. The Board was however, and continues to be, concerned about the lack of top-line growth particularly in Retail, and we are actively monitoring relevant metrics to measure our performance and trends in this area.

Maria and Jason outline the financial performance of our business in their reports.

In essence, there has been a wide economic impact on society, with the increased need for business in particular to maintain financial discipline, ensure appropriate conduct, and to increase contributions to society at large. The Group is 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 and that we apply a conduct lens to our corporate activities, the entities with which we do business, and those to whom we donate. In regard to the latter, we have expanded our Shared Growth initiatives and have contributed R292m to tertiary education in the last year, both in respect of university and technical and vocational colleges.

Beyond the financial implications, one of the emerging themes has been the lack of accountability. We have been at a moral crossroads in South Africa and need to recognise and instil in all people the critical importance of accountability. At Barclays Africa our code of conduct promotes doing the right thing for our customers and our employees, and taking responsibility for our actions. Through our various forums we identify misconduct, those accountable, and ensure disciplinary action and remuneration-related sanctions.

We have signed the Business Leadership South Africa Pledge, which commits the Group to actively combat corrupt practices wherever we encounter them; not act anti-competitively; have zero tolerance for corruption in our own midst; and protect whistleblowers. We are committed to the global Partnering Against Corruption Initiative.

Page 16 of this report, highlights the key risks that we faced and our ongoing efforts to mitigate them, both through Board oversight and management actions.

Oversight of fair and responsible remuneration continues to be a Board focus. Notwithstanding the constraints imposed by CRD IV, we have ensured that the growth in the income statement charge for performance costs has been in line with growth in headline earnings over the last four years.

One of the areas that required increased vigilance from management and our governance forums was cybercrime. Our Board, IT and risk committees have spent a considerable amount of time on this matter. It is clear that cyber criminals and organised crime syndicates are well funded and capable of sophisticated attacks. As the threats grow, the vigilance with which individuals protect their own personal information and digital interactions must increase, as must the innovative capability of cyber security and threat defence programmes at corporates.

While our technical teams have managed to defend phishing and other cyber-attacks, we are aware of the challenges ahead. Besides the implementation of systems to combat online fraud, we face a growing demand for people with the expertise to defend against the threat landscape. Over two million cyber security jobs are expected to be vacant globally by 2019, and the need in Africa for cyber security skills is critical as our continent digitises and connects virtually.

Regulatory environment

Themes from prior years continue to evolve with Basel 3 liquidity and capital reforms ever present. IFRS 9 was a significant factor for management and the Board (mainly through the audit, risk and models committees) with programmes in place to ensure appropriate levels of readiness and parallel runs to meet the 1 January 2018 deadline.

We welcome regulation that makes banks safer, improves systemic stability, protects depositors, and looks after customers.

However, we recognise that there may be an impact on capital and the related returns.

Through its various committees, and as one of our key governance objectives, the Board extensively monitors applicable legislation and regulation, and the related remediation actions and responses to issues raised by regulators across the continent. In 2017, the Board oversaw the conclusion of a number of remediation projects to ensure compliance with the National Credit Amendment and Financial Intelligence Centre Acts. It continued to monitor the responses to the Competition Commission's referral of 18 banks to the Competition Tribunal. Although Barclays Africa is one of the banks, the Competition Commission is not seeking penalties against the Group. Along with Barclays PLC, we were the first to bring this conduct to the attention of the Commission under its leniency programme and we continue to cooperate with the Commission.

King IV presented an opportunity to re-examine governance around the boardroom table and in the business in general. The South African Reserve Bank included this as a flavour-of-the-year topic for review. The outcomes of the work done and our adherence to the principles were favourable and are detailed on 68 in the governance review, with more focus being given to combined assurance, stakeholder management, conduct policies and the development of an enhanced Group governance framework.

Board composition

Effective leadership is a prerequisite for any business. As part of our normal process of board composition analysis and refresh, we have appointed René van Wyk, Daniel Hodge, Monwabisi Fandeso and Tasneem Abdool-Samad to our Board. They bring additional financial, risk, regulatory, and banking skills to the table.

Transformation has again been a focus for the Board. We improved the diversity of our Board and have moved from 24% to 28% women and 29% to 33% Black South African members. We look forward to making further progress in this regard in 2018.

With regard to our Rest of Africa bank boards, we have seen a number of long-serving members retire, and 13 new directors appointed across seven boards. New chairmen were appointed to the boards of Barclays Bank Zambia Plc, and Barclays Bank Limited of Botswana.

In conclusion

Acknowledging the new entrants in our markets and the expanding number of traditional and non-traditional competitors, we are determined to grow our top-line income and regain our market share as we develop and execute on our new strategy. We will continue to effectively manage the Separation.

In order to deliver on our commitments, we rely on the support and commitment of all our stakeholders. Above all, we thank our management and employees for their focus and delivery and our customers and clients for entrusting us with their financial prosperity, and for their ongoing support.

I wish to thank my colleagues on the Board and the boards of all of our subsidiaries. Their ability to respond to matters and to support the forward momentum of the business has been remarkable and has allowed us to get more done in a year than we thought was possible. In particular, I wish to thank the chairmen of our committees for their tireless commitment, and Trevor Munday, our Lead Independent Director, who will be stepping down from the Board in May 2018.

Trevor joined the then Absa Group Board in April 2007 and became Lead Independent Director in September 2013. Trevor has chaired the risk, board finance, credit and models committees over the years and has been involved in the Board's deliberations on milestone transactions, such as when we acquired the Rest of Africa businesses, and the Separation. Trevor has been a central figure with his ability to provide a sound, reasoned, experienced and commercial voice at our table. Thank you Trevor, for your immense contribution.

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Chief Executive Officer's letter

We are building a thriving organisation, centred on diversity and inclusion, with growth firmly as our ambition.

Maria Ramos
Chief Executive Officer

On 1 March 2016 Barclays PLC announced its decision to divest from Barclays Africa so as to achieve regulatory deconsolidation, and has since achieved a shareholding of 14.9%. This decision paved the way for Barclays Africa to separate from Barclays PLC and at the beginning of 2017 we announced that we had secured a R12.6bn settlement to contribute towards the costs of doing so.

Barclays PLC also committed a cash contribution towards a future broad-based black economic empowerment scheme, the proceeds of which have already been utilised to establish an interim structure.

With this context we set three priorities for 2017:

- Deliver on our business commitments under the existing One Africa strategy
- Progress the Separation
- Rethink our business strategy as a standalone African financial services group

Our focus remained on driving performance across all our businesses and we delivered a resilient set of results in 2017 with our normalised headline earnings increasing by 4% to R15.6bn[1].

Strong returns across a diversified portfolio

This satisfactory performance was delivered despite a challenging macro backdrop, with low economic growth in South Africa and in some of the other markets in which we operate:

- Revenue growth of 1% and 3% in constant currency was modest in a tough macro environment reflecting dampened business and consumer confidence levels. Pleasingly though, our revenue momentum improved in the second half of the year particularly in our Retail and Business Banking (RBB) business in South Africa.
- Continued cost discipline, saw our costs in increase by 4% or 6% in constant currency, which was in line with inflation across our markets. Nonetheless, this growth outpaced the revenue increase and contributed to negative operating JAWS.
- As expected, our credit impairments improved materially reflective of our cautious asset origination over recent periods.
- Our return on equity of 16.4% remained stable whilst our South Africa Banking and Wealth, Investment Management and Insurance (WIMI) businesses continued to deliver strong returns and our returns improved further in the Rest of Africa Banking business.

Overall, our 2017 results again reiterated the importance of a diversified portfolio of operations, both by activity and geography and underscores our strength as an organisation.

[1] Normalised financial results (see page 51).

Continued focus on our business

Whilst we continued to manage the risks related to the separation process, we remain focused on the opportunities and strategy execution in each of our businesses.

In our RBB franchise in South Africa, our largest market, we kept focus on our turnaround strategy. We continued to focus on improving our customer experience, launching a Premium product, while enhancing existing offerings. We concentrated our efforts on system stability, efficiency and resilience to support customer service delivery across our network. We launched the new Absa banking app and customer uptake and transaction volumes increased by 62% and 83% respectively. We see significant opportunity for growth in app usage and transactions, actively encouraging our customers towards using mobile platforms. We also see further opportunities for cost savings in this business which will fund further investment into our front office, digital and data capabilities.

In the Corporate and Investment Banking (CIB) business in South Africa, we increased our banking income through strong performance in the advisory business, where fee income more than doubled following key deals in the mining, health and telecommunications sectors. Following strong growth in 2016, our Markets revenues were however lower given reduced client flows and market volumes as well as limited large event deals. However, the Corporate business, another focus area for us, continued to show good revenue growth having delivered double-digit compound revenue growth over five years. We see further growth potential in term lending, where we remain underweight, as we aim to win primary relationships to grow our transactional revenue and deposits.

In the WIMI business, earnings declined by 8% in 2017 mainly reflecting a single client credit charge in Wealth and catastrophe event claims. Positively, excluding these effects, our underlying business performance improved as we increased our underlying underwriting margins in the Short-term Insurance business in South Africa. We also improved our Life embedded value of new business, as sales through our South Africa bank branches grew strongly while credit life sales benefited from improved retail loan production in the second half of the year. Our assets under management in the Investment business also showed strong growth of 16%. Notably, we continue to refocus WIMI and in doing so, sold certain of our non-core business lines.

In our Rest of Africa Banking business, we continued to grow revenue and earnings faster than our South African business despite the effect of a stronger Rand. Earnings increased by 24% in constant currency benefiting from continued strong CIB revenue growth. The operations remain well-diversified across a broad portfolio of countries and this protected us against the difficult operating conditions in certain markets. Our return on equity from this business increased to 16.6% in 2017, a strong improvement from the 12.5% when we acquired it in 2013 indicating the value of this transaction to the Group. Improving the high cost-to-income ratio in RBB is a focus area and will improve these returns further.

Whilst we have made good progress in core areas, we still have more to do – particularly with regard to capturing RBB market share in South Africa and meeting our own aspirations on customer service and becoming customer obsessed.

The Separation

Effective 1 June last year Barclays PLC placed 33.7% of our shares in a second bookbuild. At R38 billion, it is South Africa's largest-ever bookbuild. The transaction ended Barclays PLC's controlling shareholder status, and allowed us to begin implementing the terms of the Separation Agreement.

While the Separation officially commenced on 6 June 2017, our planning and mobilisation efforts began in the weeks after the initial sell-down announcement in March 2016. The programme moved into execution phase early last year, and operational separation is now well underway.

Operational separation involves three key elements:

- Identifying and addressing all the dependencies (Touch points) we have on Barclays PLC.
- Developing a new strategy to take us forward following Separation
- Announcing the decision on what our brand is to be, and how we implement that decision across our markets.

You will find the further detail on the Separation on page 20. Our Transitional Services Agreement with Barclays PLC secures services for 36 months, allowing more than sufficient time to complete the Separation, including provision for contingency.

Charting a new way forward

The Separation has provided Barclays Africa with a once-in-a-lifetime opportunity to redefine our Purpose, set out a new business strategy and deliver a new brand that represents our Values and aspirations. Our ambition is to grow, to become a financial services group of which Africa can be proud.

During 2017 we have completed a strategic review, carefully assessing the untapped economic opportunities in both our current and potential presence countries. We have undertaken a situational analysis, identifying the capabilities that we need to extend and develop for the future.

The result of this is a firm decision to adopt a bold growth strategy, recognising the need to maintain our focus on driving revenue and return on equity.

The process has been an inclusive one. This strategy arose out of a special collaboration between management and thousands of employees from each of our businesses. Our employees' feedback showed their hunger for growth – and that they understood that growing sustainably and becoming admired throughout Africa necessitated a cultural change across the organisation.

We have placed our employees and organisational culture at the centre of our strategy. The special collaboration was the starting point of a new approach, which is characterised by greater personal and business accountability and the desire to create a thriving organisation.

Let me briefly set out what we mean by growth. As Africa grows, our economies will expand, and the aspirations of the youngest population in the world will need to be met. We are determined to contribute to this trajectory and share in its success. This is about growth for both Africa and our business.

We are systemically important to the economies where we operate. We see ourselves as fundamental enablers: helping individuals, businesses and society, which is why we have defined our Purpose as 'bring your possibility to life'.

More specifically, we aim to double our share of Africa's banking revenues.

Our new strategy will require some operational and structural change and we will communicate the outcome of the assessment of these impacts and the resulting changes in due course.

Three strategic priorities

Fundamentally, this strategy is about growth. We will grow by focusing on three key priorities.

First, we want to build a thriving organisation centred on diversity and inclusion. This is a transformation of our thoughts, behaviour and actions. It goes to the heart of our DNA as a business.

We will create an environment that encourages our employees to grow and develop. In doing so we want them to be more entrepreneurial to the benefit of our customers, clients and other stakeholders.

Second, we aim to restore leadership in our core businesses. We have a diversified portfolio of businesses with a geographical footprint and customer base that gives us a strong platform from which to grow.

As we separate from Barclays PLC, building and scaling new capabilities, we will drive growth in both our established businesses as well as looking at new opportunities.

Building these capabilities consistently across our enterprise will see us regain our leadership position in South Africa Retail, become the Business Bank of choice, and expand our market share in Corporate and Investment Bank, where we already have an enviable network.

WIMI will also benefit, and will be seamlessly integrated into our customer-facing businesses.

Third, we will build new pioneering propositions:

- We aim to deliver a superior business solution to Africa's rapidly growing need for consumer finance. We are going to target this opportunity with our core middle and affluent customers, and we expect to grow our base in these segments.
- We will build a single platform payments hub that is affordable, simple and intuitive, serving customers across the continent.
- We will launch a winning transaction banking platform. It will work seamlessly with our corporate and small business propositions, providing great cash management and access to our trade finance products.

Three enablers

We will develop three enabling capabilities.

First, we are building a scalable, digitally-led business. We are passionate about innovation, technology and digital possibilities. We have already made significant investments and the Separation presents a further opportunity to bring the best thinking, skills, design and digital capabilities together to create a unique and differentiated business.

Second, we will help shape society. Our employees were clear that we must actively facilitate Africa's growth and development, and to work with others to do the same.

We take our decision and responsibility to deliver shared growth seriously. We have already committed R1.4bn to education, building one of largest corporate university scholarship schemes with over 3 600 students having benefited.

We want to be an active force for good by:

- Bringing fresh thinking and thought leadership that accelerates innovative solutions to societal challenges;
- Contributing to our societies, the growth and development of Africa; and
- Caring for our environment and helping others to do so.

Third, we will embrace a different, more commercial and entrepreneurial way of doing things. We will look to acquire and sell assets. As we expand in our target markets, we will consider appropriate acquisitions to support our growth ambition. We will also embrace strategic partnerships to explore new markets and add to our capabilities.

Brand

Redefining our identity has been integral in developing our strategy. As we separate from Barclays PLC it is time to address our future name and brand. Subject to shareholder approval in May 2018, the name of the holding company will change from Barclays Africa Group Limited to Absa Group Limited. This is an important and exciting step for us.

Even more exciting is the opportunity to change the name of all of our operating businesses, unifying them all under one common brand identity. Subject to the approval of our regulators, our new brand will be Absa.

When we reveal the new look and feel of our brand it will be an authentic representation of our African heritage, our footprint and the organisational culture we are building. We are bringing Africa into Absa.

Conclusion

We covered a lot of ground in 2017. While external factors influenced our ability to grow income, we remained focused on building momentum in the execution of our existing strategy, while accelerating the Separation and developing a bold new ambition that sets an exciting way forward for our business.

We know that this will take strong leadership and we are committed to building a leadership pipeline to minimise succession risk, transform our organisation and become the best place to work and grow for talented Africans.

I would like to thank my leadership team for their commitment during 2017 – a year in which the sheer volume of our work grew significantly. I am grateful to our Board for their continued support and guidance. I am also thankful to all our employees for their consistent commitment to our customers and clients.

Above all, I want to thank our customers and clients on whose custom we depend. We appreciate they have a choice.

In 2018, we will continue to prove our ability to compete in a rapidly changing world, particularly in a continent filled with such exciting opportunities as ours. We have an opportunity, to do something of great consequence, to build a banking group of which all of Africa can be proud.

We are building a thriving organisation, one with diversity and inclusion at its core, with growth firmly as our ambition. For myself and all of my colleagues, this is a once in a lifetime opportunity and we intend to seize it.

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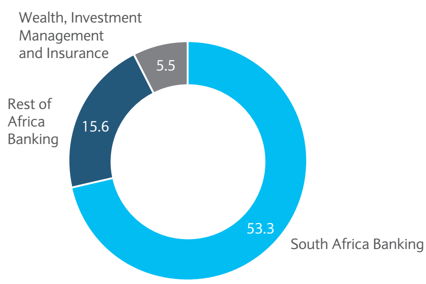
Barclays Africa, a standalone African financial services group

Delivering an integrated set of products and services across personal and business banking, corporate and investment banking, wealth and investment management and insurance.

Income per market segment (Rbn)[1]



Focus on growth with sustained returns

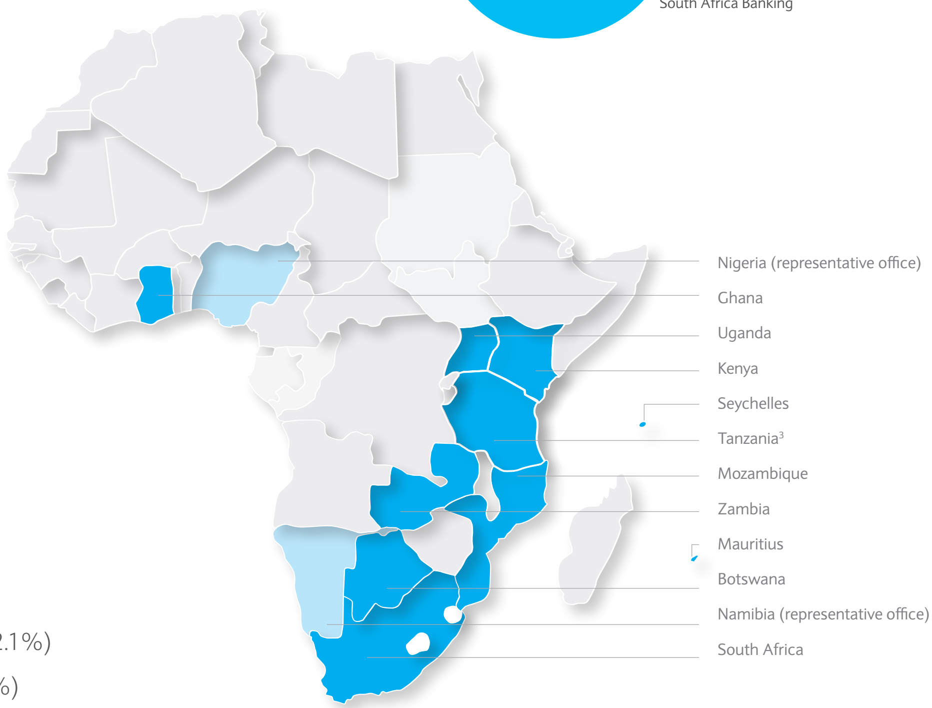
- Return on equity **16.4%**[2] (2016: 16.6%)
- Income **R73bn**[2] (2016: R72bn)
- Headline earnings **R16bn**[2] (2016: R15bn)
- **R1.2trn** assets[2] (2016: R1.1 trillion)
- **R335bn** assets under management (2016: R288bn)

Sound risk profile

- Non-performing loans **3.75%** (2016: 3.94%)
- Credit loss ratio **0.87%** (2016: 1.08%)

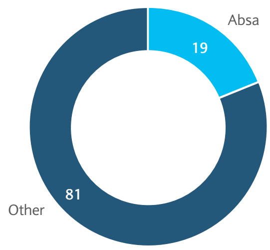
Significant capital and liquidity

- Common equity tier 1 ratio **12.1%**[2] (2016: 12.1%)
- Liquidity coverage ratio **107.5%** (2016: 95.8%)

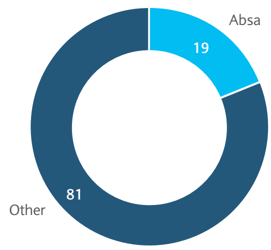


Group loans and advances to customers **R750bn** (2016: R720bn)

South Africa loans and advances market share (%)



South Africa deposits market share (%)



Group deposits due to customers **R690bn** (2016: R675bn)

Shareholding split by geography

South Africa **41%** (2016: 25%)

United Kingdom **28%** (2016: 54%)

United States and Canada **17%** (2016: 12%)

Rest of the world **14%** (2016: 9%)

[1] Excluding Head Office, Treasury and other operations.
[2] Normalised.
[3] Barclays Bank Tanzania and National Bank of Commerce.

… delivering our One Africa strategy

We are strongly positioned as a 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 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 …

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

- 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

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

- Attracting, developing and retaining employees
- Empowering our employees with information and technology

Measured against our medium-term targets … as set out in 2014 …

- 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.

While we remained focused on delivering our business commitments for the year under the One Africa strategy, we moved into the execution phase of the Separation (page 20) while redefining our Purpose and set a new strategy as a standalone African financial services group.

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Our business model and value chain

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

By providing financial services …

- to individuals, we enable them to enhance their financial stability and quality of life;
- to businesses, we contribute to economic growth, job creation and access to capital markets; and
- to sovereigns we contribute to the funding opportunities and operations of the country.

By conserving natural resources and driving diversity, financial inclusion, education, and enterprise development, we contribute to the societies and natural environment in which we operate.

Our sustainability, and that of the communities around us, depends on our ability to effectively use and manage the resources in our value chain.

Our business activities

In the course of conducting business, there are a number of external factors that influence our business activities and outcomes.

Key market drivers 14

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

Compliance and assurance evaluate the controls that management uses to maintain our licence to operate and our ability to create value.

We raise FINANCIAL CAPITAL …

- Shareholder funds
- Bond holders
- Depositors
- Retained earnings

Through an integrated planning process, we allocate financial capital to (i) meet regulatory minimum requirements; (ii) businesses focusing on opportunities and sustainable returns (within the Board-approved risk appetite); and (iii) to operations and capital investment projects.

Integrated Planning 18

FD review 51

… and create CUSTOMER VALUE PROPOSITIONS …

- Customer needs
- Regulations
- Employees
- IT
- Data insights

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.

Balanced Scorecard 30

Our transformative impact on the Six Capitals

Each capital plays a role in our business model. However, the emphasis we place on each is influenced by our core function of providing financial services, our business model and our chosen strategy. Our decisions and trade-offs influence the efficiency of our operations and the impacts on these.

Manufactured

Our primary inputs are the property and equipment used for our services and the processes and products we deliver to customers and clients.

- Property and equipment of R15.2bn (2016: R14.6bn).
- Serve our clients through a network of branches, ATMs and additional access points available through strategic partnerships.
- Enhanced digital portfolio with innovations such as the free MegaU app and virtual banking and insurance tools – Timiza (Kenya) and the Virtual Investor (South Africa) while evolving existing platforms and products.

Intellectual

Our strong brand, safe and effective information and technology infrastructure and our ability to innovate are key intellectual inputs.

- Invested R3.1bn in information technology, delivering greater stability, ongoing resilience, increased protection against cyber risk and delivery of new products and solutions (2016: R3.1bn).
- Our brand was positively and negatively impacted by various events in the year.

Human

Effective leadership, an ethical culture and our employees' competencies, skills and diversity are critical to our success.

- 41 703[LA] employees with improved diversity with 34.1%[LA] women in senior management and 44.3%[V] of senior managers are Black (2016: 41 241; 31.6% and 38.3% respectively).
- R490m on direct training spend on ongoing skills and development (2016: R376m) with 59% of vacancies internally filled (2016: 66%).
- Employee turnover down to 8.9%[LA] (2016: 9.9%).

Our business activities

… and build CONFIDENCE and TRUST through SOUND GOVERNANCE.

Common policies and frameworks ensure consistent and integrated execution to improve service levels and gain synergy and scale benefits.

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

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

Our customers and clients have the choice to transact using telephone, digital solutions or face-to-face engagements. We 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.

Customer & Client 34

… and manage the distribution of FINANCIAL BENEFITS earned …

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, and pay investment returns and annuities.

FD review 51

… which is enabled through ROBUST OPERATIONS MANAGEMENT.

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

Customer & Client 34, Colleague 38 and Conduct 44

Outputs

Products and services

We assist customers and clients to create, grow and protect wealth by offering an integrated set of banking and insurance products and services.

Customer & Client 34

Emissions and waste

We strive to minimise our carbon emissions, paper, water consumption and waste sent to landfills.

Citizenship 41

Social and relationship

Our stakeholder and supplier relationships along with socioeconomic development and societal wellbeing are both inputs and outputs.

- Customer satisfaction measures through Net Promoter Score® remained at 28%[LA].
- R299m[LA] spent on education and skills development (2016: R184m).
- Raised R2.1bn in financing for small and medium enterprises.
- Evolved stakeholder relationships.

Financial

Our financial inputs comprise a solid equity position, balanced funding mix and long-term financial stability.

- R108bn available capital and adequate liquidity (2016: R102bn).
- Profits shared with ordinary shareholders (R8.8bn in dividends) and retained earnings for future growth (R6.2bn) (2016: R8.5bn; R6.0bn respectively).
- Contributed to societal growth by buying goods and services (R17.5bn), paying taxes (R8.4bn) and employment (R23.1bn) (2016: R16.1bn; R7.3bn; R20.8bn respectively).
- Market capitalisation of R154bn as at 31 December 2017.

Natural

We consume energy, paper and water, and we are committed to progressively reduce our environmental impact over time. This also relates to our environment and social lending practices.

- Total energy use decreased by 8.6%, with a 0.9% increase in carbon emissions.
- Continued to support the renewable energy sector and offer other climate-related solutions.
- Assessed, as appropriate, the environmental and social impacts of credit lending.

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Key market drivers

Market driver

Banks and other financial service providers play an important role in the economic life of individuals, businesses and nations – helping to create, grow and protect wealth through partnerships in economic development.

There are a number of distinct factors shaping the financial services industry now and into the future.

Regulatory oversight

- Active supervision and regulation of financial services, with a particular focus on customer protection and corporate conduct.
- Significant regulatory developments such as Twin Peaks (financial sector supervision framework), the Financial Sector Code (broad-based black economic empowerment legislation) and Retail Distribution Review in South Africa.
- Significant accounting and reporting changes such as IFRS 9 – Financial Instruments, IFRS 17 – Insurance Contracts and Basel Committee on Banking Supervision's principles for effective risk data aggregation and reporting (BCBS 239).

Macroeconomic and political flux

- Global economic conditions continue to negatively impact many African economies.
- Global uncertainties persist from, for example, Brexit and fiscal challenges in Africa.
- Volatility in key economic indicators leads to domestic economic challenges such as inflation and currency depreciation in some markets.
- Persistent political uncertainty and social activism in multiple countries.

Impacts on the financial services industry

While 'traditional' banking will still play a role, the industry is rapidly evolving.

Regulatory oversight

- A strong and stable financial services sector.
- Increased costs to implement and manage regulatory changes and impacts on financial measures such as capital and revenues.
- Differing regulatory standards across geographies and key areas of business.
- Increased pressure on financial institutions to execute on regulatory obligations relating to illicit money flows, tax evasion and other financial crime.

Macroeconomic and political flux

- Sovereign ratings downgrades have wide-spread impact, with a significant impact on banks by, for example, increasing the cost of finance.
- Persistent low growth in South Africa with consumers under pressure, and weak business and consumer confidence negatively impacting business activities and banking revenues.
- Economic growth remains tentative in some countries, but is positive in many of our presence countries, albeit with some political uncertainty.

How we are responding

While many of these impacts add to the complexity of business and increase pressure, we believe they present many opportunities for Barclays Africa.

The Separation provides an opportunity for the Group to change our responses to these market drivers. While developing our new corporate strategy, we made explicit choices about what the new standalone Group will stand for and how we will address the key market drivers.

Our new corporate strategy is centred on our new purpose statement **'Bring your possibility to life'.** We will transform our culture, and our social impact and how we serve our customers and clients.

Technological advances revolutionising the financial services industry. To succeed, we must become more efficient, be bold and become digitally focused. These goals are at the heart of our new corporate strategy.

Digitalisation, virtual reality, artificial intelligence and everything in between

- Disintermediation/non-traditional competitors are distributing financial products.
- Consumers are increasingly using digital platforms, including a wide array of payment services.
- The nature of customer relationships are influenced by digital engagement practices.
- Low-cost, fully digital banking products are being delivered faster, and at a lower cost.
- Robotics are gaining consumer acceptance.

- Rapid innovations from fintechs, with the challenge to integrate and up-scale these innovations.
- Traditional banks challenged by new, niche digital banks.
- Increased complexity of managing technology, information and cyber risks.
- Competition for specialised and scarce skills, such as information technology, data analytics and risk management.
- Opportunities for process automation and introduction of artificial intelligence to decrease cost-to-serve and improve customer service.

Africa demographic and economic development

- Rapid growth in the young population and expanding mass and middle markets in Africa.
- Highest rates of financial exclusion in the world.
- Extent of unemployment, especially among the youth.
- Job seekers and entrepreneurs struggle to access employment and economic opportunities.

- Opportunities to support small and medium businesses who increasingly contribute to employment and GDP growth.
- Alternative channels and partnerships can increase consumers' access to banking and other financial services.

Focus on social, governance and environmental matters

- Activism in a broader range of social, environmental and governance-related matters such as financial sector exposure to climate change risks and potential future impacts (e.g. stranded assets).
- Persistent inequality in, for example, access to quality education.
- Worsening/persistent infrastructure challenges and opportunities, including electricity and water supply.
- Emerging regulation and reporting requirements focused on corporate responsibility and governance.

- Improved governance and transparency in business conduct is required.
- Financial institutions need to contribute to sustainable finance initiatives aimed at addressing complex social challenges.
- Climate change risk to be assessed and managed within core business lines.

The health of economies are closely related to the soundness of its banking system. We embrace efforts toward a stable financial services sector and a safe and fair operating environment where systemic risk is minimised. We have ongoing programmes to implement the required regulatory changes. An important part of economic health is operating with integrity, treating our customers fairly and combating financial crime and cybercrime. We have a coordinated response to driving and monitoring this throughout the Group.

We are committed to Africa's growth and toward sustainable solutions to some of the continent's most pressing challenges. Over time, we will formulate further strategic responses to the UN Sustainable Development Goals.

Top risks and opportunities

Beyond the key market drivers, there are risks from the external environment and a number of risks specific to Barclays Africa. The table below provides a thematic presentation of the risks and opportunities material to the Group's strategic ambitions. These are actively managed through the principal risks as defined within our enterprise risk management framework 58.

Themes	Opportunities	Key risks
Macroeconomic environment impacts on our ability to sustain business and achieve our market commitments	• Proactive steps in positioning to take advantage of opportunities	• Subdued global and local growth • Economic performance of commodity-importing countries • Banking sector stress • Weak business confidence in South Africa and Sovereign downgrade
Socio and political environment impacts on our operating environment	• Positive impact on society	• Socioeconomic risk • Political uncertainty • Deteriorating fiscal position • Unemployment
Strategic change impacts our ability to execute our plans that support market commitments	• New innovative ways of doing business • Diversification into new markets and geographies	• The Separation • Strategy execution risk • Reputational and brand risk • People risk
Technology and the pace of change impacts competitiveness and operational risk	• Competitive advantage through client-centered solutions • New digital offerings • Reduced costs in the long term	• Cyber risk • Fraud and financial crime risk • Technology disruptions • Data management failures • Model risk • Disruption of fintechs and new competitor banks.
New and emerging regulation impacts	• Client-centric implementation of regulations improving customer experience • Short-term negative impact but benefit of a strong balance sheet base for future growth	• The volume and increasing complexity of regulatory requirements • Model risk
Climate change risks-impacts on the Group, our customers, clients, and the operating environment	• Value proposition for companies developing energy-efficient items • Enhanced reputation	• Adverse weather conditions (e.g. drought and floods) • Water stress • Resource depletion

Potential impacts	Mitigating actions	Risk assessment	
		Initial	Residual[1]
• Reduced revenue • Pressure on the credit portfolios • Liquidity and capital constraints • Increased impairments	• Strong risk management includes monitoring leading indicators combined with mitigation and management actions • Hedging of specific risks, including interest rate and foreign exchange • Strategy adapted to manage the business in slow economic growth	**High** to **Medium**	**Medium**
• Reduced revenue • Social pressure • Pressure on the quality of select portfolios • Potential disruptions to operations	• Commitment to shared growth • Support of community initiatives • Close monitoring of portfolios	**High** to **Medium**	**Medium**
• Delayed completion of projects • Increased expenditure • Lack of focus on key strategic initiatives • Loss of customers • Loss of key resources	• Address business-as-usual, transition and transformation change requirements through our dedicated and integrated functions	**High**	**Medium**
• Security breaches • Operational disruptions • Operational losses • Reputational damage • Incorrect models informing decisions • Loss of customers	• Continue to invest in technology platforms, processes and controls • Maintain IT systems stability through monitoring, enhancements and prioritising key issues • Driving innovation	**High**	**Medium**
• Reduced revenue and/or increased expenses • Fines or penalties due to non-compliance • Reputational damage • Increase in financial, technology and human resource requirements	• Maintain the coordinated, comprehensive and timely approach to identify, assess and respond to regulatory changes • Regulatory change oversight • Diversified business model that is sustainable and competitive	**Medium**	**Medium**
• Impact on operational environment • Impact on ability to serve clients • Increased impairments	• Effective business recovery plan in place • Energy-efficient buildings • Formulation of a position on climate change risk	**Medium**	**Medium**

[1] Residual risk is classified in terms of likelihood and consequence, taking into account the current and forward looking risk profile.

Integrated planning to create sustainable value

1. Identify and assess

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

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

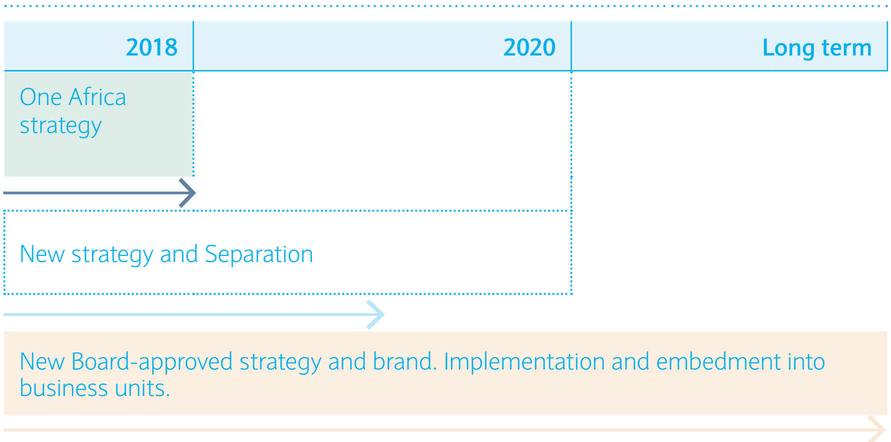
- Update on the Separation and future strategy
- Sustained financial returns
- Stability of the financial services industry and compliance with relevant legislation
- Responsible banking and fair treatment of customers and clients
- Effective and efficient management of regulatory change, balanced with customer and client service outcomes and costs
- Access to and availability of convenient, safe and reliable financial services
- Leveraging IT advances, while managing the associated risks
- An employee value proposition that includes fair reward and recognition, personal and professional development opportunities and an inspiring work environment
- Contributions to transformation through broad-based black economic empowerment in South Africa
- Contributions towards societal developments such as education and economic development
- Responsible management of direct and indirect environmental impacts

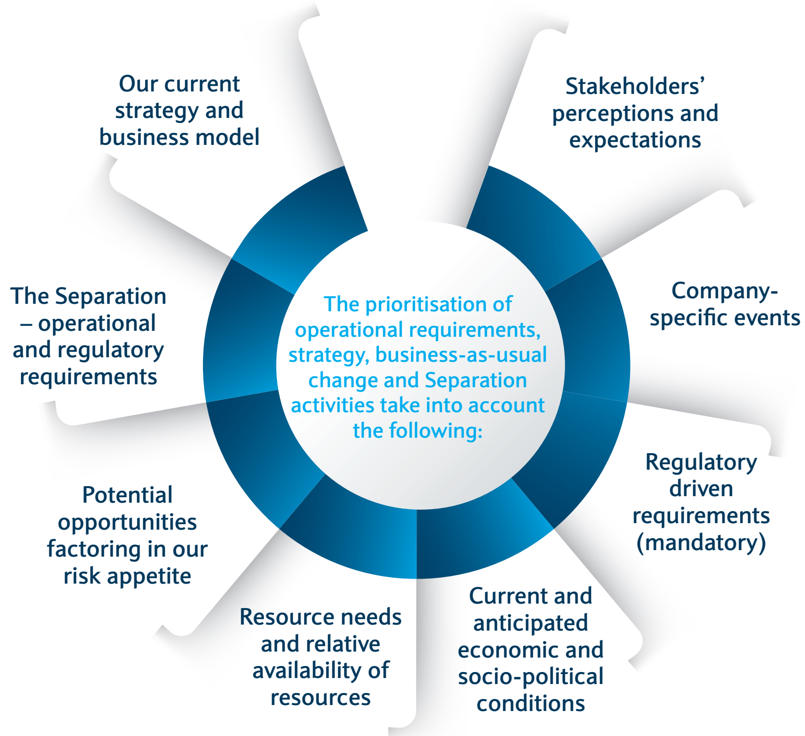
We also take into account our stakeholders' perceptions. In 2017, these perceptions were influenced by the Barclays PLC sell-down; speculation regarding the Public Protector's Bankorp report; and service downtime in multiple markets.

2. Plan and prioritise

We continue our integrated planning, ensuring that our strategy and scarce resources considerations are incorporated into execution plans.

We consider the key matters identified by stakeholders and take into account three distinct phases and timelines.





Integrated planning requires us to consider trade-offs between possible responses, timing and execution requirements, as well as their importance and impact in achieving our strategy.

We assess potential opportunities within our risk appetite framework to balance future growth with responsible risk management. We also consider possible changes to our 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 and our distribution network and digital platforms reach a large and diverse customer and client base.

2017 marked a historic moment as we welcomed the dawn of a new Barclays Africa Group. The Barclays PLC sell-down presented a platform for change. Based on resource availability, current and anticipated requirements and the three distinct phases (as outlined on the opposite page), we made certain trade-offs, we re-prioritised change initiatives, and implemented new projects.

Current strategy

With the support of the Board, we extended our strategy by at least one more year, while adding the Separation to our key strategic commitments.

We retained and accelerated the plan to achieve these commitments, and continued to focus on the four key areas:

- Build momentum around the turnaround of our Retail and Business Banking franchise in South Africa
- Continue the development of our Corporate Banking business
- Embed the transformative initiatives undertaken to fully integrate our Wealth, Investment Management and Insurance business
- Remain vigilant in managing normalised costs and to continue to invest in our technical platforms and operating infrastructure

11

Separation

Barclays PLC's decision added a new but crucial dimension to our One Africa strategy, and this was to negotiate terms to the Separation that would be in the best interests of all our shareholders and other stakeholders.

We are executing the Separation and have dedicated resources to do so, including technological infrastructure and systems, markets platforms, governance and brand. We are leveraging Barclays PLC's financial commitment in a way that delivers a seamless transition and a superior experience for our customers and clients after the Separation.

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New corporate strategy

We set out to re-imagine our business, to define our Purpose, to set a new business strategy and to deliver a brand that represents our Values and is given meaning by our new strategic undertakings.

The combination of a business review, a deep organisational culture diagnosis and the active participation of our employees resulted in seven key choices that define our new strategy:

- Focus on growth with sustained high returns
- Build an African organisation with globally scalable platforms
- Adopt a customer-focused operating model
- Entrench a culture of entrepreneurship, autonomy and ownership
- Digitise our bank's operations and customer offering
- Become an active force for good in society
- Dispose of non-core assets and grow through acquisitions

Our new strategy rests on the goal of sustainable growth by bringing possibility to life:

Delivered by focusing on three priorities:

- Creating a thriving organisation
- Restore leadership in core businesses
- Build pioneering, new propositions

And enabled by three capabilities:

- Build a scalable digitally-led business
- Play a shaping role in society
- Pursue growth opportunities

24

Separation programme timeline

2016

1 March

Barclays PLC announces intention to reduce its **62.3%** shareholding

5 May

Barclays PLC sells first tranche of shares, reducing its shareholding to **50.1%**

March

June

September

December

2017

23 February

Barclays PLC and Barclays Africa announce Separation Agreement. Barclays PLC to contribute **GBP765m** (R12.6bn)

1 June

Barclays PLC further reduced its shareholding to **23.4%** in South Africa's largest bookbuild of R38bn

Accounting deconsolidation is achieved

6 June

'Day 1' Separation c300 projects, including brand, commence

Transitional Service Agreement begins

4 September

Barclays PLC delivers a cash contribution equivalent to 1.5% of Barclays Africa's share capital as at 31 December 2016 to a future BBBEE structure, reducing its shareholding to **21.9%**

30 November

Barclays PLC transfers 7% to two financial institutions for the PIC, pending regulatory approval, reducing its shareholding to **14.9%**

End December

12/c300 projects completed; and 7 material services and 4 bridging arrangements with Barclays PLC have been terminated

March

June

September

December

2018

March | June | September | December

1 March

New strategy and name change announced

6 June

Deadline for removal of 'Member of Barclays' in South Africa

First half of 2018

Complete the build out of standalone functions including finance, internal audit, human resources, financial crime and compliance, technology and converged security

2019

March | June | September | December

Until June 2020

Continued execution of the Separation and brand replacement

2020

March | June | September | December

June 2020

c300 Separation projects completed; Rest of Africa entities rebranded; and

Transitional Service Agreement ends.

2021

Separation update

On 1 March 2016, Barclays PLC announced its decision to divest from Barclays Africa to a level that would achieve regulatory and accounting deconsolidation. It set a time frame of approximately three years to execute on its intention. It reduced its shareholding to 14.9% by December 2017 through two bookbuilds and a contribution to a future broad-based black economic empowerment structure. The second bookbuild placed 33.7% of Barclays Africa shares. At R38bn, it is the largest bookbuild ever in South Africa and investors who participated have experienced total returns of about 60% in nine months.

Day 1 for the Separation was in June 2017, when our legal Separation Agreements with Barclays PLC took effect. However, significant planning and preparations prior to this laid the foundation for the execution of Separation activities. Early in 2017, the full portfolio of work required to deliver the successful decoupling was scoped. Various impact and risk assessments were also conducted to assess the financial risk and delivery risks associated with each underlying project.

There are three main agreements:

1. a Separation Agreement, which sets out the terms and related payments;
2. a Transitional Services Agreement, which commits Barclays PLC to continue providing services, such as technology, to us until we replace them over a period of three years; and
3. an agreement stipulating how we can use the Barclays brand until 2020 in the Rest of Africa and the terms for removing 'Member of Barclays' in South Africa by June 2018.

Robust governance

Given its size and complexity, we put a robust governance structure in place, which is overseen by a dedicated Board committee – the Separation Oversight Committee – with aspects of the Separation being considered at the Board and various other Board committees. Management governance includes the Barclays Africa Group Change Committee and Barclays Africa Change working group. We also set up a joint governance framework with Barclays PLC in 2016. A key component of this is the Joint Transition Forum, which continues to meet monthly and comprises of three Executive committee members from each organisation. We engaged external advice, with Accenture assisting with strategic planning and advisory support while PwC and internal audit provides independent quality assurance to the Board.

Continuous regulator engagements

Regulatory engagement is a critical element of separating and we have intensified our efforts to maintain continuous dialogue with regulators given that we are systemically important in all of the countries in which we operate. We have intensified our efforts across the continent to meet with our regulators on an ongoing basis. Engagement platforms include an 'Africa Supervisory College' that represents the collective of key regulators across the continent. Going forward, supported by the majority of our regulators, we will host monthly technical working group sessions to facilitate detailed discussion between in-country teams and in-country regulatory teams, to cover operational and technical questions pertaining to the Separation activities in each country.

The journey to obtain approval from the Prudential Regulatory Authority for full regulatory deconsolidation from Barclays PLC is underway. In support of the overall process, Barclays PLC engaged with its key regulators, and obtained (with the brand change being a key step) permission for partial regulatory deconsolidation in July 2017 and engagements are now focused on progressing to full deconsolidation.

Delivered by an experienced and dedicated team

The effort required to deliver the Separation is almost double the typical business-as-usual change, with a complex, critical path of projects with significant interdependencies, placing pressure on our delivery capacity. We set up a dedicated operational Separation team and each business unit has a dedicated change lead responsible for Separation, enabling teams to identify and solve for dependencies and constraints that cut across business units.

We have about 360 people spending more than 70% of their time on separation. Around 200 are information technology specialists and 80 are from Corporate and Investment Bank, with the remainder focused on rebranding and other functions. The core team has been co-located since July 2017, to improve collaboration, decision making and communication between teams.

With robust risk management and mitigation

The Separation has elevated the Group's risk profile and a risk management framework and a range of mitigation actions are in place to ensure that we manage our execution risk:

- The Transitional Services Agreement allows us to manage the phasing and delivery of projects. To replace systems, services and processes, we will use a combination of solutions including buy, build or 'lift and drop', where we migrate existing infrastructure from Barclays PLC.
- People capacity is one of the largest risks we are managing, particularly since the project plan involves tight timelines.
- A transition office proactively manages risk by identifying and resolving interdependencies between projects, technology, people and processes.
- Lastly, we undertake detailed internal and independent quality assessments to enhance confidence levels, as part of a combined assurance model.

Three key areas of change

Operational separation involves three key elements:

- 'Touch points'
- A new strategy to take us forward
- A decision on what our brand is to be, and how we implement that decision across our markets.

'Touch points'	Over two thousand dependencies need to be 'de-coupled', including approximately 600 systems and applications, 284 policies and frameworks, and more than 150 vendor relationships. Our Separation 'book of work' is a portfolio of about 300 projects. The Transitional Services Agreement secures services from Barclays PLC for 36 months and covers 129 material services. Our plan takes a structured approach, aiming to match the delivery of the projects to the term of the Transitional Services Agreement. This provides sufficient time to complete the majority of the projects in the book of work. At the end of February 2018, 20 projects have successfully been delivered and seven material services previously provided by Barclays PLC have been successfully terminated. Some of our most important projects, includes: • Replacing our human resources platform with Workday, a cloud-based platform. • Securing outsourced technology resources based in India that provide a wide range of support to our Rest of Africa businesses with the plan of localising some of this capability over time. • Relocating the core banking platform for several of our Rest of Africa operations from Barclays PLC's UK data centre to ours, while removing complexity and improving customer experience. • Building out a new integrated and online service platform for corporate clients, to replace Barclays.Net and other Barclays PLC capability across the continent. We will create a simpler client experience and reduce the number of channels our clients use. Key to ensuring effective delivery is building out our standalone functions, taking full control of our critical functions, capabilities and services within the first half of 2018. Critical functions receiving focus are finance, internal audit, risk, human resources, financial crime and compliance, technology and converged security.
Strategy	Our One Africa strategy formed part of the broader, global strategy of Barclays PLC and the Separation has provided us with an opportunity to redefine our purpose, set a new business strategy and deliver a new brand that represents our values and aspirations. Our #ExpressYourself journey included broad employee engagement founded on the principles of co-creation and transparency. This collaboration was the starting point of a new approach which is characterised by greater personal and business accountability and the desire to create a thriving organisation. Our ambition is to grow and be a financial services group that Africa can be proud of, with our employees and organisational culture at the centre. We unpack our new strategy over the following pages.
Brand	This aspect has two components: (i) removing 'a Member of Barclays' from Absa branded items. (ii) the Group's re-branding journey. In terms of the removal of 'a Member of Barclays', good progress has been made ahead of the contractual delivery date of 6 June 2018. In December 2017, after many months of research and more than 130 000 engagements with stakeholders in each of our operating countries, our Board approved a new brand strategy. Barclays Africa Group Limited will become Absa Group Limited (subject to shareholder and regulatory approval) and our operations across Africa will be launched, re-presented as Absa with an identity fit for the modern, new and forward-looking businesses we are creating. The approval of regulators in each of our markets is required to change the name and trading brand for each of our businesses outside of South Africa.

Creating a bold new corporate strategy …

To reset our future and shape our destiny as a proudly African group, we embarked on a comprehensive review process, creating two parallel and interlocked pathways:

A strategy development journey and …

The first was to answer three fundamental questions

Why are we here, and what role do we want to play in society?

What is the strategy that will allow us to achieve our vision?

How can we build a strong, vital organisation to support and empower our strategy?

… a cultural, organisational journey.

The second focused on the culture of the Group

How do our employees feel, and what are their perceptions of the Group?

How would we, as a collective, define success?

How do we create a new culture and **what** does this look like?

Both of these pathways adopted a methodology of co-creation, to seek deep insights and to seed ownership. The process involved deriving views from customers, clients, key stakeholders and our employees as well as a 360 degree scan of the environment including emerging trends and innovation. This process was governed by four principles which embody the essence of the new corporate strategy.

Collaborative

Bold

Fact-based

Innovative

Through the process, we made seven explicit choices that would define the Group's aspiration and the strategy going forward. These choices are a pivotal paradigm shift for the organisation and are vital to catalyse growth.

1 To build a **culture based on inclusivity, diversity, entrepreneurship, and ownership.**	**2** To become **customer obsessed,** connecting deeply with our customers and responding rapidly to changes in the environment and our customers' evolving needs.	**3** To focus on **growth with sustained high returns**.	**4** To become a **digital** organisation and enhance our business platform based on digital, mobile and advanced analytics.	**5** To become an **African organisation with globally scalable platforms.**	**6** To play a shaping role in society, to be an **active force for good.**	**7** To maximise the potential of our current portfolio while seeking **growth via acquisitions, and the disposal of non-core assets.**

The process culminated into the design of a new corporate strategy that is transformative, enables us to reset our culture and defines a blueprint for how Barclays Africa will become a formidable African organisation.

Our new strategy comprises of:

- a new guiding purpose;
- three strategic priorities that outline the business's objectives – defining what is required to succeed;
- three enablers which will change the way we operate – defining exactly how we will achieve these objectives; and
- one measure of success – to grow our business and double our share of revenue.

Our purpose statement **Bring your possibility to life** was co-created and symbolises the Group's intention to be an entrepreneurial, innovative organisation and is an embodiment of growth for Africa, our employees and the business. This purpose will become the driving force that defines our brand, continually inspires the desired culture and connects customers to opportunities that makes **what is possible** real.

The strategic focus areas were crafted based on an understanding of the growth dynamics within Africa across markets, customers and products. Delivering on these priorities will require a shift in mindset as well as organisational practices. To achieve this, we will accelerate the implementation of the three enablers to unlock the full potential of strategy. This bold new growth strategy reinforces the holistic transformation of the business to become both people and customer centric.

Our strategy is underpinned by the delivery of key promises to employees, to customers, to societies and to shareholders. Delivering on the strategy and realising the promises will culminate in the Group realising our goal of growth while becoming an African financial services group that is globally respected and that Africa can be proud of.

Three priorities

Create a thriving organisation

Create a new culture	• An inclusive and diverse culture that is entrepreneurial, innovative, with a deep sense of ownership and a shared purpose and identity
Differentiate by becoming people-centric	• The best environment and opportunities for top talent to thrive
Re-orientate around the customer	• Outward focused, customer obsessed and digital
Empower ownership	• Distributed leadership at all levels of the organisation

Restore leadership in core businesses

Regain our leadership in South Africa Retail	• Superior customer insights driven by advanced analytics • Digitally transformed customer journeys with an enhanced focus on affluent and core-middle market customers
Become the business bank of choice	• Sector-specific product suites • Opportunity identification and execution driven by advanced analytics
Substantially grow market share and returns in Corporate and Investment Bank	• Value-based approach to make management decisions with real-time planning and pricing tools • New coverage model aligning resources to customer profitability and potential, ensuring superior service
Craft a winning Wealth, Investment Management and Insurance model	• Customer-focused business model with seamlessly integrated infrastructure • Cost-efficient structure leveraging new capabilities
Be a leading player in core markets beyond South Africa	• Sector-led propositions and revitalised service offerings • Leading digitally-enabled core middle market and affluent banking franchise

Build pioneering new propositions

Create a superior consumer finance franchise	• Fully digital • Top-class mobile onboarding • Innovative distribution model to cater to new customer segments • World-class risk management
Build a leading global payments hub	• Simple and intuitive customer experience • Seamless transactions on a single digital platform • Link to small businesses across the continent • Affordable cross-border remittances
Launch a winning transaction banking platform	• Fully integrated corporate and small business value propositions • Enhanced cash management and trade finance products • Transactional banking pricing excellence • Digitised and automated end-to-end processes

Three enabling capabilities

Build a scalable, digitally-led business

Separate quickly and effectively	• Complete the Separation while maintaining cost management, talent retention and competitiveness
Build world-leading Group-wide capabilities	• Infuse digital and design thinking across our businesses • Integrate big data and advanced analytics into the core of our business • Create next-generation risk management capabilities • Build mergers and acquisitions, and partnership capabilities to drive opportunities
Establish a winning brand	• Launch a distinctive brand, reflective of our Purpose

Play a shaping role in society

Earning trust	• Fairness: providing just outcomes for our stakeholders • Reliability: consistently delivering on our promises
Shaping society	• Social: significantly contributing to the societies in which we operate • Economic: contributing towards the continent's growth and development
Promoting intergenerational sustainability	• Environmentally conscious: being accountable for our impact on the environment • Viable communities: evolving as our communities' needs change
Driving thought leadership	• Leading insights: being thought leaders in the industry • Relevant innovation: developing innovative solutions to societal challenges

Pursue growth opportunities

Targeted acquisitions and disposals in existing markets	• Acquisitions to expand and augment existing capabilities • Purchases to accelerate growth • Disposals of our non-core portfolio
Expand into target markets	• Launch representative offices to establish presence in key African markets • Make strategic acquisitions to build a dominant market position
Strategic partnerships	• Explore new markets and grow our customer base • Supplement and extend our capabilities, including digital

The execution plan

Our execution approach has been designed to manage the inherent risks, and is structured into three mutual reinforcing phases.

Deliver on our promises

Create a progressive, future oriented organisation

Separate and adapt for the future

We will:

- announce brand direction which is a critical inflection point;
- complete the Separation;
- build and scale capabilities; and
- renew our organisation and transform our culture.

We will:

- launch our new brand while simultaneously delivering our new client propositions with tangible changes in customer experience;
- gain efficiencies through digital transformation; and
- build momentum and accelerate delivery.

We will:

- embody an entrepreneurial culture;
- complete digital transformation;
- achieve leadership positions in our core businesses while expanding into new markets; and
- deliver double-digit growth.

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Our leadership and organisational structure

Maria Ramos
Chief Executive Officer

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

Customer-facing divisions

We deliver a wide range of financial products and services to meet the needs of our customers and clients.

We deliver these through our three customer-facing segments.

South Africa Banking

David Hodnett

Deputy Chief Executive Officer: South Africa Banking

Products and services
Universal offering across retail, business, corporate and investment banking.

Presence
South Africa

Rest of Africa Banking

Peter Matlare

Deputy Chief Executive Officer: Rest of Africa Banking

Products and services
Comprehensive suite of retail, business, corporate and investment banking products and services.

Presence
Botswana, Ghana, Kenya, Mauritius, Mozambique, Seychelles, Tanzania, Uganda and Zambia. Representative offices in Namibia and Nigeria.

Wealth, Investment Management and Insurance

Nomkhita Nqweni

Chief Executive: Wealth, Investment Management and Insurance

Products and services
Advice-led investment, credit and banking solutions for high-net-worth clients as well as asset management and insurance offerings.

Presence
Botswana, Kenya, Mozambique, South Africa, Tanzania, and Zambia.

Common policies and frameworks guide and support our business activities, ensuring consistent and integrated operations. This functional integration creates synergy and scale while improving service levels.

Support functions

Supporting business activities are shared across our operations.

Group Compliance

Yasmin Masithela

Head: Compliance

Group Finance

Jason Quinn

Group Financial Director

Group Risk

Arrie Rautenbach

Chief Risk Officer, Group Strategy, Separation

Group Human Resources

Sarah Louw

Chief Executive: Human Resources

Strategic goal

Realise potential to grow profitability through a focus on customer experience and service.

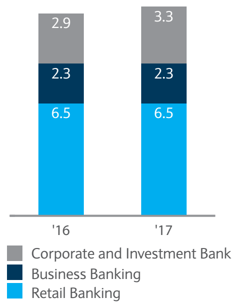
- Invest in partnerships, digital, design and data capabilities, underpinned by redesigned customer service and experience
- Simplify and automate to reduce costs and improve service
- Leverage our African expertise, while using our international network to strengthen competitive propositions
- Establish credit and pricing policies based on holistic customer profiles

Loan book
R665.9bn

Headline earnings
R12bn[1]

72% of Group revenue[2]

South Africa Banking headline earnings (Rbn)



Strategic goal

Achieve top three by revenue position in all markets, while managing costs by focusing on chosen sectors and product mix.

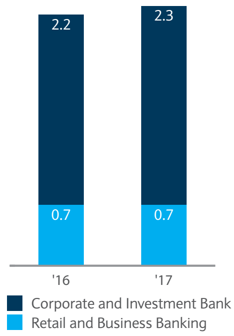
- Build a differentiated offering, supported by quality analytics, digital channels and strong relationship managers
- Become a market leader in industrial sectors most critical to economic growth – agriculture, wholesale and retail trade across Africa, with mining and oil and gas in selected countries
- Increase the number of primary customers and clients through improved product delivery capability, including technology infrastructure, channels and product specialists

Loan book
R77.8bn

Headline earnings
R3bn[1]

21% of Group revenue[2]

Rest of Africa banking headline earnings (Rbn)



Strategic goal

Increase assets under management and grow premium income through the protection of clients' lives and assets, enabled by a simple and efficient business.

- Complete the exit from non-core business lines and build out the capabilities required for growth
- Retain customers and gain market share through collaboration with South Africa Banking and Rest of Africa Banking
- Invest in customer and digital initiatives and extract value from existing data investments

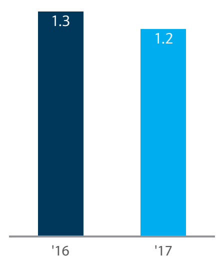
R335bn
assets under management

Headline earnings
R1bn[1]

R6bn
net premium income

7% of Group revenue[2]

WIMI headline earnings (Rbn)



Group Legal

Charles Wheeler
Group General Counsel

Group Operations

Charles Russon
Chief Operations Officer

Group Marketing and Corporate Relations

Bobby Malabie
Chief Executive: Marketing and Corporate Relations

Group Internal Audit

Zameera Ally
Chief Audit Executive

(Ex officio member of the Group Executive Committee)

[1] Normalised.
[2] Excluding Head Office, Treasury and other operations.

Balanced Scorecard performance summary

We ensure a balanced review of our performance by tracking progress through, among others, internal dashboards, regular management reporting and external measures.

	What do we consider as success?	How we measure success	Top line metrics		YoY change
Company	• Achieving financial targets timeously, generating sustainable returns for our shareholders, and managing the Separation	Financial targets for: • Returns • Capital • Cost • Revenue split	Return on equity **Target:** 18 – 20%	16.4%[1]	Down
			Common equity tier 1 ratio **Target:** 9.5 – 11.5%	12.1%[1]	=
			Cost-to-income ratio **Target:** low 50s	56.8%[1]	Up
			Revenue share from Rest of Africa **Target:** 20 – 25%	22%[1]	Down
Customer & Client	• Earning trust through excellent customer and client service • Being recommended by customers and clients • Innovating and developing products and services that meet customers' and clients' needs • Accessible products and services	• Customer surveys • Complaints performance • Client rankings and market shares	RBB and WIMI: ranking of Relationship Net Promoter Score® (NPS®) versus peer set **Target:** 1st	5th	Down
			CIB: Compound annual growth rate in client franchise contribution **Target:** 11%	16%	Up
Colleague	• Engaged and enabled employees • A diverse and inclusive workplace in which employees are treated equally and have the opportunity to achieve their potential	• Employee engagement • Diversity and inclusion statistics	Women in senior management **Target:** 32 – 34%	34.1%[LA]	Up
			Senior Black management in South Africa **Target:** 45 – 50%	44.3%[V]	Up
Citizenship	• Through our business, decisions and Shared Growth philosophy, securing a prosperous future for our customers, clients, shareholders, employees and the communities we serve • Proactively managing the environmental and societal impacts of our business	• Delivery against our Shared Growth goals • Employee engagement in Citizenship activities • The impacts of our lending practices' on the environment and society, and how our clients manage these	Shared Growth disbursements on education and skills development **Target:** R1.4bn	R299m[LA]	Up
			Funds raised and deployed for enterprise and supply chain development **Target:** R1.3bn	R2.1bn	Up
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	Treating Customers Fairly (TCF) outcome score **Target:** 65%	61%[LA]	Down

[1] Normalised.

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.

Highlights

JSE Top 40 listed company

Market capitalisation of **R154bn** at 31 December 2017

Balance sheet assets of **R1.2trn**

Headline earnings up **4%**

Net asset value per share up by **5%**

Retained **R6.2bn** to support future growth

Paid **R8.8bn** in dividends to ordinary shareholders (up 3%)

Total shareholder return of **14.1%**

Weighted procurement spend up **16%** with 50% Black-owned suppliers, and **28%** with 30% Black women-owned suppliers

Spent **R17.5bn** on procurement

Contributed **R8.4bn** in taxes

Customer experience measurement score of **77**

Group NPS® maintained at **28%**[LA]

Safeguarding **R690bn** in deposits and providing **R769bn** in gross loans and advances

Managing **R335bn** of assets on behalf of our customers and clients

Invested **R7.4bn** in information technology

Developed innovations such as the free **MegaU app** (South Africa) and **Virtual Investor** (South Africa) while piloting virtual banking with **Timiza** (Kenya)

Piloting and scaling solutions for **seven fintech** start-ups

Collaborated with all **41 703**[LA] employees in creating a new culture

Invested **R487m**[1] in direct training spend

Over **3 847** learning programmes available

Employee turnover down to **8.9%**[LA]

Retention of high-performing employees up to **95.4%**[LA]

59% of vacancies filled internally, of which **49%** were promotions

Paid **R23.1bn** in employee compensation

215 422 new ReadyToWork online platform users

Enabled **1 236**[V] technical and vocational education and training students with workplace experience

Supported **3 615** students with scholarships

Virtual Incubator App received MTN's 2017 **Best Education App Award**

Received the Mail & Guardian's **2017 Drivers of Change Business Award**

Reached **64 108** small and medium enterprises and **76 917** consumers through business and financial literacy

Contributed to the financing of **21** renewable energy projects to date with a combined capital value of **R62bn**

Decreased our carbon emissions by **34%** since 2012

High completion rates on conduct-focused training:

Code of conduct: **99.4%**[LA]

Fighting financial crime: **98.6%**[LA]

Conduct Risk College: **98.8%**[LA]

FTSE4Good environmental, social and governance rating improved **18%** to **4.3/5**

Dow Jones Sustainability™ Emerging Markets Index score of 70/100 points

CDP score remained at B Management **'taking coordinated action on climate change issues'** ahead of the industry average

Company

We create value by effectively managing risk, and creating sustainable returns

A strong relationship with our shareholders is essential for a shared understanding and vision of our future role.

Key matters raised by stakeholders ...

- Turnaround of Retail and Business Banking in South Africa
- Barclays PLC's sell-down, the resulting Separation including rebranding, system changes and management capacity
- Resilience and revenue growth in an uncertain and 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

... inform our material focus areas ...

1. Sustainably growing revenue
2. Effectively managing risks
3. Disciplined cost management while enabling strategic investments
4. Delivering appropriate shareholder returns while executing the Separation

... to achieve the following value ...

For our investors

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

For the Group

- Adequate levels of capital and liquidity to fund growth
- Effective risk management
- Investment and support from shareholders

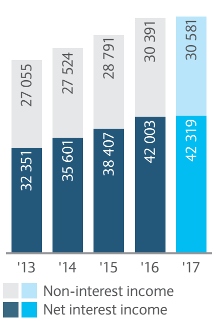
We present a snapshot of our normalised performance against our material focus areas. Our Financial Director's review on page 51 and risk management review 58 provide further detail.

1. Sustainably growing revenue

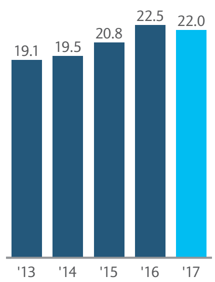
Revenue growth slowed to 1%, partly reflecting the difficult macro backdrop. However, underlying revenue growth increased 5% after factoring in the impact of a stronger rand and regulatory changes, plus some one-off items in the 2016 base. Although our overall revenue growth was limited, we improved momentum in several targeted areas in the second half of the year.

Our revenue share from Rest of Africa decreased slightly to 22.0% (2016: 22.5%), due to the stronger rand negatively impacting currency translation and regulatory caps. We remain top three by revenue in four of our largest businesses – Botswana, Ghana, South Africa and Zambia.

Total revenue (Rm)



Revenue share from outside South Africa (%)



2. Effectively managing risks

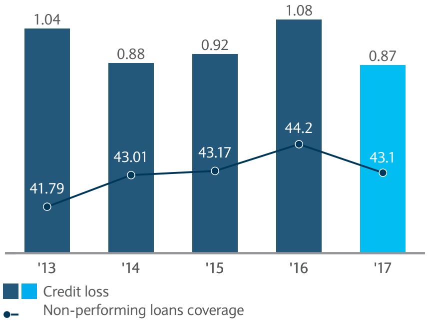
The credit loss ratio improved to 0.87% as credit impairments decreased to R7.0bn due to lower defaults in the South Africa Wholesale and Rest of Africa portfolios and proactive risk mitigation strategies in South Africa Retail banking (2016: 1.08%; R8.8bn). Our non-performing loans as a percentage of gross loans and advances improved to 3.7% (2016: 3.9%). While our portfolio provisions to performing loans decreased to 70bps due to a 26% decrease in model-driven impairments, with a slight increase in macroeconomic overlays (2016: 79bps).

Our liquidity position remains healthy, within risk appetite and minimum regulatory requirements. We consistently maintained a liquidity coverage ratio in excess of the minimum regulatory requirement of 80%.

Operational resilience continues to improve due to investments in infrastructure, process engineering, people and technology.

See page 58 for more on our performance against our principal risks.

Credit loss and non-performing loans coverage ratios (%)

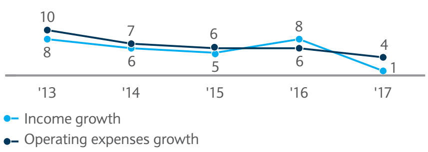


3. Disciplined cost management while enabling strategic investments

Operating expenses grew 4% resulting in a cost-to-income ratio of 56.8% (2016: 55.2%) where the largest component of the growth is represented by employee costs. Headcount increased by 1% largely due to technology hires in South Africa.

Our structural cost programme continues to produce efficiency gains that allow us to invest in strategic initiatives. Outside of Separation activities, our total information technology-related spend (R7.4bn) was stable at 8% of Group costs.

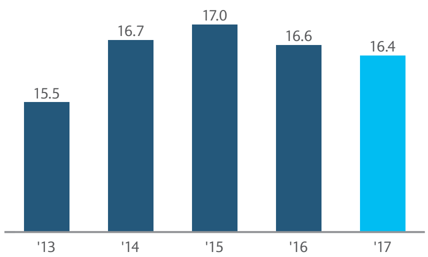
JAWS (%)



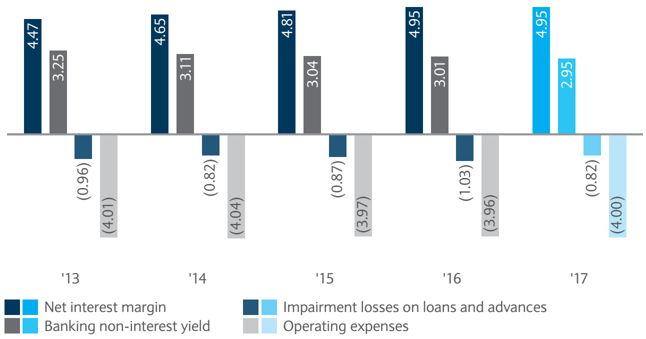
4. Delivering appropriate shareholder returns

Our return on equity declined slightly to 16.4% from 16.6% – a resilient performance considering the tough operating environment. South Africa Banking's return on regulatory capital was stable at 20.8%, while Rest of Africa Banking's return on equity improved to 16.6% and WIMI's return on equity declined to 20.1%.

Return on equity (%)

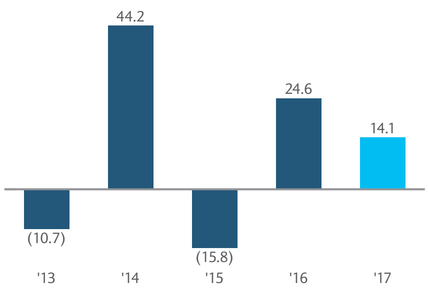


Major drivers of RoE (%)



Dividend per ordinary share increased by 4% to 1 070 cents and contributed to a shareholder return of 14.1% (2016: 24.6%).

Total shareholder return[1] (%)



1 Share price appreciation/depreciation and dividends received for the period.

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Customer & Client

We create value by being the financial services group of choice

Quality service is central to our growth. To retain and acquire customers and clients, we have to remain relevant by offering innovative and cost-effective products and solutions.

Key matters raised by stakeholders ...

- Access to cost-effective, simple and convenient financial services
- 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)

... inform our material focus areas ...

1. Understanding customer and client needs
2. Creating and delivering solutions through a balanced distribution model
3. Ensuring trust and safety
4. Effective management of information and technology while driving innovation

... to achieve the following value ...

For our customers and clients

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

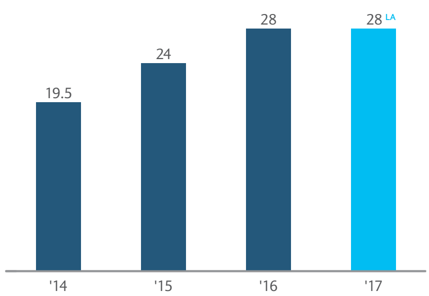
For the Group

- Improved NPS®
- Increased revenue from existing and new customers and clients
- Customer and client trust and support

We provide financial services to our customers and clients through a multi-channel approach, providing our customers and clients with a choice of engagement platforms from various digital solutions to call centres to face-to-face engagements in branches, client suites and with relationship managers. We continued refurbishing and re-positioning some of our branches, ATMs and cash-accepting devices. Increasingly, we emphasise the development of new technology-based solutions.

The growth of our business is directly linked to the way we treat our customers and clients and manage their assets, and we actively measure our performance through our NPS® among other service measures.

Group NPS® (%)



1. Understanding customer and client needs

Customers and clients expect businesses to understand and serve them better using existing information. Interactions with our customers and clients, through point-of-sale devices, ATMs, internet banking or call centres and in branches, are opportunities to understand them better. This information allows us to tailor customer and client solutions, which meet their needs at the right moment.

Technology has redefined transactional banking, and it accelerates our customer and client service across all channels. The intelligent relationship between data, insights-driven solutions and human interactions ultimately differentiates us through richer solutions with the correct products, services and advice.

Our data strategy is aimed at better understanding our customers and clients so to assist them with the right products and services and with their risk management.

2. Creating and delivering solutions through a balanced distribution model

South Africa Banking

South Africa Banking's strategic goal is to grow profitability by focusing on customer experience and service. This will be achieved by:

- investing in partnerships, digital, design and data capabilities, underpinned by redesigned customer service and experience;
- simplifying and automating processes to enhance customer experience, stability and reduce costs; and
- leveraging African expertise, while using our international network, to strengthen competitive propositions.

Our digital, design and data capabilities are essential for responding to our customers' and clients' needs, enhancing their experience and reducing their dependency on physical branches.

We simplify administration for our customers and clients through solutions such as account number portability (keeping the account number when changing account types) and digital upload of FICA documents. Swiish encourages customers to enjoy the benefits of online payments, and tapping and swiping Absa cards.

Absa Value Bundles offer exceptional value, and our pay-as-you-transact offering is a simple and transparent option for customers who only wish to transact minimally. Other innovations include a market-first integrated graduate proposition, higher embedded funeral cover on Absa Flexi Value Bundles, and new ATM functionality that allows customers to personalise and save their favourite transactions. Absa Rewards offers customers cash back and bonuses, based on their product portfolio and the way in which they bank.

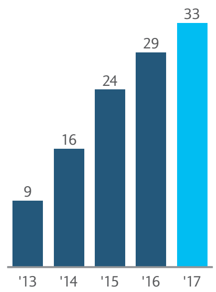
Through Absa Premium Banking, customers can use one card for all their personal banking, have free online and mobile banking, easier access to wealth advisory, family, lifestyle and travel benefits. Our free youth account, MegaU, now includes an interactive app that makes banking simple, rewarding and educational for children. Parents can use the app to teach children about money and the responsibility that comes with it.

Workplace Banking offers full banking and insurance at preferential rates on-site, and financial wellness education that strengthens our clients' employee value proposition. Virtual Pay allows businesses to better monitor and control their travel and entertainment expenses – it integrates with most procurement systems and travel booking tools to create and distribute virtual cards. This helps to curb fraud and card abuse.

Following the Separation, global connectivity and international partnerships will be critical for Corporate and Investment Bank. We will strengthen our competitive propositions across all sectors and enhance client relationships with independent international offices in the United Kingdom and the United States.

Our complaints per 1 000 customers increased to 0.92 (2016: 0.89), with 36% (2016: 29%) resolved at first point of contact. Despite this increase in complaints, our NPS® increased to 33%, up 4% from 2016. We achieved a consistent customer experience measurement score of 77 (2016: 76), driven by the personal attention received by customers at branches, resolving complaints timeously, providing accurate feedback, continued communication, and secure and reliable digital channels.

South Africa Banking NPS (%)



South Africa Banking customer experience measurement score

Rest of Africa Banking

Rest of Africa Banking's strategic goal is to achieve top three revenue position in all countries, while focusing on select sectors and product mix to manage costs. This will be achieved by:

- building a differentiated offering, supported by quality analytics, digital channels and competent relationship managers;
- becoming a market leader in economically critical industries – agriculture, wholesale and retail trade – across Africa, and in mining, oil and gas in selected countries; and
- gaining primary customers and clients through improved product delivery capability, including technology infrastructure, channels and product specialists.

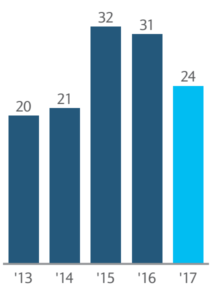
We developed insight-driven customer value propositions in Retail and Business Bank with a focus on customer lifecycle management and continued enhancing core infrastructure and digital platforms. We enabled internet banking for our small and medium business customers and focused on improving the customer onboarding and banking experience in the affluent and business segments. Customers and clients in Botswana, Ghana, Kenya, Uganda, Tanzania, Mozambique and Zambia without access to smartphones can make use of Hello Money (a basic mobile phone banking solution) and can also make online and ATM bill payments. Agency banking is operational in Kenya and allows our customers to perform basic transactions such as bill payments, balance inquiries as well as card and cardless cash deposits and withdrawals at third-party outlets.

Prepaid cards, available in Botswana, Kenya, Tanzania, Uganda and Zambia, are a cash management solution which enables customers and clients to distribute cards to individuals who can spend funds locally or internationally. CashSend allows cash remittance from our ATMs without a bank card and via a mobile phone in Botswana and Kenya. Kenya is piloting Timiza, the country's first ever virtual bank, offering instant lending, insurance and transactional capabilities via mobile phone. It uses statistical credit risk modelling to arrive at quick decisions for short-term loans.

We have continued driving opportunities in Corporate and Investment Bank. For example, we participated in our first, and the largest ever initial public offering on the Dar es Salaam Stock Exchange in Tanzania, with a value of USD213m. We facilitated the Ghanaian government's auction of four local bonds totalling USD2.3bn, the largest single-day bond sale in sub-Saharan Africa's history. The launch of our Barclays Africa Financial Markets Index, which ranks the maturity, openness and accessibility of 17 financial markets in Africa based on qualitative and quantitative criteria, is available to investors and corporate clients for consideration in business decisions.

Our Net Promoter Score® has decreased to 24% (2016: 31%), while we achieved a consistent customer experience measurement score of 75 (2016: 75). We have enhanced our retention model to better understand our customers and so improve our customer experience scores. We are also focusing on improving responsiveness and complaint management. Complaints per 1 000 customers was 7.70 (2016: 6.55), however we resolved 76% of these at first point of contact an increase from 67% in 2016.

Rest of Africa Banking NPS® (%)



Rest of Africa Banking customer experience measurement score

Wealth, Investment Management and Insurance

WIMI's strategic goal is to grow assets under management and to grow premium income through the protection of client assets, enabled by a simple and efficient business. This will be achieved by:

- retaining customers and gaining market share through collaboration with South Africa Banking and Rest of Africa Banking;
- investing in customer and digital initiatives and extracting value from existing data investments; and
- completing the exit from non-core business lines and building out the necessary capabilities for growth.

We constantly make business simpler and more cost-effective through digital self-service and system enhancements.

WIMI One View provides a single view of the customer, which improves data insights and our ability to serve customers better. We have diversified from face-to-face interactions to hybrid models (Virtual Advisor) and digital platforms (Virtual Investor), and we have enhanced our financial advisor value proposition by simplifying the remuneration structure for advisors and by including retirement and associated benefits.

We continue to leverage behavioural data and usage of products and solutions to create tailored solutions for customers across the wealth product spectrum. Our focus is on further enhancing existing value propositions and to build new propositions through internal innovation and strategic partnerships with niche specialist providers.

To support the distribution of our investment offering, and in addition to our internal network, we have a distribution network of independent financial advisers and continue to enhance coverage of the institutional investment market.

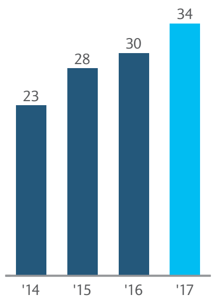
Our Virtual Investor tool is a platform for Absa and non-Absa clients to buy unit trusts online, and we revamped our Absa Investments website. Our focus remains on delivering simpler solutions through digital innovation and system enhancements.

In our insurance portfolio, we optimise opportunities and infrastructure, closely aligning with the South Africa Banking product and distribution channels. We continue to build a bancassurance network and skills base in South Africa to enable delivery in our Rest of Africa operations. We obtained the second bancassurance license ever issued in Uganda, allowing us to use our existing country infrastructure to provide insurance offerings through multiple channels.

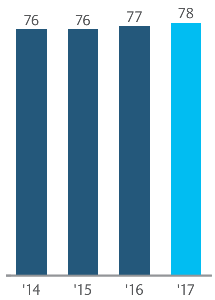
We have disposed of two intermediary business lines in order to focus on our core strengths and will continue to build digital and direct channels for customer convenience and improved efficiencies.

We achieved an improved Net Promoter Score® of 34% (2016: 30%), and a customer experience measurement score of 78 (2016: 77). Our complaints per 1 000 customers increased at 0.17 (2016: 0.16), which was still below expected levels, after the catastrophic weather events in the short-term insurance business, which traditionally increase complaints. We continue to address customer experience by improving our insights into our customers' and clients' needs, building capabilities to be more customer-centric and investing in our colleagues.

WIMI NPS® (%)



WIMI customer experience measurement score



3. Ensuring trust and safety

For our customers and clients, financial crime risks include ATM and branch security (for example card skimming and robberies), card fraud, and increasingly online/digital security risks. Threats from crime syndicates and cyber attackers are growing exponentially; we invest in protecting our customers, clients and the Group. We have a holistic security strategy that uses local and global alliances to continuously share threat intelligence and best practices for detection and prevention. Because of these alliances, for example, with the South African Banking Risk Information Centre, we proactively prevent customer, client and Group losses.

In 2017, total fraud losses were 28% lower at R184m (2016: R256m), with 97% (R178m) of fraud losses (2016: 81%, R210m) attributable to South Africa. Card fraud remains the main contributor, amounting to 54%, (R100m) (2016: 50%, R128m) of total Group fraud losses. Chip and pin technology prevented counterfeit cards, which accounted for the reduced losses.

Customer and client losses were 20% lower at R81m (2016: R101m) due to improved security protocols and lower value of fraud events. Social engineering techniques that steal account numbers, PINs and passwords are becoming more sophisticated. We engage with our customers and clients directly and through industry bodies to highlight the risks they face and continually improve our defences.

We actively develop protective measures, such as two-factor authentication in South Africa, which prevents fraudsters from intercepting verification messages to customers' SIM cards (an often-exploited vulnerability). Absa DebiCheck, currently in its pilot phase, allows customers to authenticate a debit order, including the value and processing date, thus curbing unauthorised or disputed debit orders.

We prevented more violent crimes due to advanced security technology and convictions. In 2017, public protests affected Absa branches and, regrettably caused some injuries to our customers and employees. Outside of South Africa, the physical security of our operations has remained stable.

4. Effective management of information and technology, while driving innovation

We are engineering the Group's future through three core initiatives that will make banking easier, safer and more affordable:

- Transform and modernise our applications and innovate ways to deploy our technology infrastructure.
- Build advanced data solutions that will provide us with deeper insights and improve customer and client experience.
- Make financial services safer through significant investments in leading edge cyber capabilities.
- Leveraging strategic partnerships and collaborating with fintechs to drive innovation, increase market access and enhance our customer value propositions.

Technology

Through our strategic change programme, and within the context of the Separation, we will transform our technology estate to include solutions for financial crime, human resources, corporate channels and payments.

Using cloud services, our technological operations are faster, more versatile, have reduced support overheads, and reach the market earlier. New hyper-converged technologies make our technology infrastructure more reliable, agile and scalable.

We are digitising our operations through robotics and artificial intelligence to improve turnaround times and customer experience. Innovations include facial recognition in fraud detection and client service automation.

We continuously develop and customise resilience policies, procedures and training to reduce the time to recover in the event of an incident.

Data management

We are growing our data management capability with the aim to become a holistically digital and data-driven business. This will enhance customer insights, improve delivery, facilitate high-quality regulatory reporting and deliver operational efficiencies.

Through formal learning programmes as well as the acquisition and retention of top talent, we have access to the latest advanced analytics thinking around machine learning and artificial intelligence to solve business problems. We partner with universities, sponsor various data science scholarships and, in particular, we are co-developing a Masters programme in data science with the University of Pretoria in South Africa.

Our data and analytics capabilities improve risk management, using models to detect, predict and prevent financial crime. We are also able to predict ATM downtime by analysing usage. We collaborate with our corporate clients to leverage our investment in data science and assist them with their data challenges. We gather insights from their own data, using our infrastructure and in-depth knowledge.

Cyber security

Cybercriminals and organised crime syndicates are well-funded, well-resourced and capable of sophisticated attacks, targeting consumers, citizens and industries alike. As threats grow exponentially, individuals and corporate cyber security must become more vigilant to protect personal and business information, and digital interactions.

We have consolidated the full suite of security as one function. This provides one strategy and direction including:

- cyber security and risk management;
- information security and information risk management;
- physical and executive security;
- fraud defence, forensics and investigations; and
- resilience under one strategy.

This enables a holistic view of security risks across our operations and customer interactions, a unified view of the threat landscape (physical or virtual) and an integrated response to address risk at its source.

Embedding security as part of our culture is key, and we take proactive measures to continuously improve our employees' capabilities, our security culture and our customers' and clients' awareness around threats. We have improved the secure authentication of our customers and clients across our digital channels and continuously review and improve our fraud defences.

One of the challenges we face is the growing need for employees with the expertise to defend us against the threat landscape. Over two million cyber security vacancies are expected globally by 2019, and Africa has an especially critical need for cyber security skills as it digitises and connects virtually.

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Colleague

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

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

Key matters raised by stakeholders ...

- Leadership continuity and managerial depth
- Talent attraction, development and retention of critical skills
- Productivity through an agile culture
- Diversity and transformation
- Skilling of employees for a digital future

... inform our material focus areas ...

1. Distributed leadership as a source of value
2. Creating an entrepreneurial and innovative culture with greater ownership and autonomy
3. Attracting and retaining quality employees in a competitive employment environment
4. Building bench strength through distinctive development opportunities
5. Accelerating our diversity, with a focus on gender and, in South Africa, race
6. Building human resource capability for a digital world

... to achieve the following value ...

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

Empowering performance

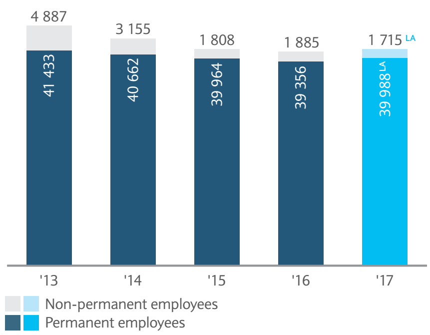
Our new corporate strategy requires a different people value proposition, underpinned by an entrepreneurial and innovative culture which is energised by distributed leadership across the organisation. To this end, we must increase investment in building capability and strengthen our employer brand.

We consistently attract, retain and develop high-calibre individuals. Our talent and critical skills retention is the highest it has been in the past five years.

We employ 41 703[LA] people (2016: 41 241), of whom 39 988[LA] are permanent. The slight increase is driven by our investment in capability post Separation.

We have developed strong and constructive partnerships with our unions, which represent 52.0% of our workforce.

Permanent and non-permanent employees (number)



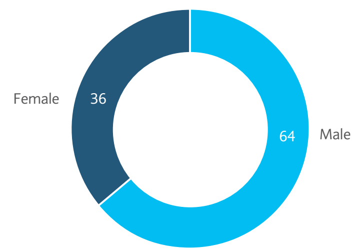
1. Distributed leadership as a source of value

We need a competent executive team and strong leadership pipeline to deliver value for our customers and clients, and sustain the confidence of our investors and regulators.

We have a seasoned, stable and diverse executive team: 36.4% are female (2016: 33.3%) and 36.4% are Black (2016: 33.3%). In line with our commitment to leadership diversity, 69.8% of promotions to senior leadership in 2017 were Black (2016: 58.1%) and 47.9% were female (2016: 36.0%).

We developed our leaders and managers with an investment of R46m (2016: R30.8m).

Executive Committee composition (%)



2. Creating an entrepreneurial and innovative culture

In early 2017 we set out to redefine our purpose, strategy and culture in collaboration with our employees. Our #ExpressYourself journey included broad employee engagement, founded on the principles of co-creation and transparency.

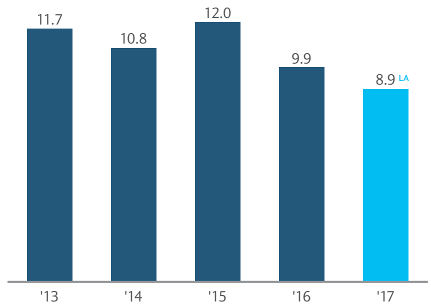
- All employees were invited to participate in the Gallup Survey to assess employee engagement.
- 4 100 employees were selected to complete an Organisational Health Index survey.
- 17 focus groups were held across four countries.
- All employees were invited to nominate their peers as change leaders.
- 150 senior leaders met in October 2017 to reflect on the findings of the surveys' and to co-create our strategic intent and shape the path of change required to become a thriving organisation.
- 500 employees, nominated by their peers, joined senior leaders in November to reflect on the journey thus far and to share their feedback, concerns and hopes for the future.

Our employees (i) believe that talent management could be improved by offering more attractive career opportunities, improving career management, including development opportunities based on merit, and aligning financial incentives with the market; (ii) see the Group at times as too bureaucratic with authoritative leadership, risk-averse, and internally focused; (iii) feel that the organisation's vision is clearly communicated and translated into clear objectives and key performance indicators at the business unit and individual level; (iv) have clearly defined operating processes and procedures; (v) believe we have the capabilities needed to achieve our strategy; and (vi) care deeply for the Group and have a strong desire to help the us succeed, despite their change fatigue.

3. Attracting and retaining quality employees

We are attracting and retaining a diverse workforce to broaden our perspectives and enhance performance. Our improving employer brand, and the pan-African opportunities we offer, underpin our ability to attract top employees. We filled 7 438 vacancies (2016: 6 771), up 9.9%, and our average time to hire improved for the fourth consecutive year, down by 9.2%, to 35 days (2016: 38 days). We have invested significantly in specialist, and senior hiring to meet our needs following the Separation, and we have filled 3 393 professional roles (2016: 2 516).

Permanent employee turnover rate (%)



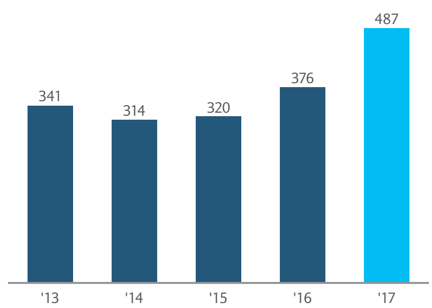
We continue to invest in our critical skills needs in technology, digital, data, and cyber security. We have hired 843 professionals, including 71 in our cyber security team (77% Black) and 91 data professionals (80% Black).

We experienced the lowest employee turnover in five years at 8.9%. 95.4%[LA] of high performers were retained (2016: 93.5%), and voluntary attrition reduced to 6.4% (2016: 7.4%).

4. Building bench strength through distinctive development opportunities

Unique development and career experiences are a key component of our employee value proposition. We spent R487m on developing the technical, commercial and leadership capabilities of our employees. The 30% increase in development spend was primarily due to the launch of technical academies for developing local content to replace leadership, management, and core skills offerings that replaced those previously provided by Barclays PLC.

Total direct cost of development (Rm)



The new academies include: finance, risk, security, human resources, compliance, internal audit and operations. For example, we launched Compliance Career Academy in partnership with Duke Corporate Education and the University of Cape Town Graduate School of Business and we established an Internal Audit Academy to build and maintain the skills of our internal audit professionals.

Our approach to learning is employee-led and our employees benefited from a catalogue of 3 847 different learning programmes (2016: 3 152).

Following discussions on the need to develop business leaders in Africa, we collaborated with BankSeta on the Africa Expansion Programme, and launched it in South Africa. The initiative is also available to other major banks in South Africa.

Our investment in local talent is reflected in fewer assignees from Barclays PLC, down from 46 to 25. We had 117 employees on regional assignment within Barclays Africa (2016: 135) with 59 additional assignments commencing during 2017.

We maintained a healthy internal hire ratio, while investing in external skills acquisition for technology, risk, and core functional areas. 59% of vacancies were filled by existing employees, providing them with growth and career progression opportunities. Of these, 2 590 (49%) were promoted (2016: 48%), reflecting the strength of our internal talent pipeline.

We attract and develop high-potential young leaders. 85 graduates from across the continent participated in our 2017 Rising Eagles Programme (2016: 113). They join over 1 100 young professionals who have built their careers with the Group since the programme's inception in 2008. We sponsored 2 214 (2016: 2 198) learnerships and internships in South Africa as part our continuing commitment to Shared Growth.

We developed opportunities that focus on scarce skills:

- Our Digital Academy internship hosted 125 interns, of whom 98 have taken up permanent employment.
- 15 interns participated in the Design Internship Programme, all of whom have decided to build a career with us.
- A Cyber Academy was launched which will host 20 learners in 2018.
- Eight data scientists graduated from the New York Data Science Academy, and 11 will commence the programme next year.
- In partnership with Gijima and Microsoft SA, we piloted an internship programme for African Data Science graduates.

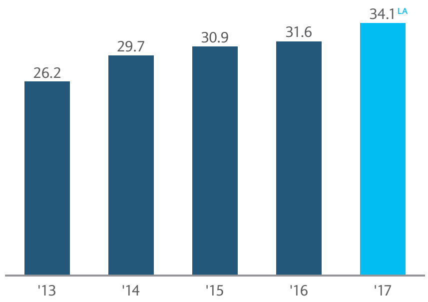
5. Accelerating our diversity

Diversity is core to our Values, key to our commercial success and deeply rooted in our commitment to Africa. We have a distinct advantage in our wealth of diversity across Africa.

Gender parity is a global social issue, and we embed its principles into our core employee processes and practices.

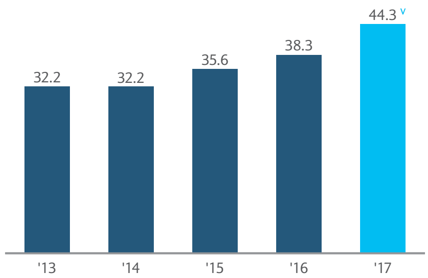
Women make up 61.4% (2016: 61%) of our employees and accounted for 59% of promotions (2016: 60%). Over the last five years, our female representation in senior leadership improved from 26.2% to 34.1%LA.

Women in senior management (%)



In South Africa, we have also made good progress with employment equity. Over the last five years, Black representation in our senior leadership improved from 32.2% to 44.3%V.

Senior Black management (%)



Black employees make up 71.9% (2016: 68.4%) of our workforce and accounted for 80.8 % (2016: 82.5%) of promotions. 90% of external hires were Black (2016: 88%) and 69% of all external hires were SA African (2016: 65%). We hired significantly more SA Africans in middle management at 56% (2016: 47%). 44% (2016: 33%) of senior management hires were SA African. 88% (2016: 83%) of our 3 113 (2016: 2 361) bursary recipients, graduates and learners are Black and 59% (2016: 58%) are Black females.

More than 5.0% of our workforce is impacted by disabilities, and we support their workplace needs, including specialised facilities and technology. Our Reach Network raised awareness around disabilities through the 'This is Me' campaign.

Our Lesbian, Gay, Bisexual and Transgender, intersex (LGBTi) Spectrum Network spans the continent and has championed multiple initiatives, including education campaigns, pride celebrations and the launch of an LGBTi mentoring programme.

6. Building human resource capability for a digital world

As we build a digital organisation, it is important that we deliver a digital experience for our customers, clients and employees.

We are implementing Workday, a leading cloud-based human resource service, to consolidate 16 systems into a single platform that is delivered through mobile, tablet and desktop for an enhanced and intuitive employee experience.

Citizenship

We create value by having a positive impact on the communities in which we operate

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

Key matters raised by stakeholders ...

- Societal challenges, such as access to financial services, education, employment opportunities and economic growth
- Funding for strategic partnerships in community development
- Our environmental footprint and how we manage it

... inform our material focus areas ...

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

... to achieve the following value ...

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
- Decreased risk exposure through greater financial literacy among consumers
- Minimised environmental impacts
- Strengthened social licence to operate

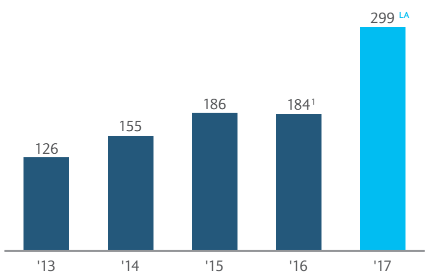
Our business is driven by a philosophy of Shared Growth which, in Citizenship, is focused on three areas: education and skills development, enterprise development and financial inclusion. Collaboration is key to our approach, and we drive strategic partnerships with like-minded stakeholders.

1. Supporting education and skills development

We aim to holistically improve the education ecosystem by focusing on learners, as well as administrators and institutions. We deliver on our commitment by:

- enabling increased access to education by providing financial support to individuals pursuing tertiary studies;
- strengthening the capacity of, and delivery by, educational institutions and government agencies by providing strategic funding, training and infrastructure support; and
- enabling increased access to employability or other economic opportunity by providing workplace exposure, job-shadowing and placements.

Shared Growth disbursements on education and skills (Rm)



[1] In line with our Shared Growth strategy, we refined our definition in terms of our community investment spend and as a result, the 2016 and 2017 values are not directly comparable to prior years.

In our continued response to the student funding crisis in South Africa, we partnered with 21 universities to provide R154m in scholarships to 3 568 students (2016: R80m; 2 000 students). Towards the end of 2017, we began rolling out the programme into other countries, beginning with Mauritius, Seychelles and Tanzania, where we awarded 47 scholarships by year end. We have structures in place to expand this programme to the remaining countries in our footprint.

Our partnerships within the South African government's Adopt-a-TVET (technical and vocational education training) initiative reached 36 (2016: 16) colleges. 1 236 (2016: 480) students completed their curricula's workplace exposure and job-shadowing requirements within the Group. We also sponsored college graduation ceremonies. The Mail & Guardian awarded us their 2017 Drivers of Change Business Award, in recognition of our impact in supporting youth.

Our school governing body training takes place each year in different provinces across South Africa. In 2017, we focused on three provinces – North West, Free State and Northern Cape – training 2 636 governing body members from 669 schools in financial management and governance (2016: four provinces – Eastern Cape, Limpopo, Mpumalanga, KwaZulu-Natal –10 521 governing body members and 2 725 schools, respectively). The decline in reach is attributed to the lower number of schools in the respective geographies.

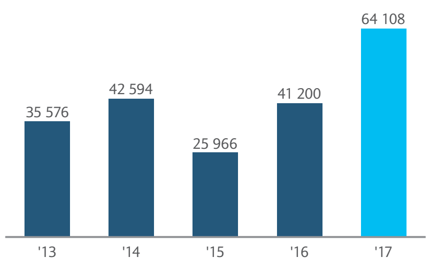
We donated R2.1m worth of furniture and equipment infrastructure to educational institutions and community based organisations in South Africa.

ReadyToWork, our free e-learning platform, provides four soft-skills modules – work, money, people and entrepreneurship – to improve employment or self-employment prospects for job seekers. 215 422 new users accessed the site, and 8 558 received work exposure, internships or placement opportunities through the platform's employability partnerships.

2. Investing in enterprise development

To encourage socioeconomic growth, we support small and medium enterprises (SMEs) with procurement opportunities, supplier and entrepreneur training and business development support, and access to finance. To become successful, competitive and sustainable, entrepreneurs need access to business skills, information, networks and markets.

SMEs supported (number)



In South Africa:

- Our procurement spend with qualifying small and emerging micro enterprises was R3.03bn (2016: R3.1bn), including R689m in our insurance business for small claims fulfilment opportunities to 330 SMEs (2016: R58m; 50 SMEs).
- We co-invest with our corporate clients and civil society partners, including TechnoServe and Citrus Growers Association, in a number of capacity building programmes and advisory services. We incubated 310 SMEs (2016: 345) through various partnerships and platforms, including our Enterprise Development Centres, the SEED Academy (a SME training centre) the Absa Accelerator Programme and the Absa Enterprise Development Programme.
- 64 108 SMEs and aspiring entrepreneurs were upskilled through a range of business development support services (2016: 41 200).
- Our Virtual Incubator App, created in partnership with The Awethu Project, provides basic business concept training, business tools and access to a network of like-minded entrepreneurs. It was downloaded 23 781 times, and received MTN's 2017 Best Education App Award. The app is part of our entrepreneurship offering with our South African TVET partners, and will be rolled out in our Rest of Africa markets in 2018.

We help to transform and grow the township economies of Gauteng, Limpopo and Mpumalanga by modernising spaza shops through a multi-million rand credit facility. Partnerships, such as with the University of Pretoria's Mamelodi Business Clinic stimulate sustainable entrepreneurship through training and skills development for start-ups in the community.

Our structured approach to value chain financing blends our commercial funding with more affordable funds and/or guarantees from third parties to provide more affordable financing rates for emerging businesses that would not otherwise qualify for traditional finance. We have raised R2.1bn in financing to support SMEs and to assist our corporate clients to optimise their supply chains. We are disbursing these funds using a customised technology platform. Development funds lent to SMEs in our corporate value chain amounted to R107.4m and lending via third-party guarantees amounted to R108m.

In the Rest of Africa, we invest in aspiring and emerging entrepreneurs through a range of unique partnerships:

- In Botswana, we partnered with Project Concern International, to incubate 48 youth SMEs, coach them, and teach them business skills in farming, manufacturing, services and retail.
- Elev8 – a Mauritius-supported incubator – enables established and aspiring entrepreneurs with promising technology ideas to develop and refine their propositions and present to potential investors. We supported eight (2016: nine) businesses.
- In Tanzania, 21 SMEs benefited from a university entrepreneurship programme aimed at recognising and supporting university student entrepreneurs.
- Through our partnership with the British Council in Ghana, 176 SMEs are receiving training and business development support through specialised clinics.

3. Improving access to financial services

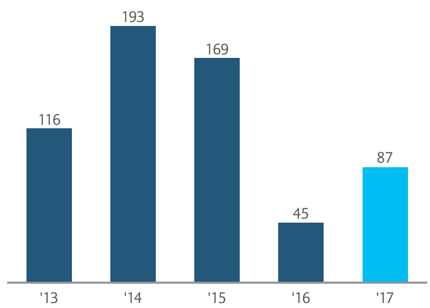
We contribute to a more inclusive economy and the financial wellness of our communities by developing affordable needs-based financial products and innovative convenient delivery channels, supported by consumer education and financial literacy training. We aim to use various communication channels to educate customers on managing the costs of everyday banking products.

A range of products serves the needs of the entry market, and we have sought ways to better meet customer needs and increase accessibility. For example, we reached 50 115 youths through the MegaU free transactional account in South Africa.

Atlas, our micro-lending product in Ghana, is used by over 300 000 customers. Funeral expenses are often a burden, and so we increased the funeral cover provided on the Absa's Flexi offering. Through a strategic agency banking partnership with the Kenyan Post Office, we serve customers through 375 new points of presence. In Botswana, the Mabogo Dinku initiative uses the Barclays Motshelo account as collateral in order to extend business financing for groups who would not otherwise qualify for credit facilities. In 2017, 223 groups had accessed loans from Mabogo Dinku and 6 609 Motshelo accounts.

Our consumer financial education interventions empower individuals to make informed choices and improve their lives through responsible personal financial management. Consumer education initiatives in South Africa reached 76 917 (2016: 45 930) consumers in face-to-face interventions and an additional 10 549 consumers in Botswana, Ghana, Seychelles, Uganda and Zambia.

Financial literacy – number of consumers reached ('000)



4. Environmental stewardship

We are aware of our role as environmental stewards, and our environmental impacts are (i) indirectly via our lending, investing and procurement practices and (ii) in managing our direct environmental footprint.

In terms of our lending practices, we provide project financing to project sponsors undertaking environmentally and socially responsible developments. In 2017, we had no Equator Principles project finance transactions (over USD100m) that reached financial close. The delayed signing of the outstanding power purchase agreements under the Renewable Energy Independent Power Producers Programme has delayed the financial close of some of the projects we are supporting.

We provided environmental and social risk guidance on 98 (2016: 151) general transactions (outside the Equator Principles definitions or scope) with the majority in mining and metals, oil and gas power generation (including renewable energy).

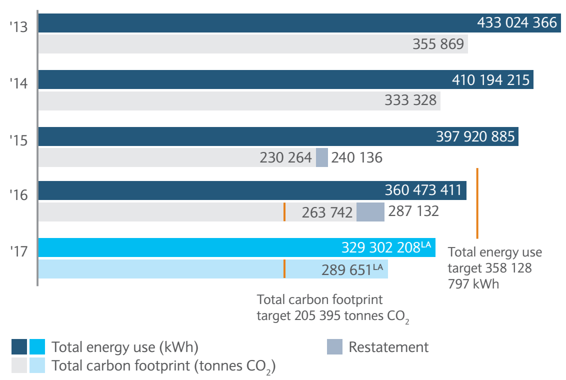
Energy security is critical to Africa's economic growth, and we play a role in funding renewable energy and fossil fuel projects. South Africa is the continent's largest renewable energy market – to date, the Department of Energy has approved 65 long-term projects, with a total capacity of 4 016MW. We have been involved in financing 21 projects with a combined capital value of R62bn, totalling 1 698MW or 42% of approved projects (456MW solar photovoltaic, 892MW wind and 350MW concentrated solar technologies). A further 12 projects totalling 1 218MW are expected to reach financial close, and so will receive financing from us in 2018.

We have a focused strategy for our direct impact to reduce our natural resource consumption and pollution through alternative energies (such as gas and solar); our energy costs; and our dependence on conventional electricity supply.

Our property portfolio's energy efficiency initiatives exceeded expectations, and we achieved the energy reduction target in 2016. Our total energy consumption reduced by a further 8.6% to 329 302 208kWh[LA] (2016: 360 473 411kWh).

Our corporate real estate reduced by 31 000m^2, and we retained Green Star ratings in four buildings. By relying on our Johannesburg Campus energy centre, we decreased our demand from national energy suppliers by over 14 million kWh (equivalent to powering 1 150 households for a year) and reduced our carbon footprint by 9 725 tonnes by using cleaner gas power supply. We continue to balance the most cost-efficient and environmentally friendly energy sources. This resulted in increased 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. Our total carbon footprint therefore increased by 0.9% in 2017 to 289 651 tonnes CO_2[LA] (2016: 287 132 tonnes CO_2). We have, however, implemented initiatives to reduce our footprint by 2 600 tonnes CO_2 by 2018.

Total energy use (kWh) and total carbon footprint (tonnes CO_2)



Note
In 2016, we set out to reduce our energy consumption by a further 10.2% and our carbon emissions by 10% by 2018, against the 2015 baselines.

The International Energy Agency released new carbon factors for all countries in 2017 and backdated them to 2015, which increased our reported carbon footprint by 4% and 8% in 2015 and 2016, respectively.

In South Africa we:

- maintained 1.4 MW of solar photovoltaics, saving 2 000 tonnes of carbon emissions (equivalent to 51 800 trees grown for 10 years); and
- saved 13.9 million litres of water (2016: 12.4 million) through leak management and grey water systems, and we are investigating air-to-water systems, and we are investigating air-to-water generators for drought stricken areas.

Our CDP (formerly Carbon Disclosure Project) score stayed steady at a B ('taking coordinated action on climate change issues') rating which is in line with the industry average.

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Conduct

We create value by acting with integrity in everything that we do

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

Key matters raised by stakeholders ...

- Ethical work environment underpinned by sound conduct and corporate values
- Financial system stability spanning financial soundness to fair treatment of consumers
- Adequate and timeous response to consumer and customer-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

... inform our material focus areas ...

1. Driving an ethical culture
2. Responding to conduct-related regulations
3. Managing conduct-related risk

... to achieve the following value ...

For our regulators, customers and clients

- Fair and ethical treatment when dealing with the Group
- A stable financial services sector
- Inclusive and transformed sector
- Fair advice and distribution

For the Group

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

1. Driving an ethical culture

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.

As a participant in local and global platforms, such as local banking associations and Group of Thirty (G30), we recognise the systemic importance of the financial services sector, and the need to aspire to the highest standards of culture and conduct.

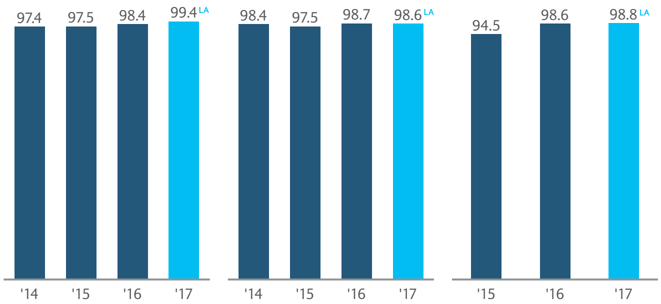
Our code of conduct outlines the behaviours which govern our interactions with stakeholders across the business. Our Conduct culture fosters values-based decision-making and shows how our policies and practices align with our Values. Our supplier code of conduct outlines the standards we expect from them.

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 (TCF) 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.

Employees attesting to our code of conduct (%)[1] | Fighting financial crime (%)[1] | Conduct Risk College (%)[1]



[1] Fighting financial crime and Conduct Risk College introduced in 2014 and 2015 respectively.

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

2. Responding to conduct-related regulations

Laws, regulations and codes 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.

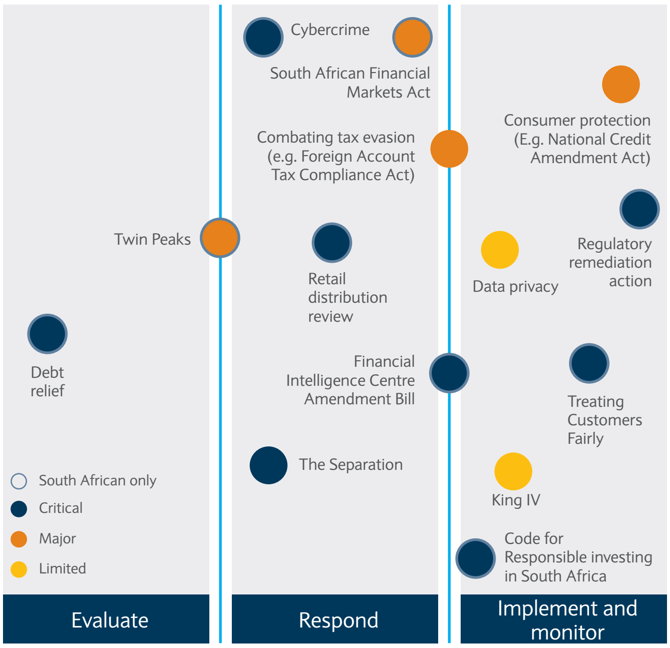
In South Africa, we are supervised and regulated mainly by the South African Reserve Bank, Financial Services Board and ancillary regulators such as the Competition Commission of South Africa and the Financial Intelligence Centre. The Reserve Bank oversees the banking industry, and follows a risk-based 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. These oversight responsibilities have been revised under the Financial Sector Regulation Act.

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 are evolving. While this places additional requirements on the Group, we support efforts to ensure a stable financial services sector and a safe and fair operating environment. We are seeing an increasing emphasis on regulations relating to responsible investing and financing initiatives. We have already adopted the Code for Responsible Investing in South Africa and continue to monitor other guidelines such as the Task Force on Climate-related Financial Disclosures.

We seek to balance the requirements and the cost of compliance to minimise the impact on customers and clients, and on shareholder returns.

The diagram below displays this regulatory environment, the stage of implementation and the impact on our operations.



This regulatory landscape has a 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 necessary for regulatory change are implemented.

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. The enactment of the Financial Intelligence Centre Amendment Act supports this.

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 processing efficiencies, and meeting local requirements.

We have done extensive work to prepare for the implementation of the Protection of Personal Information Act in South Africa.

Similarly there is ongoing focus to ensure the protection of our customer data in our Rest of Africa operations.

Responsible credit and insurance

Governments in a number of jurisdictions are enacting or considering legislative focus areas to regulate credit extension. Some of these seek to reduce consumer indebtedness through limits, and to ensure banks provide more information to credit bureaus. Regulatory matters relating to the limitation of fees and interest rates, maximum costs of credit life and mechanisms for resolving over-indebtedness are also being addressed. Another focus area deals with debt relief for consumers, which remains topical in South Africa, with engagement between industry and the regulator continuing. South Africa's 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 settled.

Twin Peaks reform in South Africa

The Financial Sector Regulation Bill overlays existing financial sector legislation creating a framework designed to supervise the financial sector comprehensively and, ultimately, ensure financial stability and better outcomes for customers and clients. The two elements are prudential supervision by a Prudential Authority within the South African Reserve Bank and market conduct whereby the Financial Services Board will be transformed into a dedicated market conduct regulator – the Financial Sector Conduct Authority. We are well positioned to meet the requirements of Twin Peaks when it is enacted later in 2018.

Retail Distribution Review in South Africa

Despite the Financial Advisory and Intermediary Services Act's significant progress in raising intermediary professionalism, improving disclosure to customers and clients as well as mitigating certain conflicts of interest, there remained concerns about poor outcomes for customers and mis-selling of financial products. The Financial Services Board's Retail Distribution Review aims to reform the framework for financial advice and for distributing financial products to financial customers. The framework is wide ranging, covering delivery of suitable products; fair access to advice; fair and transparent pricing; product comparability across the industry; standards of professionalism and sustainable business models for financial advice that enable advisors' businesses to deliver fair customer outcomes over the long term.

3. Managing conduct-related risk

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

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 risks.

We monitor our progress in managing conduct risk through a combination of internal processes and stakeholder feedback.

A number of matters relating to the Group for example the Public Protector's Bankorp report, have been profiled to the public, and we respond to these through the relevant and appropriate channels. Sound response mechanisms are in place particularly in addressing the issues that potentially attract reputational damage. We revised our reputation risk framework and strengthened our media relations capabilities, allowing us to manage issues, while maintaining internal communication with our colleagues.

Regulators

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.

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.

Arising from findings of previous reviews, remediation projects relating to our compliance to the National Credit and Financial Intelligence Centre Acts have been successfully concluded.

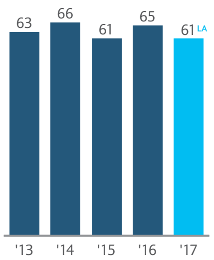
In the normal course of business, our various regulators conduct reviews of our business operations' controls and our progress in meeting regulatory requirements. We continuously focus on compliance and risk controls. At times however, remedial action is required, and administrative penalties and fines are levied on the Group. In 2017, we incurred R5.3m in penalties – the most notable being the R5m penalty imposed on Barclays Bank Mozambique relating to weaknesses in transaction monitoring protocols regarding anti money laundering in 2015, which has since been remediated.

Internal factors

We remained focused on system stability to decrease service interruptions, the protection of customer and client information in an ever increasing digital environment and increasing employees' product knowledge and skills needed to uphold Treating Customers Fairly practices. We have further improved our complaints management processes to ensure the recording of, and prompt response to, customer feedback.

Treating Customers Fairly

Treating Customers Fairly outcome score (%)



Our comprehensive Treating Customers Fairly outcome survey measures the experience of customers and employees on the perceived performance of the Group against our conduct risk and Treating Customers Fairly outcomes.

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 survey includes a range of questions relating to culture, customer strategy, proactive management and market integrity.

South Africa Banking's and Rest of Africa Banking's scores decreased from 61% to 60% and 65% to 61%, respectively. A more robust Treating Customers Fairly outcomes process was implemented in the Rest of Africa during the year, resulting in lower, but more accurate scores.

We remain focused on:

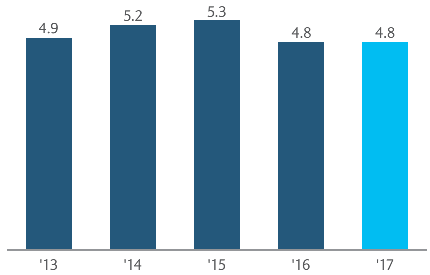
- the impact of culture on conduct across the Group to enhance integrated decision-making in the management of conduct risk outcomes;
- implementation of the revised Conduct Risk Framework, which was enhanced to incorporate the G30 recommendations on conduct and culture. The G30 is an international body with one aim being to strengthen good practices in banking culture and governance;
- using data analytics and digital platforms to improve the management of conduct risk and customer service; and
- implementing and embedding new regulatory requirements across the continent.

Monitoring the conduct of employees

Overseen by the Group Social and Ethics Committee, we monitor employee conduct through surveys and reviews of the number and root causes of disciplinary cases, grievances and whistleblowing statistics.

The number of disciplinary cases as a percentage of employees remains stable, and the majority of matters dealt with in 2017 relate to less serious offences. Of the 2 036 disciplinary cases concluded in the year (2016: 1 976), 444 were as a result of ethical breaches (2016: 462).

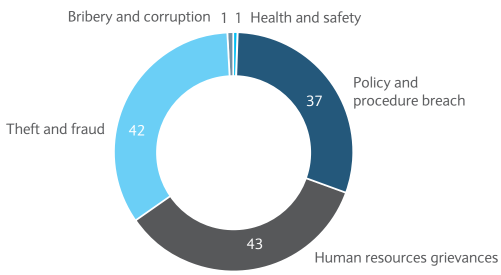
Disciplinary cases as a percentage of employees (%)



Our whistleblowing programme provides a safe platform to raise concerns of unethical behaviour or fraud confidentially and, where permissible, anonymously. 285 employee conduct-related whistleblowing cases were reported and concluded (2016: 251). However, only 44% (2016: 35%) were substantiated. Tip-offs are the most common detector of fraud, proving the importance of a whistleblowing function.

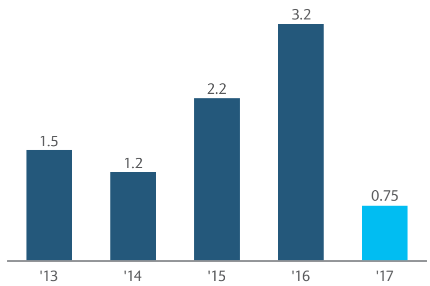
Once a tip off has been received it is categorised and assessed for allocation to the appropriate investigative unit. This process allows for the management of actual or potential conflicts of interest of investigative parties on a case by case basis. Where issues are identified they are referred to senior management for remediation action.

Substantiated cases breakdown (number)



Grievances as a percentage of permanent employees decreased significantly to 0.75% (2016: 3.2%). This is mostly due to the improved timing of the performance rating communications, and the improvements which we began in 2016 to manage grievances related to annual performance management ratings and bonus payments individually. Overall, the number of grievances remains within tolerance levels.

Grievances as a percentage of total employees (%)



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Broad-based black economic empowerment performance summary

In South Africa 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 (FS Code). Our long-standing commitment to transformation goes beyond the FS Code.

We believe it has the following core components

- Investing in economic growth and entrepreneurs, creating sustainable jobs and reducing inequality;
- Strengthening South Africa's competitiveness by developing each demographic's skills base;
- Using intellectual, financial and human capital to improve our communities;
- Transforming our own organisation through a fair, equal-opportunity, values-based culture; and
- Addressing historic imbalances by enabling Black people, women, youth and people with disabilities to sustainably and independently participate in the economy.

Transition to the Amended FS Code

Since 2013 we have been reporting our transformation progress against the FS Code, gazetted in 2012. It was subsequently aligned with the Amended Generic Codes of Good Practice, and the Amended FS Code was gazetted (and became effective) on 1 December 2017. Other than supplier development the code has the same elements, however, certain changes within the elements do not allow for year-on-year comparison.

Other than higher targets, key changes include revised qualification points required to attain each BBBEE contributor level; priority elements and the discounting principle effect – those elements that have minimum points requirements to avoid a level discount; a new measurement – supplier development; and heavier weightings for each FS Code element.

Verified scorecard

	Key elements	Old FS Code Points + (*)	2013	2014	2015	2016	Amended FS Code Points + (*)	**2017**^v
1	Ownership	14 + (3)	6.62	8.73	8.66	9.94	23 + (5)	**17.67**
2.1	Management control – Board	8 + (1)	3.04	3.24	3.63	4.96	8	**5.01**
2.2	Management control – Employment equity	15 + (3)	9.70	9.87	10.22	11.72	12	**7.77**
3	Skills development	10	9.07	9.12	9.68	10.00	20 + (3)	**15.52**
4	Preferential procurement	16	14.92	15.28	16.00	16.00	15 + (4)	**14.52**
5	Empowerment financing	15	13.91	14.80	15.00	15.00	15	**15.00**
5	Enterprise development	5	5.00	5.00	5.00	5.00	3 + (2)	**3.00**
5	Supplier development	–	–	–	–	–	7 + (2)	**9.00**
6	Socioeconomic development	3	3.00	3.00	3.00	3.00	3 + (2)	**5.00**
	and Consumer education	2	2.00	2.00	2.00	2.00	2 + (1)	**2.76**
7	Access to financial services	12	7.90	8.40	8.00	10.94	12	**10.27**
	Total	100 + (7)	75.16	79.44	81.19	88.56	120 + (19)	**105.52**
	BBBEE contributor level status		Level 3	Level 3	Level 3	Level 2		**Level 2**

* Bonus points.

Our full BBBEE Report is available for download at barclaysafrica2017ar.co.za. Our BBBEE performance is independently verified by an accredited verification agency.

1. Creating ownership opportunities

In 2004 we allocated 10% ownership to Black participants through the Batho Bonke empowerment consortium. 4.99% of the deal was unwound partly in 2009 and the remaining 5.01% in 2012. The deal created a net value of R2.5bn, after the consortium sold their equity. With the Amended FS Code, which recognises the Black ownership after the sale of shares, limited to the net value realised, we are still able to claim a portion of our Black ownership points in respect of the sale.

Our ownership score of 17.67 aggregates (i) the recognition of ownership after the sale by Black participants, (ii) indirect ownership, and (iii) equity equivalents from surplus empowerment financing. This translates to Black persons and Black women ownership of 14.96% (2016: 17.36%) and 6.41% (2016: 6.72%), respectively.

As part of the Separation, Barclays PLC contributed the cash equivalent of 1.5% of our market capitalisation towards the establishment of a new BBBEE structure. This contribution was used to acquire a stake in Barclays Africa, pending a new BBBEE share ownership scheme. It was valued at R2.4bn as at 31 December 2017.

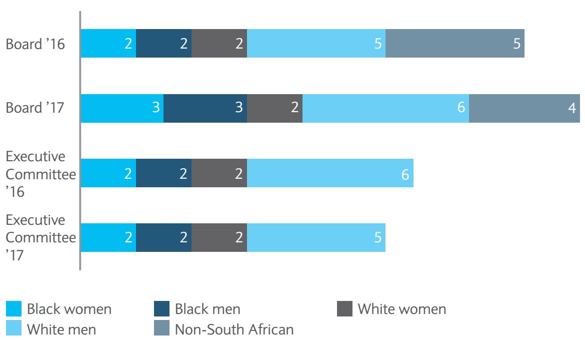
2.1 Management continues to transform

The Amended FS Code requires that we disclose our ownership and management control at the effective date of our BBBEE certificate (7 March 2018).

Our Board comprises 18 directors, 14 members are South African, of whom three are Black men and three are Black women. The remaining four are Ghanaian, Kenyan and (two) British nationals. We appointed a Black South African woman, Tasneem Abdool-Samad on 1 February 2018, which increased our Board's Black representation to 33%.

The Executive Committee comprises 11 members of whom two are Black men and two are Black women. Our Chief Audit Executive is also a Black woman, however she is an *ex officio* member.

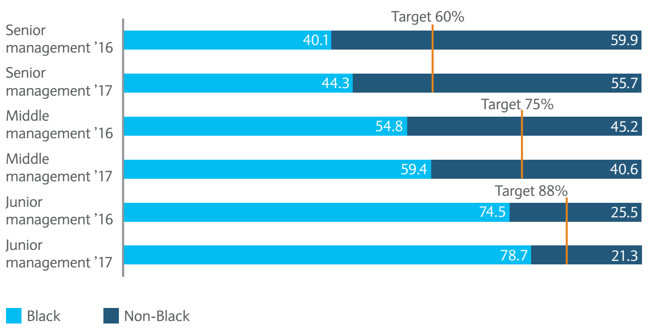
Management composition (number)



2.2 Progress with employment equity

In South Africa, 71.9% of our employees, 90% of new hires and 80.8% of promotions were Black (2016: 68.6%; 88%; 82.5%, respectively). Middle management employees are a critical pipeline for senior succession, and we offer them formal learning, coaching and mentoring opportunities.

Management composition per level (%)



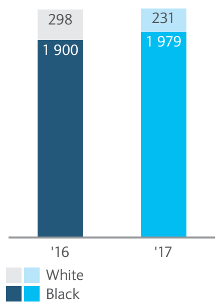
3. Forming partnerships to address skills development needs

We invest in skills development to address knowledge and skills gaps within the organisation and the wider South African labour market. We provide on-the-job training, management and leadership development, formal learnerships, internships, employee tertiary qualification bursaries, and the Rising Eagles Graduate Programme. Of our 2 210 learnership recipients, 1 979 are Black. 363 were unemployed Black learners, 174 of whom completed their learnerships in 2017 and 93 have been permanently placed in the Group or elsewhere in the financial services industry.

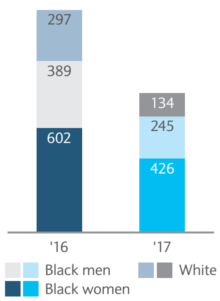
Our employees leveraged the internal development offerings available to them, contributing to the reduction in bursary recipients to 805, of which 671 were Black. (2016: 1 288: 991 respectively).

We participate in formally funded programmes with BANKSETA and INSETA – statutory bodies that support and develop skills for the financial services sector.

Learnerships offered (number)



Internal bursary recipients (number)



4. Preferential procurement increasing

Our procurement spend is weighted according to the BBBEE contributor level of suppliers. Our total weighted spend on products and services increased to R17.9bn from 2 374 BBBEE-accredited suppliers (2016: R17.8bn; 2 608). However, total weighted spend with Black SMEs declined to R2.9bn from R3.1bn.

We are increasing our spend with accredited Black-owned and Black women-owned suppliers through supplier development initiatives. These initiatives increase Black SMEs' capacity and so their ability to meet our needs. We segment contracts into smaller pieces of work and include small suppliers in our database to develop qualifying small enterprises and exempted micro enterprises.

As per the Amended FS Code, from 2017 our spend with 50% Black-owned and 30% Black women-owned suppliers is reported on a weighted basis. We have, however, presented our historical actual figures to present our progress over time.

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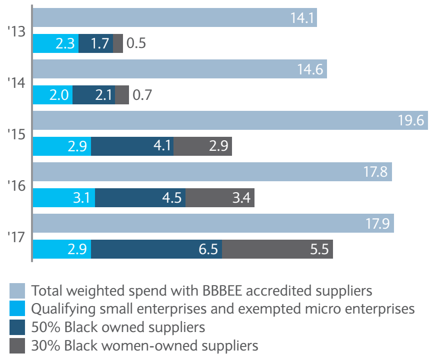
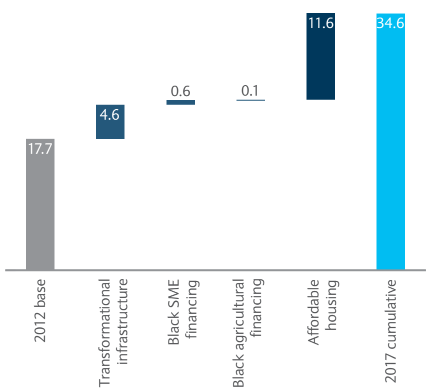
Weighted and actual procurement (Rbn) and total weighted spend (Rbn)



5. Empowerment financing, supplier and enterprise development continues

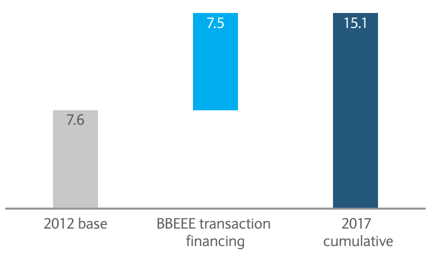
Our empowerment financing is made up of targeted investments and BBBEE transaction financing. Targeted investments include transformational infrastructure that supports economic development, agricultural development, affordable housing, and Black SMEs. We exceeded our targeted investment target of R28.6bn and reached R34.6bn (2016: R31.7bn).

Accumulated targeted investments (Rbn)



We have provided R15.1bn in BBBEE transaction financing for the acquisition, by Black people, of direct ownership in an existing or new entity.

Accumulated BBBEE transaction financing (Rbn)



Our aim is to develop SMEs to be sustainable, financially and operationally independent and for them to have access to other markets. We have contributed R108m to supplier development in the form of grants, direct cost support, low interest rates and funding.

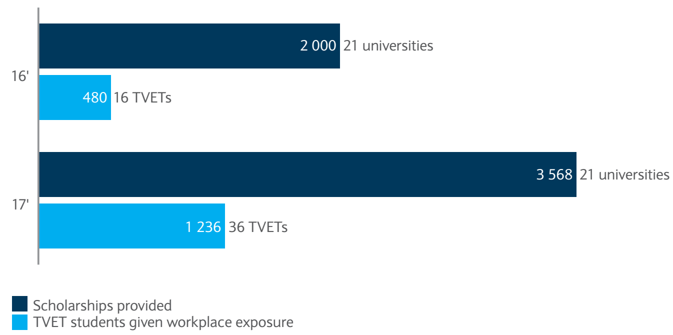
Our approach to value-chain lending blends our commercial funds and/or guarantees with more affordable options from third parties to improve these emerging businesses' probability of success. We have signed over R2.1bn (R215m was disbursed) in financing mandates with our corporate clients and third-party financiers to support SMEs and to optimise and transform our corporate clients and their supply chains. In 2017, we incubated 179 SMEs and launched two new programmes, being i) The Absa Accelerator Programme and ii)The Absa Development Programme, both designed to deliver high-impact, high-value business solutions tailored to each entity. To date, we have provided training, workshops and conferences to more than 100 000 SMEs, often at our enterprise development centres and through various programmes with strategic partners.

6. Socioeconomic development focusing on education

Our Shared Growth philosophy drives education initiatives centred on empowering youth. We offer skill-building programmes and mentorship to make them more employable, and financial assistance for better education.

To alleviate the student funding crisis, we enhanced our scholarship programme, and invested R154m in scholarships for 3 568 university students (2016: R80m; 2000). We invested an additional R19m in critical and scare skills faculties in seven South African tertiary institutions (2016: R26m; 10). In support of the South African government's Adopt-a-TVET initiative, we partnered with 36 technical and vocational education training colleges (TVETs) to introduce 1 236 students to the workplace and allow them to job-shadow (2016: 16; 480). We invested over R2.7m in training school governing body members, reaching 2 636 members across 669 schools (2016: R10m; 10 521; 2 725).

Beneficiaries (number)



7. Access to financial services

With relevant, affordable products and services, and innovative delivery channels, we facilitate easier access to financial services and consumer financial education. We have introduced the micro branch concept, which allows customers in rural communities access to financial services. The micro branch offers sales and services as well as an electronic banking hall, giving customers another point of access. With strong customer uptake, further roll outs are planned for rural and township malls.

In partnership with PEP Stores, we serve people in marginalised and poor communities through a trusted and convenient channel. Launched in late 2014, approximately 230 000 customers use services provided through PEP Stores, which has over 2 000 stores across South Africa.

Financial Director's review

Jason Quinn
Group Financial Director

= Net interest margin	4.95%		
^ Cost-to-income ratio	56.8%	v WIMI headline earnings	R1.2bn
v Credit loss ratio	0.87%	v Return on equity	16.4%
v Pre-provision profit	R31bn	^ Return on risk-weighted assets	2.16%
^ Headline earnings per share	1 837.9c	= Common equity tier 1	12.1%
^ South Africa Banking headline earnings	R12.2bn	^ Dividend per share	1 070c
^ Rest of Africa Banking headline earnings	R3.0bn	^ Net asset value per ordinary share	11 550c

Details of our financial performance are contained in our 2017 financial results booklet and our 2017 consolidated and separate financial statements are available at barclaysafrica2017ar.co.za.

Overview of 2017[1]

Our performance was satisfactory considering the sluggish macro backdrop. We have normalised our results to show the underlying performance, excluding the financial consequences of the Separation. Revenue growth was low, following modest balance sheet growth, regulatory pressures and a stronger rand. Consequently, our pre-provision profit declined 3%, despite keeping cost growth in line with inflation. Our revenue momentum improved in the second half of the year, particularly in Retail Banking in South Africa. Credit impairments improved across all our banking operations to drive headline earnings growth of 4%, or 7% in constant currency. Our return on equity was stable at 16.4%, while return on assets improved to 1.38%.

Our balance sheet remains solid, with strong capital levels and liquidity, and prudent provisioning. We were again capital generative and our common equity tier 1 ratio of 12.1% remained above Board targets, which allowed us to declare 4% higher ordinary dividend per share.

Our well-diversified portfolio delivers sustained benefits. Rest of Africa Banking enhanced our growth, with headline earnings increasing 7% or 24% in constant currency. Its return on equity improved to 16.6%. South Africa Banking earnings grew 4%, as Corporate and Investment Bank's (CIB) increased 16% and RBB rose 1%, while Wealth, Investment Management and Insurance (WIMI) earnings declined 8%.

The Separation

Normalisation

The Separation will impact the Group's financial results for the next few years, and so we provide normalised financial results to adjust for the Separation's consequences and to better reflect our underlying performance. We will present normalised results for future periods where the financial impact of the Separation is considered material and use this view in our internal reporting, performance management and capital and dividend decisions. We continue to present International Financial Reporting Standards (IFRS)-compliant financial statements, as required by the Companies Act and the JSE Listings Requirements, as well as a reconciliation of these two views.

Our normalisation principles guide us in determining which material financial consequences to exclude. For capital, we exclude the GBP765m (R12.6bn) settlement as we believe this contribution will neutralise the capital and cash flow impact of Separation investments over time. For revenue, we exclude the endowment income from the contribution, together with any hedging gains or losses linked to Separation activities. Within costs, we exclude:

- the Separation change spend, including depreciation, amortisation and impairments of any intangibles, as we invest in the systems required of a standalone institution;
- the cost of rebranding, particularly in Rest of Africa;

[1] Where applicable, numbers presented have been normalised in accordance with the normalisation principles outlined above.

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- the employee costs of resources working on the Separation;
- the Transitional Services Agreement costs paid to Barclays PLC for various services provided during the Separation; and lastly
- the consequential tax impact arising from all of these items.

We will not normalise for incremental running costs that build up during the Separation, as we intend to minimise that impact once the programme is completed.

Separation investment and spend to date

The R12.6bn contribution from Barclays PLC to enable Separation was largely recorded in equity. We received half of the R1bn for Separation-related costs in 2016 and the R8.3bn we received in June 2017 is mostly in recognition of the investments required in information technology, with rebranding being the next largest item. We also received R3.3bn to terminate the Master Services Agreement that governed services Barclays PLC provided to the Africa subsidiaries we acquired in 2013. Interest on this amount is about 0.3%, as it has been retained in pounds sterling. We earn endowment income on the unused portion invested in South Africa at circa 7% per year.

The funding is managed by our Group Treasury. At the end of 2017, R3.4bn was invested in South African Treasury bills, R2.2bn in liquid assets and R3bn in pounds sterling to settle the Transitional Services Agreement and other costs. We converted R1.8bn into US dollars, recognising that some of our investment outflows are expected to be in US dollars, and the rest has now been spent.

In 2017, we deducted R405m of Separation-related revenue, which was largely endowment income in the second half of the year.

After taxation, we normalised our headline earnings by R1.25bn for the Separation. We expect this quantum to increase significantly in the coming years, as the Separation activities gather momentum.

Two-thirds of the R1.9bn operating cost in our 2017 income statement was for Transitional Services Agreement costs and professional fees, with the remainder being largely related to employees dedicated to Separation activities. Major items were the human resource system re-platform, technology investments, a non-headline R326m impairment of software for Barclays.Net which we no longer use, and brand spend which includes removing 'Member of Barclays' in South Africa.

We expect to spend about 54% of the funds in South Africa, largely on technology in Corporate and Investment Bank and Group functions such as human resources, internal audit and risk. About 46% will be invested in Rest of Africa, mostly on rebranding and technology.

Retail and Business Banking South Africa and Wealth, Investment Management and Insurance, which together account for over 60% of our headline earnings, are least impacted by the Separation, while Corporate and Investment Bank and Rest of Africa are most impacted.

We closely monitor the execution of Separation-related projects and all the related costs. We continue to evaluate the return on investment for each project as the initial stages are completed and as end-state solutions are refined. We are aiming to transform rather than just replace our systems and platforms.

Factors influencing our performance

Weak macro backdrop

South Africa experienced low economic growth for the fifth consecutive year, with real GDP rising 1.3% after recovering from recession in early 2017. Agriculture rebounded after two years of drought. However, household and business confidence remained weak, due to economic and political uncertainty. The South African Reserve Bank reduced interest rates by 25 basis points in July, South Africa's first rate cut in five years.

Economic growth marginally improved in a number of our key markets, supported by commodity price recovery, better weather and ongoing infrastructure investment. We expected real GDP to have grown 5.4% across our markets in 2017, with a mixed experience in different countries. Fiscal challenges still constrain several markets, more notably Ghana, Mozambique and Zambia. Rates were reduced in all our markets besides Kenya, with sizeable cuts in Ghana, Zambia and Tanzania.

Currency translations again impacted our results

The stronger rand reduced Rest of Africa Banking's revenue growth by 11% and its earnings by 17%, although the drag was slightly lower in the second half of the year. This is a substantial swing from 2016, when rand weakness added 9% to its earnings. Customer loans and deposits were flat and down 3% respectively, on a spot exchange rate basis, but grew 9% and 6% respectively, in constant currency. The strong rand dampened Group headline earnings by 3% and revenue by 2%, compared to 2016 when it added 1% to both.

Regulatory changes

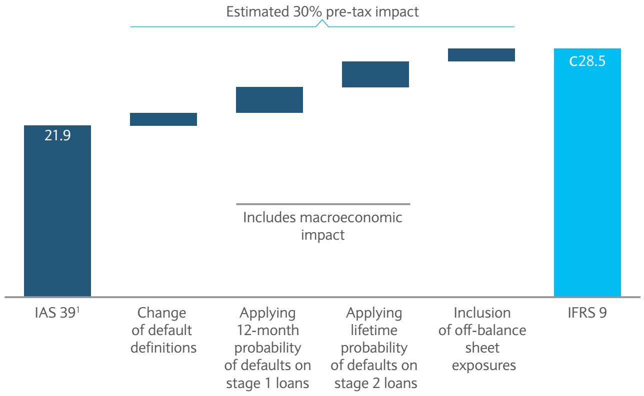
Regulatory change notably affected our operations, earnings and balance sheet again. Over the past three years, four regulatory changes cumulatively reduced our revenue by approximately R1.5bn – lower card interchange fees and National Credit Amendment Act lending caps in South Africa, Basel III liquidity requirements and the introduction of lending caps and deposit floors in Kenya.

The National Credit Regulator's lower rate caps from May 2016 reduced our first half 2017 revenue by an additional R150m in South Africa. The lending caps and deposit floors introduced by the Central Bank of Kenya in 2016 cut R420m off our revenue there. While strengthening the sustainability of the sector, increased regulations made compliance more expensive. From a balance sheet perspective, further improving our strong liquidity position cost us an additional R200m in revenue.

A deposit insurance scheme is becoming more likely in South Africa; the South African Reserve Bank and National Treasury are working with the banking sector on implementation in the medium term. The new deposit scheme will be funded over time by the banking industry.

Effective from 1 January 2018, IFRS 9 (Financial Instruments) replaces International Accounting Standard 39 (IAS 39), which means banks will provision on an expected, rather than an incurred, basis. IFRS 9 will bring forward provisioning, although our charge should not change over the long run. However, provisioning is likely to become more volatile and harder to compare across banks. It is estimated that the increase on IAS 39 impairment stock (including contractual interest suspended) will be in the region of 30%, on a pre-tax basis.

Key drivers of transition from IAS 39 to IFRS 9 (Rbn)



IFRS 9 is expected to have a limited day 1 impact on our common equity tier 1 ratio, reducing it by no more than 35 basis points, which will be phased in over three years, or four balance sheet periods. The deduction will improve our return on equity.

A diversified franchise

Our satisfactory results reiterated the importance of diversified operations, both by activity and geography. South Africa Banking accounts for three-quarters of Group earnings, and this is spread across Retail Banking, Business Banking and CIB. Retail Banking South Africa produced 40% of our total earnings; it remains well-diversified itself, given four large businesses with earnings ranging from R1.0bn to R2.5bn.

Improving Rest of Africa returns

Our Rest of Africa operations generated R3.0bn in earnings, which accounted for 18% of the total, and remains well-diversified across 10 countries. Particularly strong growth from Mozambique, Botswana, Zambia and Ghana outweighed lower earnings in Kenya, Uganda and the Seychelles.

Despite uneven economic growth across the Rest of Africa, our franchise continued to enhance Group growth. As mentioned, the strong rand was a noticeable drag, reducing Rest of Africa Banking's 24% growth in constant currency to 7%, which still exceeded South Africa's 4% higher earnings. In absolute terms, Rest of Africa Banking's earnings have more than doubled since 2012.

Rest of Africa Banking's return on equity improved to 16.6%, a strong improvement from the 12.5% when we acquired it in 2013. We believe it offers attractive growth prospects and improving medium-term returns. We expect to improve RBB's high 72% cost-to-income ratio, and CIB remains a revenue opportunity, through selective lending, further growth in trading as financial markets deepen, and growing our corporate transactional component.

Income statement analysis

	Results booklet[2]	2013 Rm	2014 Rm	2015 Rm	2016 Rm	**2017[3] Rm**	YoY change %
Net interest income	23	32 351	35 601	38 407	42 003	**42 319**	1
Non-interest revenue	26	27 055	27 524	28 791	30 391	**30 581**	1
Total revenue		59 406	63 125	67 198	72 394	**72 900**	1
Operating expenses	33	(33 420)	(35 848)	(37 661)	(39 956)	**(41 403)**	4
Pre-provision profit		25 986	27 277	29 537	32 438	**31 497**	(3)
Credit losses	30	(6 987)	(6 290)	(6 920)	(8 751)	**(7 022)**	(20)
Other impairments and indirect tax		(1 033)	(1 412)	(1 443)	(2 120)	**(1 876)**	(12)
Associates and joint ventures		130	142	129	115	**170**	48
Profit before taxation		18 096	19 717	21 303	21 682	**22 769**	5
Taxation	35	(5 222)	(5 573)	(5 899)	(5 835)	**(6 265)**	7
Profit after taxation		12 874	14 144	15 404	15 847	**16 504**	4
Attributable earnings		11 981	13 216	14 331	14 708	**15 305**	4
Non-controlling interest		893	928	1 073	1 139	**1 199**	5
Headline earnings	21	11 843	13 032	14 287	14 980	**15 558**	4

[2] 2017 financial results booklet available for download at barclaysafrica2017ar.co.za.
[3] Normalised.

The shape of our normalised income statement was as we guided. Revenue grew a modest 1%, which was below well contained 4% higher costs, resulting in 3% lower pre-provision profits. As expected, our management actions enabled credit impairments to fall 20% which contributed to 4% higher headline earnings.

Low revenue growth

Revenue growth slowed to 1%, partly reflecting the difficult macro backdrop. However, underlying revenue growth increased 5% after factoring in the impact of a stronger rand and regulatory changes, plus some one-off items in the 2016 base.

[1] Includes contractual interest suspended.

Net interest income increased 1% to R42.3bn, reflecting 1% higher average interest-bearing assets. Our net interest margin of 4.95% was flat for the first time in four years, having consistently widened from 4.46% in 2013. This was slightly better than we expected, as it improved in the second half of the year.

There were several moving parts within our margin. In South Africa our lending margin contracted by 5 basis points, due to the impact of National Credit Amendment Act caps on unsecured loans and the mix effect of stronger CIB loan growth. Conversely, our deposit margin widened, largely due to improved pricing and mix in Corporate.

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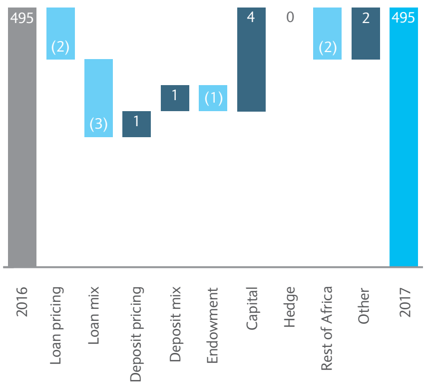
Change in net interest margin (basis points)



Our structural hedge released R258m to the income statement, in line with its 2016 contribution. Our hedging strategy has performed well over the past decade and our intention is to maintain this strategic programme through cycles. Despite July's rate cut, our capital and deposit endowment benefit increased by 3 basis points, as these balances grew faster than our interest bearing assets.

Having improved our Group margin by 10 basis points in 2016, Rest of Africa's contribution to our net interest margin declined by 2 basis points in 2017, due to regulatory changes in Kenya, and the stronger rand. Nonetheless, Rest of Africa's 7.18% net interest margin remains more than double the 3.37% in South Africa.

Our non-interest income rose 1% to R30.6bn. It has a high annuity component, with net fee and commission income accounting for 71% after growing 5%. South Africa Banking's net fee and commission income increased 7%, its strongest underlying performance for some time, with solid growth from all divisions. Rest of Africa Banking declined 6% entirely due to the strong rand. Our total Markets income fell 9%, or 5% in constant currency, off a high base. Foreign exchange and equities fell noticeably in South Africa, and our Rest of Africa trading slowed in the second half of the year. We aim to grow our client foreign exchange flows in Business Banking and CIB, and are rebuilding our cash equities business. There was also a non-recurring R320m foreign currency translation gain in 2016, which reduced our non-interest income growth. Our revenue remains well-diversified, with non-interest income contributing 42% of the total.

Maintained growth in targeted areas

Although our overall revenue growth was limited, we improved momentum in several targeted areas in the second half of the year, particularly in annuity business. Corporate revenue grew 9% to R9.5bn, with solid growth in South Africa and the Rest of Africa. This represents almost 60% of CIB's revenue and 13% of our Group top line. As mentioned, we see scope to grow our primary client base and transactional revenue here in the medium term. Corporate's headline earnings grew 14% to R2.8bn or 18% of our total. In South Africa, Business Banking's non-interest income increased 9% to R3.5bn excluding equities. We reduced this non-core equities portfolio 52% to a carrying value of R1.0bn during the year. We doubled fee income from our Investment Bank's advisory business, as we executed key deals across the continent. Our commercial property finance revenue rose 40%, reflecting greater focus on this segment.

We are still the largest card acquirer in Africa, with 11% volume growth. Debit card volumes increased 9%. Growing our core retail fee income remains a priority in South Africa, despite continued migration from physical to digital channels. Non-interest income in our Transactional and Deposits segment grew 7% to R7.6bn, or 25% of Group total.

Improved second-half momentum

Our revenue momentum improved in the second half of the year, when our top line grew 3%, after declining 1% in the first half. Both lending and fee income growth accelerated, and there were noticeable improvements in RBB South Africa and WIMI. Our retail loan production in South Africa also increased strongly in the second half of the year, across mortgages, vehicle finance and personal loans.

Reduced pre-provision profits

Given our modest revenue growth, pre-provision profits declined 3%, or 1% in constant currency, despite containing costs. Better second half revenue momentum improved our pre-provision profit growth to 1% for the half, or 2% in constant currency.

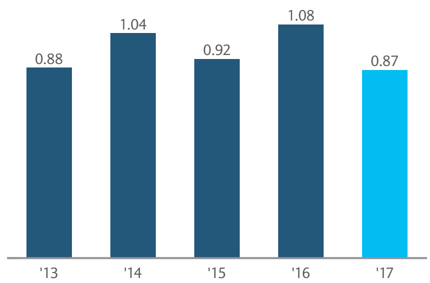
Costs well managed while investing

Our operating expenses grew 4% to R41.4bn, resulting in a 56.8% cost-to-income ratio up from 55.2% in 2016. Costs increased 6% in constant currency, which was in line with inflation. Staff costs, the largest component, grew 5% and constituted 56% of the total. Headcount rose 1%, largely due to technology hires in South Africa. Our structural cost programmes improved our efficiency and enabled us to invest in strategic initiatives. Our total property-related costs declined 1%, as we further optimised corporate and branch costs. We reduced our communication costs a further 7%. Marketing spend grew 8% due to retail product campaigns and our Shared Growth initiative. The 19% growth in depreciation reflects investment in technology and optimisation of the corporate property portfolio and branch network. Excluding external consultants working on the Separation, our professional fees declined 2%. Our total IT spend was stable at R7.4bn, or 18% of Group costs. Amortisation of intangible assets grew 1% and remains relatively low at R650m.

Credit impairments improved noticeably

Our credit impairments decreased 20% to R7.0bn, improving our credit loss ratio to 87 basis points from 108 basis points. When compared to peers on a like-for-like basis, our credit charge was 83 basis points excluding R289m of collection costs.

Credit loss ratio (%)



Non-performing loans improved from 3.94% to 3.75% of gross loans and advances, due largely to a debt for equity swap in a particular CIB exposure in South Africa. Group-specific non-performing loan coverage remained strong at 43%, despite the reversal of this exposure which had high coverage. While our portfolio provisions to performing loans declined to 70 basis points from 79 basis points, this was model-driven. Our judgemental macroeconomic overlays increased slightly to R1.4bn, more than double our 2014 levels.

Unpacking the components, credit impairments fell across all our banking operations. South Africa Banking's credit loss ratio fell to 80 basis points from 103 basis points. RBB's 16% lower charge exceeded expectations, reflecting prudent new lending, enhanced collections and reduced store card sales. Arrears improved across most portfolios and our share of industry debt counselling accounts declined, remaining below our share of lending.

CIB South Africa's credit costs dropped 44% off a high base that included a significant single-name charge. Its credit loss ratio normalised to 24 basis points, despite a R200m provision for a single exposure in the second half of the year.

Rest of Africa Banking's credit loss ratio decreased to 134 basis points, as its charge fell 26% or 18% in constant currency. RBB was the main driver, dropping 30% due to rate cuts and improving macro conditions in some countries, and strengthened collections capabilities across the board.

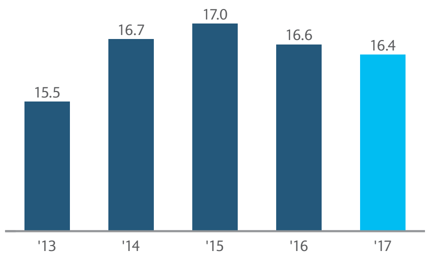
Relatively high effective tax rate

Our taxation expense rose 7% to R6.3bn, raising the effective tax rate to 27.5%. The increase primarily reflects growth in non-tax deductible expenses and the non-recurring benefit to our 2016 tax rate of recognising a deferred tax asset. Our Group tax rate remains relatively high, in part due to Rest of Africa Banking's 32.3% effective rate. We seek to optimise the tax position of our commercial operations, while ensuring a responsible approach to tax.

Returns remain solid

Our return on equity declined slightly to 16.4% from 16.6% – a resilient performance considering the tough operating environment. South Africa Banking's return on regulatory capital was stable at 20.8%, while Rest of Africa Banking improved to 16.6% and WIMI's return on equity declined to 20.1%. Our return on assets increased to 1.38%, the same as our previous peak in 2008, when our return on equity was 23.4% given greater leverage.

Return on equity (%)



Balance sheet analysis

	Results booklet[1]	2013 Rm	2014 Rm	2015 Rm	2016 Rm	**2017[2] Rm**	YoY change %
Total assets		962 863	991 414	1 144 604	1 101 023	**1 165 067**	6
Of which:							
Loans and advances to customers	35	606 223	636 326	703 359	720 309	**749 772**	4
Total equity	39	85 201	90 945	98 647	102 280	**108 308**	6
Capital and reserves attributable to ordinary equity holders of the Group		77 317	82 690	89 292	93 057	**97 664**	5
Non-controlling interest – ordinary and preference shares		7 884	8 255	9 355	9 223	**10 644**	15
Total liabilities		877 662	900 469	1 045 957	998 743	**1 056 759**	6
Of which:							
Deposits due to customers	37	588 897	624 886	688 419	674 865	**689 867**	2
Total equity and liabilities		962 863	991 414	1 144 604	1 101 023	**1 165 067**	6
Loans-to-deposits and debt securities ratio (%)		88.3	87.1	86.1	88.4	**90.6**	

[1] 2017 financial results booklet available for download at barclaysafrica2017ar.co.za.
[2] Normalised.

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Our total assets grew 6% to almost R1.2trn, as customer loans increased 4% and trading portfolio assets rose 37%. Total liabilities grew 6% to R1.1trn, with customer deposits up 2%, while deposits from banks and trading portfolio liabilities increased 27% and 35% respectively. Equity grew 6% to R108bn, and we paid R8.8bn in ordinary dividends and saw a R1.9bn reduction in our foreign currency translation reserve.

Modest balance sheet growth

Net loans and advances to customers grew 4% to R750bn, or 5% in constant currency. South African mortgages, our largest book at 30% of the total, declined slightly due to low industry growth and run-off of our back book. Excluding this book, our loans grew 6%. As we guided, our share of mortgage new business increased to 20% in December from 18% in December 2016, and new mortgage registrations grew 7%.

In South Africa, Vehicle and Asset Finance grew 8%, comfortably above the market due to strong growth in our Ford Financial Services joint venture and 18% higher production in the second half of the year. Card grew 3% excluding our declining store card portfolio, given noticeable growth in limit increases and new account sales. Personal Loans grew 6%, as production increased 22% in the second half of the year. Business Banking's loans rose 7%, driven by 8% growth in commercial property finance and term loans. Our Agri loans grew 6% and remain well-diversified.

CIB South Africa's loans increased 8% to R219bn, including 29% growth in commercial property finance and 6% higher term lending. It continues to offer attractive growth prospects, despite 18% compound annual growth since 2014, as we remain relatively underweight in term lending.

Rest of Africa Banking's stable customer loans mask 9% growth in constant currency. It accounts for 10% of Group lending. CIB grew 14% in constant currency, exceeding RBB for the first time. The latter was impacted by high interest rates and reduced customer disposable income in some markets, plus liquidity constraints in Zambia and Kenya's introduction of rate caps.

This demonstrates the improving momentum in our core lending franchise, which bodes well for the strong annuity component of our revenues going forward.

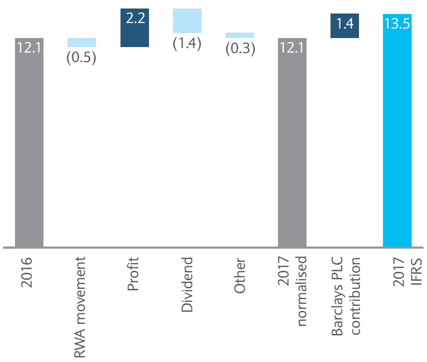
Our total customer deposits grew 2% to R690bn. The largest component, South African retail deposits, increased 6% although this was below market growth and came mostly in investment products. Business Banking remains a strong deposit gatherer, with growth improving to 4% and margins stable. CIB's deposits grew 2%, which was below expectation.

Rest of Africa Banking's deposits grew 6% in constant currency. RBB's solid growth in new-to-bank customers increased current account deposits 10%. Excluding reclassifications, CIB's deposits grew 7% in constant currency, as it continues to target primary customer relationships.

Strong capital and liquidity

Our Group risk-weighted assets grew 5% to R737bn, broadly in line with loan and asset growth. We remain capital generative, with earnings adding 2.2% to our common equity tier 1 ratio. Paying R9.8bn in total dividends reduced our ratio by 1.4%, while the R1.9bn decline in our foreign currency reserve was offset by the risk-weighted asset reduction of a stronger rand. All told, our normalised common equity tier 1 ratio remained at 12.1%, which is well above the 11.5% top end of our Board target range. Group total capital ratio was stable and strong at 14.9%, which falls within our Board target range.

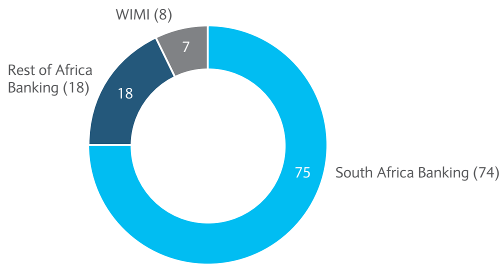
Common tier 1 equity (%)



Our liquidity profile is healthy, with liquid assets and other sources of liquidity growing 11% to R213bn, which equates to 31% of customer deposits. The Group's three-month average liquidity coverage ratio for the fourth quarter of 2017 was 107.5%, comfortably above the minimum hurdle of 80% during 2017. From 1 January 2018, net stable funding ratios are required to exceed 100%, and ours is already above the minimum.

Segmental performance

Headline earnings[1] contribution per segment (%)
(2016 comparatives)



Our segmental disclosure has changed to reflect our leadership structure and the way in which we run our businesses along geographic rather than divisional lines.

South Africa Banking

Headline earnings ^ 4%

Headline earnings grew 4% to R12.2bn, due to 20% lower credit impairments, as pre-provision profits declined 2% to R23.2bn. Revenue grew 2% to R53.3bn, with non-interest income increasing 4%. Costs grew 6% to R30.1bn, resulting in a cost-to-income ratio of 56.4%, up from 54.4% in 2016. Credit loss ratio fell to 0.80% from 1.03%, as all three divisions improved. South Africa Banking generated a return on regulatory capital of 20.8% and constituted 75% of total normalised headline earnings excluding the Group centre.

RBB South Africa

Headline earnings increased 1% to R8.9bn, largely due to 16% lower credit impairments. Non-interest income grew 5%, while net interest income was flat due to margin compression. Operating expenses rose 7%, reflecting continued investment in systems and front-line employees. RBB South Africa accounted for 54% of our normalised headline earnings excluding the Group centre, and generated a 23.5% return on regulatory capital.

[1] Excludes Group Centre (Head Office, Treasury and other operations in South Africa).

Retail Banking South Africa

Headline earnings were unchanged at R6.5bn: a 3% decline in pre-provision profits was offset by 12% lower credit impairments. However, headline earnings grew 12% in the second half of the year, as new loan production and revenue momentum improved. Although Transactional and Deposits' non-interest income grew 7%, higher credit impairments and 9% cost growth resulted in earnings falling 8% to R2.5bn. Home Loans' earnings rose 5% to R1.7bn, reflecting cost containment, strong non-interest income growth and 25% lower credit impairments. Card earnings grew 3% to R1.6bn, largely due to lower credit impairments and growth in acquiring revenue. Vehicle and Asset Finance earnings grew 20% to R1.0bn, on 19% lower credit impairments and solid non-interest income and loan growth. Lower costs drove the 3% rise in Personal Loans earnings to R436m. Retail Banking South Africa accounted for 40% of our normalised headline earnings excluding the Group centre and generated a 23.1% return on regulatory capital.

Business Banking South Africa

Headline earnings increased 1% to R2.3bn, as credit impairments dropped 53%. Revenue growth improved in the second half of the year, but pre-provision profits declined as costs grew 11% reflecting continued investment in front-line employees and systems. Non-interest income rose 9% excluding equities. Business Banking South Africa generated 14% of overall normalised headline earnings excluding the Group centre and produced a very strong 27.7% return on regulatory capital.

CIB South Africa

Headline earnings increased 16% to R3.3bn, largely due to a 44% reduction in credit impairments off a high base. Pre-provision profits grew 5%, as 3% revenue growth exceeded 2% higher costs. Corporate earnings grew 8% to R1.1bn as 9% revenue growth produced 15% higher pre-provision profits. Investment Bank earnings increased 22% to R2.2bn, largely due to 60% lower credit impairments and lower costs. CIB South Africa contributed 20% of our total normalised headline earnings excluding the Group centre and generated a 16.0% return on regulatory capital.

Rest of Africa Banking

Headline earnings
^ 7%

Headline earnings grew 7%, or 24% in constant currency, to R3.0bn, due to positive constant currency operating JAWS and 26% lower credit impairments. Pre-provision profits increased 9% in constant currency. Revenue fell 3% to R15.6bn, masking 8% growth in constant currency. While costs fell 2% to R9bn, they rose 7% in constant currency, resulting in a 57.6% cost-to-income ratio. Credit impairments fell 26% to R1.3bn, resulting in a 1.34% credit loss ratio from 1.62%. Rest of Africa Banking accounted for 18% of total normalised headline earnings excluding the Group centre and generated a 16.6% return on regulatory capital.

RBB Rest of Africa

Headline earnings fell 6% to R670m, despite increasing 19% in constant currency. Constant currency revenue growth of 2% reflected margin compression due to regulatory changes in Kenya. Costs grew 5% in constant currency, resulting in a 72.4% cost-to-income ratio, which remains a large opportunity to drive further efficiencies going forward. Credit impairments decreased 23% in constant currency, improving its credit loss ratio to 2.22% from 2.92%. RBB Rest of Africa contributed 4% of our total normalised headline earnings excluding the Group centre.

CIB Rest of Africa

Headline earnings grew 8% to R2.3bn, or 21% in constant currency. Revenue increased 7% to exceed 3% higher costs. These grew 18% and 12% in constant currency respectively to produce a 36.5% cost-to-income ratio. Pre-provision profits increased 9%. Credit impairments fell 3% in constant currency. Corporate earnings grew 18%, or 32% in constant currency to R1.7bn. The strong rand reduced Investment Bank's earnings, which declined 10% to R0.7bn, despite rising 2% in constant currency. CIB Rest of Africa contributed 14% of our total normalised headline earnings excluding the Group centre.

Wealth, Investment Management and Insurance

Headline earnings
v 8%

Headline earnings decreased 8% to R1.2bn, while continuing business lines declined 10%. South African earnings from continuing lines decreased 17% to R1.1bn, and Rest of Africa returned to profitability, with earnings of R19m.

Gross operating income from continuing lines grew 2% to R6.2bn and costs rose 3% to R3.3bn. Life Insurance earnings fell 9% due to the unwinding of a deferred tax asset in the prior year. Despite strong 16% growth in assets under management to R335bn, WIM's earnings dropped 24% due solely to credit impairments of R100m on a single Wealth client. Short-term Insurance earnings grew 2%, despite experiencing significantly higher catastrophe event claims. Excluding these events, WIMI's underwriting margin in South Africa improved to 8.7%. Its return on equity was 20.1%, and it generated 7% of our total earnings excluding the Group centre.

Performance outlook

In South Africa, we expect a modest improvement in real GDP growth to 1.4% in 2018, with upside potential from fixed investments, a rebound in confidence and strong global growth, although fiscal consolidation remains a concern, and there is downside risk for credit ratings. We believe the South African Reserve Bank will keep interest rates on hold for some time.

We forecast slightly better GDP growth of 5.8% in our markets in the Rest of Africa, with further monetary policy easing in a number of countries. The rand's exchange rate could weigh on our Rest of Africa reported growth again in 2018.

Given these assumptions, and excluding major political, macroeconomic or regulatory developments, we expect our loan and deposit growth to improve in 2018. We again see stronger loan growth from Rest of Africa in constant currency and CIB than Retail South Africa. Our net interest margin is likely to decline slightly this year, due to rate cuts in the Rest of Africa, regulatory costs and mix effects. Normalised costs will remain well controlled, and our operating JAWS should improve from last year's. While IFRS 9 could increase volatility, we expect a stable credit loss ratio. Our common equity tier 1 ratio is likely to remain above Board targets, which will allow us to maintain our current dividend cover. Lastly, our normalised return on equity should improve slightly in 2018.

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Risk management review

As a financial services group, effective risk management and control are essential for sustainable and profitable growth.

We face risks across all facets of our business every day. Risks exist when a decision or action has an uncertain outcome that could impact our performance. They arise for a variety of reasons, including external events (electricity shortages, economic shifts and regulatory change) and internal events (technology system failure or poor sales practices). We take select risks, such as lending money to a customer or client, after appropriate consideration.

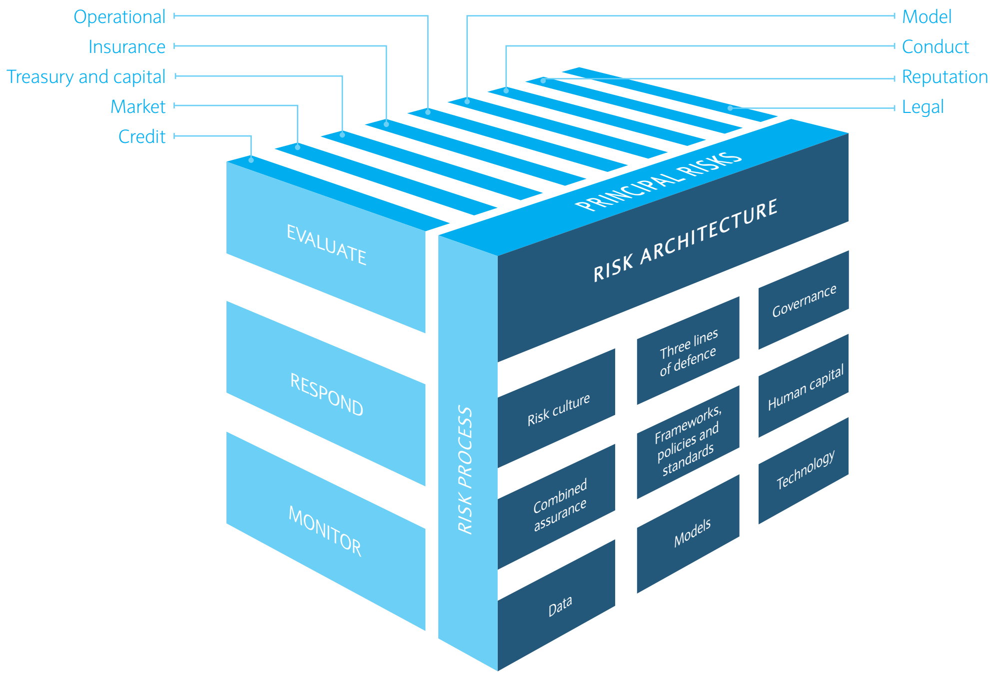
We use a risk management framework to set a balanced risk appetite that takes into account the operating environment and strategic intentions of the Group. The framework sets out activities, tools, techniques and practices to (i) comply with regulatory frameworks and (ii) identify and manage material risks. It also ensures appropriate responses that protect Barclays Africa and our stakeholders. It is essential that business plans are supported by an effective risk management framework to allow us to grow sustainably and responsibly.

Principal risks

We have maintained our active approach towards managing both current and emerging risks through the continued operating effectiveness of our Board-approved enterprise risk management framework. This approach is underpinned by:

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

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



View our Pillar 3 risk and capital management report available at barclaysafrica2017ar.co.za.

Three lines of defence

We govern risk through a Group-wide 'three lines of defence' model. Our enterprise risk management framework assigns specific responsibilities to each line of defence.

First line

Process and control owners in customer-facing segments and select Group functions, who are responsible for managing end-to-end risks and controls in their daily processes.

Second line

Independent risk, compliance, legal and control functions and management control groups, who formulate risk and control policies and standards, and review the first line's adherence to these.

Third line

Internal and external audit functions who test and review controls to determine whether the first and second lines execute their responsibilities effectively and consistently.

All our employees have a role in risk management. They are required to familiarise themselves with relevant risk management policies; are 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 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.

Risk appetite and strategy

Our risk strategy is developed alongside the Group's strategy, and is essential to integrated planning. Our risk appetite defines the nature and amount of risk that we are willing to take to meet our strategic objectives. At the outset of strategic planning, we set our risk appetite to define parameters for the business strategy, and to ensure that we consider risk information in our decision-making and planning.

We define our risk appetite using qualitative statements and quantitative measures at principal risk, legal entity and business unit level, specifying the risks we seek, accept, or avoid. The maximum amount of risk we are prepared to accept is defined using quantitative metrics relating to capital adequacy, earnings volatility, liquidity, and leverage.

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

[1] Based on Basel III guidelines.

Stress testing and scenario analysis

Stress testing and scenario analysis are integral to integrated planning and risk management. They let us assess the performance of the Group's business in the expected economic environment, and they evaluate the potential impact of adverse economic conditions by applying the information in the process of setting risk appetite.

Overview of 2017

	2013	2014	2015	2016	**2017[1]**	YoY change
Capital adequacy ratio (%)[2]	15.5	14.4	14.5	14.8	**14.9[1]**	↑
Common equity tier 1 ratio (%)[2,3]	12.1	11.9	11.9	12.1	**12.1[1]**	=
Leverage ratio (%)[2]	6.9	6.7	6.7	7.1	**7.2[1]**	↑
Liquidity coverage ratio (%)[4]	n/a	n/a	69.9	95.2	**107.5**	↑
Growth in gross loans and advances to customers and banks (%)[5]	6.7	4.9	10.4	2.7	**4.3**	↑
Credit loss ratio (%)	1.04	0.88	0.92	1.08	**0.87**	↓
Non-performing loans as a percentage of gross loans and advances (%)	4.2	3.8	3.5	3.9	**3.8**	↓
Performing loans coverage ratio (%)	0.57	0.62	0.65	0.79	**0.70**	↓
Non-performing loans coverage ratio (%)	41.8	43.0	43.2	44.2	**43.1**	↓
Total losses (Rm)	659	735	541	582	**240**	↓
Total risk-weighted assets (Rbn)	560.9	619.7	702.7	703.8	**736.9**	↑

1 On a normalised basis.
2 Includes unappropriated profits.
3 Board target range: 10.0 – 11.5%.
4 The Group's liquidity ratio represents the simple average of the three month-end data points in December 2017. For Rest of Africa Banking entities, surplus high-quality liquid asset holdings in excess of the minimum requirement of 80% have been excluded from the aggregate figure.
5 Includes trading book and banking book net exposure.

1. Credit risk

- Growth in loans and advances to customers was low at 3.9% (4.8% in constant currency), largely due to tough economic conditions, political and policy uncertainty and low confidence in South Africa. We had solid growth in Wholesale banking across our operations due to our strategic focus in the real estate sector, including high-quality mid-tier corporates. This partly offset the muted growth in our Retail portfolio and our flat Home Loans portfolio.
- Our impairment charges reduced to R7 022m (2016: R8 751m) due to lower defaults in the South Africa Wholesale portfolio, improved credit performance in the Rest of Africa, and proactive risk mitigation strategies initiated previously in South Africa Retail Banking. As a result of the lower impairment charges, our credit loss ratio improved to 87 basis points (2016: 108 basis points).
- Our non-performing loans as a percentage of gross loans and advances improved to 3.7% (2016: 3.9%) due to the recovery of a large single-name exposure write-offs and payment received on non-performing loans in the Rest of Africa Wholesale portfolio.
- The extent to which performing loans are covered by provisions decreased to 70 basis points (2016: 79 basis points) due to a 26% decrease in model-driven impairments and macroeconomic overlays increasing 2% to R1.4bn.
- Market movements increased counterparty credit risk and the credit value adjustment, increasing total risk-weighted assets.

2. Market risk

- Our trading exposures were managed within overall risk appetite, and hedging enabled us to remain positively exposed to increases in interest rates.
- Pension plans and benefits are provided in all countries. The overall funding level of the schemes improved, and is considered adequate.

3. Treasury and capital risk

- Our liquidity position remains healthy and within risk appetite and minimum regulatory requirements. We consistently maintained a liquidity coverage ratio in excess of the regulatory minimum requirement of 80%. The three-month average high-quality liquid assets increased to R157.1bn (2016: R142.1bn). We have a committed liquidity facility from the South African Reserve Bank which reflects in our high-quality liquid assets from 1 January 2016.
- We increased our long-term funding which is managed at an Absa Bank level, to match the growth in long-term assets, and it remains within the target range of 24% to 27%.
- Our loan-to-deposit and debt securities ratio increased to 90.6% (2016: 88.4%) primarily due to growth in loans and advances to customers. We have diversified sources of funding, which are managed in order to maintain a wide range of depositors, products and tenors.
- We maintained a strong capital adequacy position above the minimum regulatory requirements and above the Board-approved capital target ranges, with capital buffers sufficient to withstand stressed conditions.

4. Insurance risk

- The new business margin increased, due to change towards higher-margin risk business while short-term insurance premium income decreased following the sale of the unprofitable businesses in South Africa, as well as pricing interventions across our operations.
- The increase in severity and frequency of catastrophe events in South Africa increased costs and negatively affected underwriting margins and net profit before tax.

5. Operational risk

- Our operational losses were lower, due to a decrease in fraud, transaction processing related losses, and a significant recovery on a prior-year payment-related loss.
- There was an improvement in operational resilience as migration to our best-in-class data centre gained traction, and there was ongoing improvement in payment stability and processing.
- We made significant progress in remediating customer records to meet financial crime control requirements.
- Our converged security strategy is being implemented, improving fraud management capability and controls.

6. Model risk

- We finalised several important models in 2017, including the new IFRS 9 credit impairment models and several regulatory model suites. The combined assurance assessments over the period confirmed the operating effectiveness of the model risk framework and the Group model risk policy.
- We have made significant progress in the design and implementation of the strategic model implementation platform. We are migrating to this platform.

7. Conduct risk

- We began implementing an enhanced control framework in collaboration with the South Africa Banking Risk Information Centre. This will help protect confidential data and customer interests.
- In terms of our overall conduct index rating, risks relating to cybercrime and the protection of customer information remain a key focus alongside the proactive management of customer queries and complaints.

8. Reputation risk

- We made good progress toward defining and implementing the reputation risk framework, following the elevation of reputation risk to a principal risk.
- Africa YouGov measures various external stakeholders' (including customers and regulators) perception of our brand. The metric continues to improve, particularly in the perception of the quality of products and services, and value for money.

9. Legal risk

- We received ongoing support and strategic advice regarding the Protection of Personal Information Act, Financial Markets Act and the Separation.
- Following the Public Protector's report in respect of the Bankorp investigation in 2017, the court ruled in Absa's favour and set the remedial action aside, with a punitive costs order against the Public Protector's office.

Outlook

Our operating environment is expected to remain difficult and risk management will remain a priority, including:

- tight control and management of the Separation and associated execution risks by delivering a structured programme of work via an integrated governance structure which is supported by the ongoing monitoring of idiosyncratic risks as well as independent quality assurance;
- continuing to manage the capital position of the Group, allowing for the continuing economic uncertainty, regulatory and accounting developments, and actions taken by ratings agencies;
- managing our funding and liquidity position in line with risk appetite and regulatory requirements, maintaining appropriate buffers while optimising the associated cost;
- continued monitoring of the resilience of our credit, treasury and market risk infrastructures to market volatility;
- continuing to improve control, efficiency and operational resilience across critical processes including collections, cyber security and fraud, data management, data centres (including disaster recovery) and financial crime; and
- strengthening the employee value proposition to ensure the continued availability of the right talent pool.

Governance review

Good corporate governance creates and sustains shareholder value; ensures that our behaviour is ethical; and promotes positive outcomes for all stakeholders.

Board

Our Board is the apex governance forum in the Barclays Africa Group. The leadership provided by the Board creates value for our shareholders and benefits for all stakeholders.

The Board actively engages management in setting, approving and overseeing execution of the strategy and related policies. It monitors that management (i) maintains internal controls for assurance of effective and efficient operations, and compliance with laws and regulations; and (ii) does this within an ethical environment.

Executive management

Our Executive Committee is responsible for the execution of Group strategy and day-to-day management and is guided by relevant frameworks, policies and standards, such as the enterprise risk management framework and our code of conduct.

We consolidated our various management-level risk committees into a single enterprise-wide risk committee, and we created the Group Change Committee with a focus on Separation execution, including our strategic investment spend.

The Executive Committee, and its various committees, report to the Board and Board committees in accordance with their respective mandates to ensure the appropriate flow of information from the mandated executive forums to the relevant oversight forums. The colour codes indicate the primary lines of reporting.

Board

Board committees					
	Directors' Affairs Committee	Group Audit and Compliance Committee	Board Finance Committee	Models Committee	Separation Oversight Committee
	Social and Ethics Committee	Group Risk and Capital Management Committee	Credit Concentration Risk Committee	Remuneration Committee	Information Technology Committee

Executive Committee

Exco committees					
	Regulatory Investigations Oversight Committee	Executive Risk Committee	Group Investment Committee	Remuneration Review Panel	Group Change Committee
	Conduct and Reputation Risk Committee	Treasury Committee	Group Credit Committee	Tax Committee	

Members of our Board

The committee membership and committee status as shown below reflects the current composition of the committees. Historic committee membership and meeting attendance is outlined on page 70.

Board committees

DAC	Directors' Affairs Committee	A	Attendee
GACC	Group Audit and Compliance Committee	C	Chairman
GRCMC	Group Risk and Capital Management Committee	M	Member
RemCo	Group Remuneration Committee		
SEC	Social and Ethics Committee		
ITC	Information Technology Committee		
BFC	Board Finance Committee		
CoRC	Credit Concentration Risk Committee		
MC	Models Committee		
SC	Separation Oversight Committee		

Independent directors

Wendy Lucas-Bull 64
Group Chairman
BSc
Appointed in April 2013
Committees: DAC[C], GACC[A], GRCMC[M], RemCo[M], SEC[M], CoRC[M], ITC[M], BFC[M], SC[C]

Trevor Munday 68
Lead Independent Director
BCom
Appointed in April 2007
Committees: DAC[M], GRCMC[M], BFC[M], SC[M]

Alex Darko 65
(Ghanaian)
MSc (Management Information Systems), FCCA
Appointed in May 2014
Committees: GACC[M], RemCo[M], ITC[C], SC[M]

Colin Beggs 69
BCom (Hons), CA(SA)
Appointed in June 2010
Committees: DAC[M], GACC[C], GRCMC[M], BFC[M], SC[M]

Daisy Naidoo 45
BCom, CA(SA), MAcc (Tax)
Appointed in May 2016
Committees: GACC[M], CoRC[M]

Francis Okomo-Okello 68
(Kenyan)
LLB (Hons), Dip (Law), Certified Public Secretary
Appointed in October 2014
Committees: SEC[M]

Mark Merson 49
(*British*)
MA (Hons), ACA
Appointed in January 2014
Committees: GRCMC[M], BFC[M]

Mohamed Husain 57
BProc
Appointed in November 2008
Committees: DAC[M], GACC[M], RemCo[M], SEC[C], SC[M]

Monwabisi Fandeso 59
BSc, MBA
Appointed in September 2017
Committees: SEC[M], ITC[M]

Paul O'Flaherty 55
BCom, BAcc (Hons), CA(SA)
Appointed in February 2016
Committees: DAC[M], GACC[M], GRCMC[M], RemCo[C], SC[M]

René van Wyk 61
BCom, BCompt (Hons), CA(SA)
Appointed in February 2017
Committees: GACC[M], GRCMC[C], CoRC[C], DAC[M], SC[M]

Tasneem Abdool-Samad 43
BCom, CA(SA)
Appointed in February 2018
Committees: GACC[M]

Yolanda Cuba 40
BCom, BCom (Hons), CA(SA)
Appointed in December 2006
Committees: RemCo[M], CoRC[M], BFC[C]

Non-executive director

Daniel Hodge 44
(British)
ACA, MA (Hons)
Appointed in May 2017
Committees: GRCMC[M]

Executive directors

Maria Ramos 58
Chief Executive Officer
BCom (Hons), MSc (Economics), CAIB(SA)
Appointed in March 2009
Committees: DAC[A], CoRC[M], GACC[A], GRCMC[M], RemCo[A], SEC[M], ITC[M], BFC[A], MC[M], SC[M]

David Hodnett 48
Deputy Chief Executive Officer: South Africa Banking
BCom, CA(SA), AdvDip (Banking), MBA
Appointed in March 2010
Committees: SEC[A], ITC[M], CoRC[M], MC[M], SC[M]

Peter Matlare 58
Deputy Chief Executive Officer: Rest of Africa Banking
BSc (Hons), MA (South African Studies)
Appointed in December 2011
Committees: SEC[A], ITC[M], SC[M]

Jason Quinn 43
Financial Director
BAcc (Hons), CA(SA)
Appointed in September 2016
Committees: DAC[A], GACC[A], GRCMC[M], BFC[A], CoRC[M], MC[C], ITC[M], RemCo[A], SC[M]

Board changes

As at 31 December 2017, our Board comprised 17 members, of whom 12 were independent, one non-executive and four executive. Four were women, and five were Black Board members. As part of the Separation, Barclays PLC reduced its nominees from three to one. Ashok Vaswani and Patrick Clackson stepped down (in June 2017 and April 2017 respectively) and Daniel Hodge, appointed in May 2017, is the sole nominee of Barclays PLC. After leaving Barclays PLC, Mark Merson, remained a member of our Board and was conferred independent status from 1 October 2017.

Monwabisi Fandeso was appointed as independent director, with effect from 1 September 2017. Tasneem Abdool-Samad (who had been on our Absa Bank Board) joined the Board on 1 February 2018 as independent director, increasing the number of board members to 18 and the overall percentage of independence, women, and Black members.

Independence

Our Board composition emphasises directors' independence to promote independent judgement and diverse mind-sets and opinions. All directors are expected to exercise their judgement independently, irrespective of their status.

Independent directors are annually assessed in accordance with the JSE Listings Requirements and King IV recommendations. The directors assessed in 2017 maintained their independent status and, as mentioned above, Mark Merson is now considered an independent non-executive director.

Directors who have served for more than nine years are subject to annual rotation after the Board has confirmed that they remain suitably qualified to serve. Three independent directors have served on the Board for more than nine years, namely Mohamed Husain, Yolanda Cuba and Trevor Munday. At the upcoming annual general meeting, Mohamed and Yolanda will offer themselves for re-election, but Trevor will be retiring. The Board assessed and concluded that Mohamed and Yolanda remain independent and that they continue to make a significant contribution to the Board's value-creation.

Tenure

Each director's length of service is regularly reviewed as part of succession planning. We have a good balance of longer-serving directors and more recent appointees which talks to a combination of Group-specific experience and fresh challenge. 50% of our members are in their first three years with the Board; 17% have tenure of four to six years; while 34% are longer-serving with seven to 11 years of experience.

Diversity

The Board recognises that a diverse board is beneficial to an organisation's business and regards diversity of perspectives at board level as essential to its ability to provide effective oversight over the setting and execution of strategy.

The Board endorses the recommendation of King IV that a board of directors should comprise the appropriate balance of knowledge, skills, experience, diversity and independence.

King IV recommends that a Board set targets for race and gender representation, and the JSE Listings Requirements requires us to have policies on the promotion of race and gender diversity at board level.

The Board is committed to ensuring that the Group meets its governance, social and regulatory obligations regarding diversity while considering the environment and pan-African geographies in which we operate.

In accordance with our board diversity policy, the Board has set targets for race and women representation at a minimum of 30% each for 2018.

The Board takes prudent measures toward greater race and gender diversity among all employees, and recognises the benefits of having South African, pan-African, and non-African board members.

As at 31 December 2017, the representation of women on (i) all of our subsidiary boards is 26%; (ii) South African boards is 28%; and (iii) the country bank boards is 22%. The Black representation on the South African subsidiary boards is 37%.

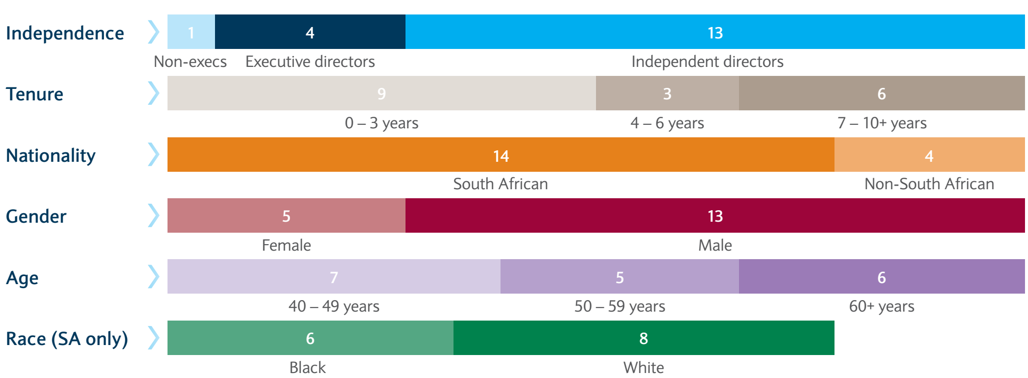
Skills

The Board has the requisite skills to consider and deal with the matters that come before it. In particular we have skills and experience in the areas of banking, risk and capital management, technology, general commercial, financial, auditing, accounting, large-scale industrial, counterparty negotiation, legal, human resource and reward, as well as pan-African strategic engagement.

Our Rest of Africa boards have focused on their composition and skill sets, with a high number of non-executive directors having been appointed with financial, accounting and general commercial skills.

Our 2017 governance activities are aligned with the South African Companies Act, JSE Listings Requirements, (including King IV) as well as the Banks Act.

Composition



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

Key elements of our corporate governance

Our Board Charter

Our Board Charter is the foundation for our governance principles and practices. The charter:

- outlines our Board committees' mandates and specifies which matters are reserved for the Board;
- defines separate roles for the Group Chairman and Chief Executive Officer;
- dictates the Board's expectations of the directors, the chairmen of our Board committees and the lead independent director; and
- sets out how the corporate governance provisions in King IV, the Companies Act, the Banks Act and the JSE Listings Requirements will be put into practice.

Conduct and ethics

Our Board appreciates the importance of ethics and its contribution to value creation and is committed to instilling ethical values throughout the Group, beginning with individual directors' conduct which, if appropriate, will in turn have a positive impact on conduct risk in the Group.

We are committed to the highest standards of integrity and ethical behaviour, and our code of conduct outlines the Values and behaviours that govern our way of working across our business. This code fosters values-based decision-making and demonstrates how our policies and practices align with our Values.

Management is responsible for embedding ethical conduct in the organisation which is overseen by the Social and Ethics and the Directors' Affairs committees (pages 75 and 71).

Directors' appointments

The Directors' Affairs Committee, comprised of independent members only and chaired by the Group Chairman, formally facilitates and recommends directors' appointments for ultimate approval by the Board.

The magnitude and complexity of the Group determines our Board's composition, and we have diverse criteria for candidates to ensure robust governance, keen commercial decision-making and strong technical inputs.

New members are thoroughly inducted into the business, engaging with business executives and functional experts (including risk, finance, treasury, human resources, compliance and internal audit) for a holistic understanding of the Group.

Roles on the Board

The Board's structure balances the directors' powers so that no individual has unfettered authority in discussions or decision-making. The distinct roles of the Chief Executive Officer, Group Chairman, Lead Independent Director and non-executive directors are defined in the Board Charter. All executive directors are engaged on standard employment contracts, subject to short-term notice periods.

Board effectiveness review

The Board's effectiveness is underpinned by that of its individual directors and its support system.

We assessed the effectiveness of the Board, committees, Group Chairman and individual directors, and held peer reviews in January 2017 which showed the Board was performing well overall. Remedial actions for areas requiring improvement were implemented with some receiving ongoing focus.

In view of the increased activities relating to the Separation in 2017, and the revision of the Group's strategy, the Board decided that it would be more beneficial to hold the next evaluation at the end of 2018. In line with recommendation of King IV, we have taken a decision to adopt biennial reviews, which will allow for sufficient time to remedy identified matters.

Directors standing for re-election will have their performance evaluated based on a previous year's assessment, together with other recent and apparent factors.

Application of King IV

Applying King IV brought about changes to our governance processes, including:

- transitioning from an annual to a biennial Board effectiveness review;
- the inclusion of a gender and race diversity policy and related targets in our Board Charter;
- a heightened focus on combined assurance and coverage of the three lines of defence;
- more extensive disclosures on remuneration practices;
- a detailed review of our stakeholder-inclusive practices and policies, with a view to create a more comprehensive and effective stakeholder management regime; and
- developing a Group-wide governance framework to improve the inclusivity of governance.

In our approach, we considered each principle and the underlying recommended practices against that which was already in policy or practice within the Group. The outcomes of the analysis were considered by the Board and relevant committees between November 2016 and September 2017.

Our assessment indicates that we apply all key aspects of the 16 Principles with room for improvement in Principles 14 (remuneration governance) and 16 (stakeholder relationships).

Our asset and investment management businesses assessed their policies and practices against Principle 17 (responsibilities of institutional investors) and confirm that they are mostly compliant, with certain areas for improvement. Our progress by principle is outlined on page 68.

Our major subsidiaries will apply King IV proportionally, the basis of which will be defined through the development of our Group governance framework.

Conflicts of interest

Directors have a responsibility to avoid situations that put, or may be perceived to put, their personal interests in conflict with their duties to the Group. The Board Charter requires directors to declare any actual or potential conflict of interest immediately when they become aware of such situation. Before each scheduled meeting, each director submits a 'declaration of interest' form, outlining other directorships and personal financial interests, including those of their related parties. Where actual or potential conflicts are declared, the recusal procedure is implemented, and affected directors are excluded from discussions and any decisions on the subject matter of the declared conflict.

Actual and potential conflicts of interest are taken into account in the annual assessment of director independence.

Group Company Secretary

The Board evaluated the qualifications, competence and experience of Nadine Drutman (BCom, LLB, LLM), the Group Company Secretary, and remains satisfied that she is qualified for the role and confirmed her independence and arm's-length relationship with the Board and its members.

Nadine advises the Board and individual directors on their fiduciary duties and on corporate governance requirements and practices. She has unfettered access to the Group Chairman, and her office is sufficiently resourced to perform its duties.

Subsidiary relations

King IV and the Separation are opportunities for us to refresh the governance arrangements with our major subsidiaries across Africa. Our Group governance framework, to be adopted by our major subsidiaries in 2018, will standardise the application of frameworks, policies and standards as well as management of discretions limits. It will provide clarity regarding roles and responsibilities of the Group and subsidiary boards and the proportional application of King IV by subsidiaries.

At the annual Africa chairmen's conference in June 2017, business updates were provided, the Separation impacts were discussed, and thoughts on talent management, cloud technology, and the impact of the macro environment were shared.

The Group Chairman periodically holds calls with the chairmen of the major subsidiary boards to keep them apprised of matters pertaining to business performance, Barclays PLC's sell-down of Barclays Africa shares, developments regarding the brand, and the Separation in general.

Peter Matlare, Deputy Chief Executive Officer: Rest of Africa Banking, engages the Rest of Africa subsidiary boards to proactively manage business performance and regulatory relations (the latter requiring significant time and commitment in light of the Separation).

Key matters deliberated by our Board

We maintain a one-year rolling forward planner for the Board and each committee for discussions during the year. Our standard and regular agenda items include

(i) report-backs from each Board committee; and

(ii) comprehensive reports from:

- the Chief Executive Officer (including strategy execution and our performance within the context of the operating environment and competitor landscape);
- the Financial Director; and
- the Chief Risk Officer.

In addition, the following notable items were deliberated at the Board:

(iii) The Separation:

- the implementation of certain aspects of the Separation arrangements;
- the sell-down of Barclays Africa shares by Barclays PLC through an accelerated bookbuild;
- a significant information technology outsourcing arrangement; and
- the strategy to open offices in the UK and the US through licensed securities entities, to support our corporate clients in doing business in these countries.

(iv) Regulatory, risk and conduct matters:

- IFRS 9 (accounting for financial instruments), and BCBS 239 (Basel Committee on Banking Supervision's principles for effective risk data aggregation and reporting), and King IV.
- Economic capital and the role it plays in risk appetite development and monitoring.
- Absa Bank's exposure to state-owned entities and our related risk appetite.
- The Group's pension fund and related regulation, and risks.
- Competition law (having regard to the Competition Commission matter and other legislative developments).
- Matters pertaining to suppliers implicated in State Capture (being the controversy surrounding the Gupta family, their alleged undue influence over state organs in South Africa, and the alleged corrupt business dealings of companies they own or are related parties to).

Progress against our 2017 governance objectives

The Directors' Affairs Committee monitors the execution of our strategy in the key areas forming part of the Board governance objectives. The Board and its committees held regular meetings and rigorously attended to the oversight of these matters. The Board recognises that there is more to be done in certain areas of our strategy execution and business performance, in particular regarding top-line income growth, customer service, IT stability, and in areas impacting our people and culture. We believe that these continue to be the appropriate areas to focus on and intensify our efforts in.

Objective	How we performed
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.	The Board substantively achieved against this objective, monitoring the execution of the One Africa strategy in the context of the macroeconomic environment, but will in the coming year focus to a greater extent on comparative and competitor information and the customer dynamic, especially in areas where market share has declined and where top-line growth has been a challenge. Key matters deliberated by our Board 66; Social and Ethics Committee page 75
2. Monitor the implementation of the Group's IT strategy, with a focus on resilience and appropriate investment spend.	The Board substantively achieved against this objective, with much work done in regard to monitoring the 'run the bank' and 'change the bank' initiatives, with a significant book of work and a move to a new data centre. Resilience and cyber security remains a focus area with a need to improve reliable access to our systems and applications particularly for the Rest of Africa banking operations. Information Technology Committee page 76
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.	The Board fully achieved against this objective, having considered the regulatory environment and the related impact on our banks and management's responses. The potential effects of IFRS 9 were taken into account in capital planning. Regulatory reporting on key matters such as the internal capital adequacy assessment process report (ICAAP), Pillar 3, and recovery and resolution continued to improve; and matters of credit and concentration risk were brought as events unfolded in relation to our public and private sector clients, enabling swift but measured action to be taken. Group Risk and Capital Management Committee page 73; Group Audit and Compliance Committee page 72; Credit Concentration Risk Committee page 78
4. Monitor and assess the people agenda and the culture of our organisation.	The Board substantively achieved against this objective with regular reports on our Black Economic Empowerment scorecard, Shared Growth, and the management of stakeholders, conduct and employees being considered. Continued focus will be on those items which contribute to the culture of our organisation and where we anticipate positive change; and on those items (stakeholders and citizenship) that support our journey to full application of King IV. Social and Ethics Committee page 75
5. Oversee the Barclays PLC sell-down, with a specific focus on the execution thereof, following regulatory approval.	The Board fully achieved against this objective, monitoring each aspect of the sell-down and establishment of the BEE warehousing structure; while at the same time receiving reports on execution progress and related cost and strategic investment spend. Separation Oversight Committee page 80

2018 governance objectives

1. New corporate strategy – Oversee management's delivery of the approved growth strategy into detailed execution plans.
2. Business-as-usual – Monitor and assess the business-as-usual execution in the context of significant change and the new strategy.
3. Technology – Oversee system stability while the Group manages change and transforms the technology landscape, taking into account both the Separation and the growth strategy.
4. Transformation and digitisation – Oversee and assess how we are transforming our business in the areas of growth (top line and returns), building a scalable, digitally-led business, and playing a role in shaping society.
5. People and culture (an underpin to the strategy) – Monitor and assess our progress with respect to diversity and the renewed culture, as an enabler of the new strategy.
6. The Separation – Oversee the execution of the Separation programme.

Focus on King IV

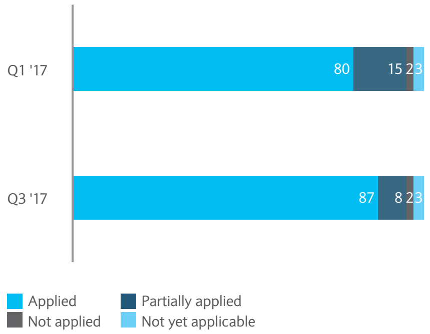
We assessed key governance areas against King IV's envisioned outcomes ('ethical culture', 'effective control', 'good performance' and 'legitimacy') and categorised expected outcomes as either 'primary' or 'secondary'. For example, a focus on organisational ethics to promote an ethical culture as a primary outcome with good performance as a secondary outcome. We anticipate that applying the recommended practices to our focus areas – organisational ethics, group governance framework, stakeholder engagement, combined assurance and fair and responsible remuneration – will benefit 'ethical culture' and 'legitimacy' outcomes the most, followed by noteworthy benefits to 'good performance'. These expected outcomes reinforce the Board's view that an ethical culture and a good reputation are essential to building a sustainable business.

An initial assessment in early 2017 indicated that we already apply the most significant aspects of the principles and majority of the underlying recommended practices. Of the 400 practices, 80% had been fully applied, 15% partially applied, 2% not applied and 3% not yet applicable.

Principles 14 and 16 (respectively covering remuneration governance and stakeholder inclusiveness) recorded relatively higher percentages in the 'partially applied' category.

From March 2017, our remedial efforts were aimed mainly at updating our Board Charter, committees' terms of reference and other governance documents and processes. We moved from 80% fully applied to 87% by the end of the third quarter.

Level of application (%)



Below we summarise our progress on the selected focus areas and what remains to be done.

Assessment against King IV	What we have done and next steps
Ethical conduct The Board, through our Social and Ethics Committee, is responsible for overseeing ethics and ethical conduct in the Group. Other Board committees oversee conduct-related matters, such as internal and external fraud and forensic investigations (monitored by the Group Audit and Compliance Committee and the Directors' Affairs Committee).	We surveyed our employees' impression of our culture and the state of ethics in the organisation, and the Board received a detailed report in the last quarter of 2017. The Group's code of conduct was approved in November 2017 and applies to all employees in the Group. Similarly, we implemented a supplier code of conduct. We enhanced the Social and Ethics Committee's oversight role of the conduct risk and reputation risk frameworks, the supplier due diligence framework, and the conflicts of interest policy. The Social and Ethics Committee was briefed on the application of the whistle blowing process in the Group in the first quarter of 2018, including the systems and processes used to support the reporting and assurance provided on disciplinary and grievance information.
Group governance framework King IV recommends that a holding company should apply an agreed group-wide governance framework. An existing memorandum of understanding governs the relationship between the Group Chairman and the chairmen of the subsidiary bank boards. In order to fully apply the recommended practice, we require a governance framework with greater Group-wide coverage.	In developing the Group governance framework, our memorandum of understanding has been expanded (i) in scope to deal with all subsidiary entities; and (ii) in mandate to deal with the process of approving Group policies, proportionality in relation to subsidiary entities' application of King IV, mandate limits, and the responsibilities that Board committees will undertake on behalf of the subsidiary entities. We will continue to gather input from the various stakeholders, and the Group and subsidiary boards will approve and adopt the framework in the latter part of 2018.

Assessment against King IV	What we have done and next steps
Stakeholder relationships The Social and Ethics Committee assists the Board in overseeing stakeholder relationships. The Group generally has a stakeholder-inclusive approach; however, we have an opportunity to enhance this. We operate a decentralised stakeholder management model where relevant executives define the engagement approach including mechanisms, frequency of engagement, issue management, reporting and dispute management. Our Balanced Scorecard contextualises key matters raised by our stakeholders, and we address these further in the sections on governance and remuneration as well as in our stakeholder management approach in our GRI report.	The foundational elements for stakeholder relationship management exist in our governance structure, with varying levels of maturity. We are: • developing a new Group-level stakeholder engagement policy; • reviewing governance structures, including executive-level accountability for each stakeholder group; • annually reviewing our identified stakeholder groups, and prioritising key matters; • developing stakeholder management methodologies; and • formalising centralised reporting on stakeholder activities and outcomes, including the development of measurement tools, to determine the effectiveness of engagement activities. Management will table an integrated stakeholder management approach (with relevant policies, strategic direction and internal and external reporting) to our Board for deliberation and approval in 2018.
Fair and responsible remuneration King IV requires increased disclosure around remuneration, requiring us to expand on how we address and approach remuneration throughout the Group. To achieve this we must revise our reward/remuneration policy to more comprehensively (i) address the principles of fair and responsible remuneration; (ii) address the approach to remuneration Group-wide; and (iii) incorporate all the elements of remuneration that are offered in the organisation. The objectives/philosophy disclosed in the integrated report should evidence a more comprehensive remuneration policy together with these practices.	The RemCo terms of reference was updated to ensure organisation-wide coverage of remuneration matters. Our revised remuneration policy, to be approved in 2018, will define a strategic approach to remuneration benefits including fair and responsible executive management remuneration in relation to overall employee remuneration; and the elements of, and mix of, remuneration that are offered in the organisation. Our remuneration report aims to provide more transparent disclosures including our responses to key concerns and recommendations of shareholders as well as the approach to shareholder voting on remuneration at the annual general meeting. Our current policy disclosure is linked to high-level statements of intent however, going forward the main provisions of the policy will be disclosed. We have introduced and disclosed a single aggregated annual remuneration number for each executive and are investigating the methodology of disclosure of awards at fair value.
Combined assurance A more comprehensive combined assurance model is being developed to ensure coverage of all key risks across the three lines of defence. Although no gaps were specifically identified, (i) the combined assurance process is a work in progress; and (ii) assurance of external reports with a framework (identifying qualifying external reports, levels of assurance, and provider of assurance in respect of each) is required.	In addition to legislative or regulatory requirements, we are determining the appropriate type/level of assurance to support the integrity of each external report. We developed a framework for external reporting, identifying the combination of internal and external assurance providers per report. The Board or committee will be in a position to determine the effectiveness of the assurance process applied to each external report and issue a statement on the integrity of such report accordingly. Effective from the first financial results publication on 1 March 2018, the detail of the assurance provided on each report issued will be published within each report. Phase two of the process involves identification of reports outside of the regular reporting suite (such as to regulators) which may fall within the ambit of this King IV recommendation.

Application of Principle 17

This principle is designed for application by institutional investors. Our asset/investment management businesses – Absa Asset Management, Absa Alternative Asset Management and Absa Multi Management – have assessed their policies and practices against this principle and confirmed that they are generally compliant, with certain areas requiring improvement. Absa Asset Management and Absa Alternative Asset Management are signatories to the United Nations Principles for Responsible Investment (UN PRI) and subscribe to the Code for Responsible Investing in South Africa (which is based on the UN PRI), while Absa Multi Management is working towards the same by the end of 2018. Furthermore, we will review other businesses which may touch on the asset management value chain.

View our King IV review available at barclaysafrica17ar.co.za.

2017 Board and committee attendance

Attendance is an important factor in the Board's ability to discharge its duties and responsibilities and care is taken in preparing the Board calendar to enable meeting attendance. If a director is unable to attend a meeting (these are generally *ad hoc*), an apology is recorded, and if possible, he/she makes written or oral contributions ahead of the meeting.

We expect, and receive, significant commitment from our Board members as illustrated by the table below, with 96% attendance of all scheduled meetings; and 95% attendance of all meetings including *ad hoc* meetings. After taking unscheduled meetings into account, the total number of meetings held was 63 (2016: 64), excluding Separation Oversight Committee meetings. The Separation Oversight Committee meetings are separately reflected given that they will cease on completion of the Separation.

Name	Board	BFC	CoRC	DAC	GACC[8]	GRCMC	ITC	MC	RemCo	SEC	Totals	% scheduled meetings	(All meetings, incl. *ad hoc*)	SC
Number of meetings	**10**	**5**	**3**	**4**	**7**	**6**	**4**	**3**	**5**	**3**	**50**		**63**	**8**
Alex Darko	10/10				7/7		4/4		5/5		26/26	100	31/31	2/2
Ashok Vaswani[1]	1/3				2/3		0/1				3/7	43	3/7	
Colin Beggs[6,7]	10/10	5/5		4/4	7/7	6/6					32/32	100	43/43	8/8
Daisy Naidoo	9/10		3/3		6/7						18/20	90	21/23	
Daniel Hodge[3]	8/8					5/5					13/13	100	16/18	
David Hodnett[7]	10/10		3/3				4/4	3/3		3/3	23/23	100	27/27	8/8
Francis Okomo-Okello	10/10									3/3	13/13	100	15/15	
Jason Quinn[7]	10/10	5/5	2/3	4/4	7/7	6/6	3/4	3/3	5/5		45/47	96	57/59	8/8
Maria Ramos[7]	10/10	5/5	3/3	4/4	7/7	6/6	2/4	3/3	5/5	3/3	48/50	96	55/62	8/8
Mark Merson	10/10	5/5				6/6					21/21	100	29/29	
Mohamed Husain[7]	10/10			4/4	7/7				5/5	3/3	29/29	100	34/34	8/8
Monwabisi Fandeso[4]	6/6						2/2			1/1	9/9	100	9/9	
Patrick Clackson[2]	1/2						1/1		0/1		2/4	50	2/4	
Paul O'Flaherty[7]	9/10			4/4	7/7	5/6			5/5		30/32	94	35/40	5/8
Peter Matlare	10/10						3/4			3/3	16/17	94	19/21	1/2
René van Wyk[7]	10/10		3/3	3/3	7/7	6/6					29/29	100	37/37	8/8
Trevor Munday[7]	10/10	5/5		4/4		6/6					25/25	100	34/35	8/8
Wendy Lucas-Bull[5]	10/10	5/5	2/3	4/4	7/7	5/6	4/4		5/5	2/3	44/47	94	57/60	7/8
Yolanda Cuba	10/10	5/5	3/3						4/5		22/23	96	26/28	
Total	**164/169**	**35/35**	**19/21**	**31/31**	**64/66**	**51/53**	**23/28**	**9/9**	**34/36**	**18/19**	**448/467**		**550/582**	**71/76**
Total (%)	**(97%)**	**(100%)**	**(90%)**	**(100%)**	**(97%)**	**(96%)**	**(82%)**	**(100%)**	**(94%)**	**(95%)**	**(96%)**		**(95%)**	**(93%)**

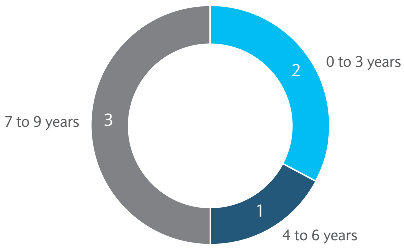
1 Resigned, effective 30 June.
2 Resigned, effective 30 April.
3 Joined the Barclays Africa Board and the GRCMC effective 1 May.
4 Joined the Barclays Africa Board, ITC and SEC effective 1 September.
5 Also chairs the Absa Bank and Absa Financial Services boards.
6 Also attends the Absa Financial Services Actuarial committee and is a member of the Absa Group Pension Fund.
7 All members of the Absa Bank board.
8 In addition there are Disclosure and Technical Disclosure sub-committees supporting the GACC which met four times in the year.

Committee reviews

The Board has mandated 10 committees, comprising suitably skilled directors, to oversee and govern their respective areas. Committee chairmen give written (and then verbal) feedback to the Board at Board meetings. In addition, the Group Chairman reports back on the activities of WIMI, as dealt with at the board of Absa Financial Services Limited.

The mandates, membership and the tenure of committee members, as well as the key activities of each committee during 2017 follow here. Each committee considered its gaps relative to King IV and amended its terms of reference and activities in response. This is not specifically mentioned in the write-ups below.

Directors' Affairs Committee

Members	Period served	Attendees
Wendy Lucas-Bull (Chairman) Colin Beggs Mohamed Husain Paul O'Flaherty René van Wyk (from April 2017) Trevor Munday		Maria Ramos Jason Quinn

Mandate

The Committee is mandated to assist the Board in establishing and maintaining an appropriate system of corporate governance for the Group. This includes board and committee composition for all entities, induction of new Board members, director training and skills development, Board and committee effectiveness evaluations, and reviewing and proposing governing policies, and matters of regulatory and reputational risk.

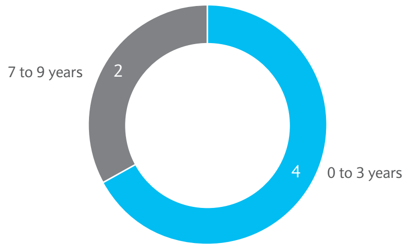
Covered, among others:

- the Group's governance structure, focusing on non-executive director succession planning, to establish and maintain optimal size, composition and independence;
- matters of reputational risk including those issues arising from the Public Protector's release of the final report on the Bankorp matter, and the Competition Commission matter regarding foreign exchange trading;
- matters surrounding regulatory engagements and commitments, in particular the Group's relationships with the various regulators in South Africa and the Rest of Africa in light of the Separation; and the implementation of Twin Peaks in South Africa;
- executive succession planning;
- appointments of chairmen to subsidiary bank boards and non-executive directors to the Absa Financial Services board;
- appointments of members of the Group Board, and committee membership changes;
- the policy in respect of race and gender diversity at Board level; and
- increased discretion limits for the Executive Committee (and resultant limits for Board committees) and mandating this committee to operate at a more strategic level.

The Committee is satisfied that it has fulfilled its responsibilities in accordance with its terms of reference and relevant legislation and regulation.

The Committee's themes for 2018 include regulatory relationships; overseeing the Separation from a governance point of view; Board composition and transformation; and enhancing the Board's engagement with major subsidiaries by implementing the Group-wide governance framework.

Group Audit and Compliance Committee

Members	Period served	Mandatory invitees
Colin Beggs (Chairman) Alex Darko Daisy Naidoo Mohamed Husain Paul O'Flaherty René van Wyk (from February 2017) Tasneem Abdool-Samad		Wendy Lucas-Bull Maria Ramos Jason Quinn **Attendees** Chief Internal Auditor Chief Risk Officer Head of Compliance External auditors

Mandate

The Committee is accountable for accounting policies and the annual financial statements and reports; oversees the quality and integrity of the Group's integrated reporting; is the primary forum for engagement with internal and external audit; and monitors the Group's control and compliance environment.

Covered, among others:

- the Group's progress on preparing to implement IFRS 9 (Financial Instruments) from 1 January 2018 (addressing data requirements, retaining skilled resources and assessing macroeconomic factors) and the scope of external and internal audit in relation thereto;
- impairments in the Retail and Wholesale portfolios given the evolving macroeconomic environment, and the potential impact of IFRS 9;
- the alignment of the annual financial reporting processes across Africa;
- the stability of payments and settlements;
- the establishment of a centralised 'converged security' strategy, incorporating cyber, information and fraud risk;
- together with the Directors' Affairs Committee, the Group's position on and relationship with KPMG South Africa, in light of the allegations against the audit firm;
- the control environment, particularly in light of the additional impact of the Separation;
- the approach to tax risk management and tax planning, introducing more transparent tax disclosures and new tax requirements;
- the review by Operational Risk, Internal Audit and Compliance of their respective target operating models, including resourcing of the relevant teams having regard to the demands of the Separation and general regulatory change;
- the embedment of a combined assurance model and the framework for the assurance of external reports;
- compliance with applicable Regulatory requirements, including by the National Credit Regulator and Financial Intelligence Centre in South Africa, and in-country data centres in the Rest of Africa; and
- management's assessment of the performance of the external auditors and their accreditation for 2017.

The Committee is satisfied (i) that it has complied with its terms of reference, and (ii) with the overall control environment, including those aspects supporting the financial statements for 2017, as confirmed by Internal Audit and our external auditors.

In 2018, the Committee will continue to monitor further improvements in the control environment, as well as identified areas, such as cybercrime, financial crime, and fraud; and the effects of new accounting standards.

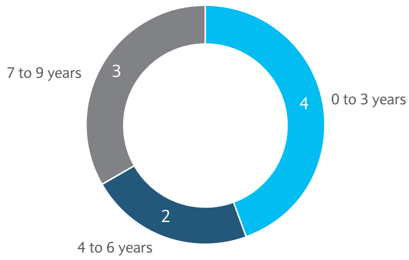
View the full Group Audit and Compliance Committee statement within our consolidated and separate financial statements available at barclaysafrica2017ar.co.za.

Group Risk and Capital Management Committee

Members

Trevor Munday (Chairman until end March 2017; remains a member)
René van Wyk (Chairman from April 2017; a member from February 2017)
Colin Beggs
Daniel Hodge
Jason Quinn
Maria Ramos
Mark Merson
Paul O'Flaherty
Wendy Lucas-Bull

Period served



Attendees

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

Mandate

The Committee assists the Board with matters relating to risk, capital and liquidity management within the Group. It receives assurance that processes are in place to comply with laws and regulations pertaining to risk, capital and liquidity management in the relevant jurisdictions.

Covered, among others:

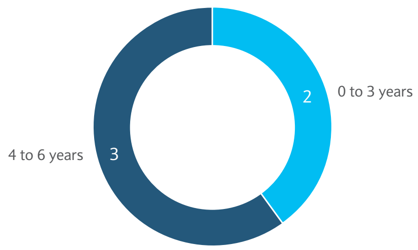
- cyber risk issues and developments, having regard to the inputs of the Information Technology Committee;
- key regulatory developments that may affect the Group's capital position such as the recovery and resolution framework and certain Basel Committee on Banking Supervision (BCBS) developments;
- business continuity/resilience management and the respective metrics, programmes and testing;
- the status of, and management's compliance with, the BCBS 239 standard that looks to risk data aggregation and risk reporting, and the related data management initiatives;
- risk implications of the Separation relating to the three-year transitional outsourced arrangements with Barclays PLC;
- the predicted impact of the IFRS 9 impairment models on the Group's capital ratios;
- the treasury execution strategy in response to a potential sovereign downgrade;
- the nine principal risks (credit risk, market risk, treasury and capital risk, insurance risk, operational risk, model risk, legal risk, conduct risk and reputation risk) and management actions in relation thereto;
- current and projected Group capital levels both on a normalised and IFRS basis;
- current and projected Group funding and liquidity levels, including the liquidity coverage ratio and Basel III net stable funding ratio and the related contingency funding plan; and liquidity risk appetite;
- the issuance of Additional Tier 1 (preference shares) and Tier 2 capital (subordinated debt) at Group level under the domestic medium-term notes (DMTN) programme for investment in Absa Bank;
- taking up a collateral liquidity facility from the South African Reserve Bank from 2018 to meet Basel III liquidity requirements; and
- Stress testing for the integrated planning (budgeting) process for 2018, and reverse stress testing for regulatory purposes, both of which were positive in relation to the capital of the Group, even in highly stressed scenarios.

The Committee is satisfied that it has fulfilled its responsibilities in accordance with its terms of reference, and remains comfortable with the levels of risk, capital and liquidity in respect of the regulated entities. In October 2017, the Committee participated in the liquidity stress simulation externally facilitated, and observed by the South African Reserve Bank.

In 2018, the Committee will continue monitoring the Group's nine principal risks, having regard to changing economic and operational conditions and the execution of our Separation, as well as the current and projected levels of capital, funding and liquidity of all regulated entities.

Group Remuneration Committee

Members	Period served	Attendees
Paul O'Flaherty (Chairman) Alex Darko Mohamed Husain Patrick Clackson (until end April 2017) Wendy Lucas-Bull Yolanda Cuba	see chart	Maria Ramos Jason Quinn Chief Executive: Human Resources Head of Reward



Mandate

For the last three years, the Committee has focused on:

a. improving the link between pay and performance;

b. improving the balance of pay across the organisation;

c. ensuring appropriate and compliant disclosure of remuneration principles, philosophies and outcomes;

d. engaging with investors regarding our remuneration policy and disclosure;

e. managing the implications of CRD IV on pay for Barclays Africa executives and material risk takers; and

f. retaining key individuals in the context of the sell-down and Separation.

With the advent of King IV, the focus of the RemCo has been:

a. revising our remuneration policy covering all elements of remuneration for all employees;

b. a broader remit within the terms of reference to ensure wider coverage of remuneration; and

c. intensified engagement with investors (being a broader base of minority shareholders, post sell-down) and other stakeholders to ensure feedback; and to communicate changes in policy and approach.

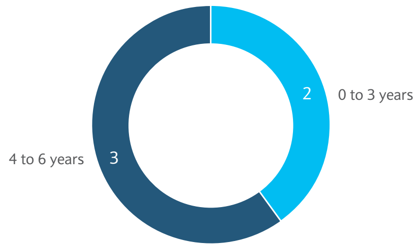
Covered, among others:

- fair and responsible pay including salary benchmarks for all employees, with recommendations to address any anomalies;
- updates from the executive Remuneration Review Panel on risk matters, compliance and conduct-related incidents, and the impact on compensation;
- updates on European Banking Authority and Prudential Regulatory Authority guidelines and policy statements on compensation which will remain relevant until regulatory deconsolidation;
- updates on pensions and benefits across the Group;
- amendment to incentive funding methodology including a peer comparison of bonus pools and bottom-up re-build;
- local and international trends in disclosure of executive pay;
- proposals for retention of senior management through the Long-Term Incentive Plan for 2017 – 2020 and the related financial and non-financial performance metrics; and
- the international mobility strategy and related frameworks.

The Committee is satisfied with the status of remuneration and incentives in the Group, within the current regulatory environment in which the Group operates, provided that more work will be done towards equitable pay across the organisation. It spent considerable time developing appropriate financial and non-financial performance conditions linked to the Long-Term Incentive Plan, in order to align to the interests of our shareholders, while remaining market competitive in this area. We are and will continue to align to King IV (i) in considering fair and responsible pay, and the best way to measure and report this; and (ii) in developing and publishing an updated remuneration policy for our shareholders to consider.

Going forward, time will be spent reviewing and approving the reward component of the new corporate strategy launched in 2018 and, in particular, ensuring reward is aligned to local market conditions post regulatory deconsolidation from Barclays PLC.

Social and Ethics Committee

Members	Period served	Attendees
Mohamed Husain (Chairman) Francis Okomo-Okello Maria Ramos Monwabisi Fandeso (from September 2017) Wendy Lucas-Bull		David Hodnett Peter Matlare Chief Executive: Human Resources Chief Executive: Marketing and Corporate Relations Head of Compliance Group General Counsel

Mandate

The Committee monitors key organisational health indicators, including ethics management; talent retention and acquisition; labour turnover; wellness; learning and development reach and spend; employee relations; diversity and inclusion; conduct and reputation risks; and the Group's activities having regard to any relevant legislation and codes of best practice on matters relating to:

- social and economic development;
- good corporate citizenship;
- ethics and conduct;
- sustainable development;
- labour and employment;
- consumer relations;
- stakeholder management;
- transformation;
- the environment; and
- health and safety.

The Committee oversees and evaluates management's performance against the Balanced Scorecard on all non-financial matters.

Covered, among others:

- the code of conduct (The Barclays Africa Way), which outlines the Purpose and Values which govern our ways of working across our business; and the related conduct and reputation risk frameworks;
- the outcomes of Internal Audit and Compliance's assurance activities on conduct and ethics;
- the Employment Equity Plan for 2017 – 2022 and the BEE scorecard (and developments regarding the Financial Sector Charter;
- the key indices against which Barclays Africa reported disclosures in 2016 (Carbon Disclosure Project; Dow Jones Sustainability Index; FTSE 4Good Environmental Social Governance Index); and the sustainability frameworks and disclosures against which we will report going forward;
- the advertising and marketing approach; advertising campaigns; the sponsorship portfolio; and the performance of the Barclays Africa brand having regard to the impact of the Separation;
- the Group's environmental targets and impact (energy; water; carbon; renewables; and paper);
- the status of premises' health and safety; related assurance programmes; and the introduction of technology to better track, manage and report health and safety;
- the approach to customers in certain key businesses including retention strategies, complaint management, and actions to address thematic root causes;
- necessary actions to fully comply with King IV's provisions on ethics, stakeholder engagement, and citizenship going forward;
- the stakeholder engagement framework (including the critical stakeholder identification principles and the stakeholder management approach); and
- the execution of the Shared Growth strategy (Citizenship initiatives, targets and spend), and the Citizenship strategic governance review to streamline Citizenship governance, and to re-focus activities in line with the post sell-down business strategy and brand development.

The Committee is satisfied that it has fulfilled its responsibilities in accordance with its terms of reference.

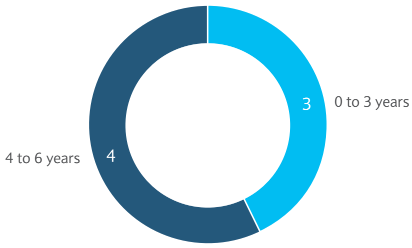
The Committee will continue focusing on stakeholder management, good corporate citizenship, customer relationships, conduct and reputation risk, ethics management, labour and employment matters, diversity and inclusion, and broad-based black economic empowerment.

Information Technology Committee

Members

Alex Darko (Chairman) (from May 2017)
Ashok Vaswani (until end June 2017)
David Hodnett
Jason Quinn
Maria Ramos
Monwabisi Fandeso (from September 2017)
Patrick Clackson (until end April 2017)
Peter Matlare
Wendy Lucas-Bull

Period served



Attendees

Chief Information Officer
Chief Operations Officer
Chief Risk Officer

Mandate

The Committee assists the Board with effective oversight and governance of technology and information for Barclays Africa. King IV distinguishes between governance oversight of (i) the organisation's information assets, and (ii) the technology infrastructure used to generate, process and store that information. The Committee's mandate has been updated accordingly.

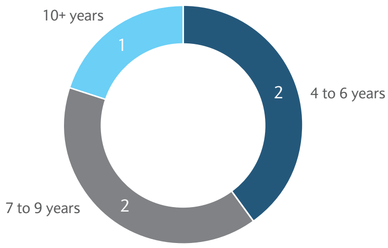
Covered, among others:

- technology stability, resilience, and risk in South Africa and the Rest of Africa;
- top technology priorities:
  - customer stability and live security threats;
  - regulatory commitments; and
  - technological separation from Barclays PLC;
- technology cost analysis and investment spend (and related benefits);
- the analysis of change impact (volumes) and remedial actions taken on people risk (key man dependencies, and unexpected events);
- management's actions to improve operational stability of the Group's payments systems;
- core infrastructure and platforms in the Rest of Africa operations;
- progress on a new digital strategy, to strengthen the Group's position as a digital bank in Africa;
- progress on the implementation of the Group's cybersecurity strategy, noting the build-out of local capacity in this area having regard to the Separation;
- progress of disaster recovery and data centre migration in South Africa, as well as the Rest of Africa;
- implementation of the Group's technology strategy, focusing on reducing the application portfolio, moving applications to more efficient platforms and the continuous engineering of processes, applications and development;
- engagement with various regulators regarding the use of a production cloud environment;
- improvement of system availability and stability and its impact on customers and employees, as well as the Group's ability to respond to incidents; and
- together with the Board Finance and Group Risk and Capital Management committees, outsourcing of certain IT services to external providers, in relation to the Separation.

The Committee is satisfied that it has fulfilled its responsibilities in accordance with its terms of reference.

The Committee will continue its focus on the Barclays Africa infrastructure, system availability and stability, technology risk, converged security, people risk within technology, data centre migration, cloud migration, digital transformation and innovation, and technology separation in 2018.

Board Finance Committee

Members	Period served	Attendees
Yolanda Cuba (Chairman) Colin Beggs Mark Merson Paul O'Flaherty Trevor Munday Wendy Lucas-Bull		Maria Ramos Jason Quinn

Mandate

The Committee assists the Board in approving certain levels of investments and types of transactions within its mandate. The Committee is also mandated by the Barclays Africa and Absa Bank boards to consider and approve their dividend declarations within the parameters determined by the boards, and to finalise the profit commentary as it relates to interim and year-end financial results.

The Committee considers, and recommends to the Board the medium-term plan developed in terms of the Group strategy.

Covered, among others:

- progress of the property consolidation strategy upgrades throughout the portfolio;
- the disposal of certain private equity investments; and supplier and outsource contracts with technology providers in particular for local area network, wide area network, voice, and ATM services;
- taking up of an inaugural loan from the China Development Bank;
- development of the international operations strategy for securities and payment licences in the context of the Separation;
- a committed liquidity facility from the South African Reserve Bank pursuant to the Basel III liquidity requirements;
- outsourcing certain IT applications maintenance and development, supported by the GRCMC and the ITC; and
- the medium-term plan for 2018 – 2020 including the Separation contributions received and financial implications thereof.

The Committee is satisfied that it has fulfilled its responsibilities in accordance with its terms of reference, and will continue executing its mandate and challenging management on the setting of budgets relative to the Group's new strategy as well as approving investments and disposals.

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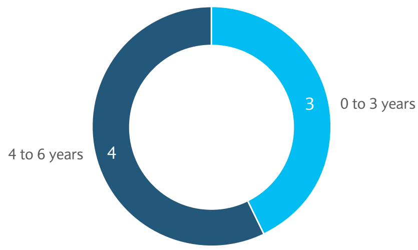
Credit Concentration Risk Committee

Members

Trevor Munday (Chairman until end March 2017; remains member)
René van Wyk (Chairman from April 2017)
Daisy Naidoo
David Hodnett
Jason Quinn
Maria Ramos
Wendy Lucas-Bull
Yolanda Cuba

Period served



Other quorum members

Chief Credit Officer
Chief Risk Officer

Mandate

The Committee's main mandate is to consider and approve all large exposures including single-name exposures, key country risk limits, mandate and scale limits, and maximum exposure guideline levels with reference to the risk appetite of the Group as approved by the Board from time to time.

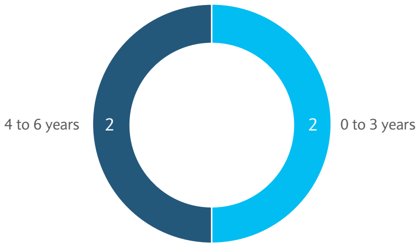
Covered, among others:

- mortgages and unsecured lending mandate and scale;
- levels of wholesale and retail credit including material concentrations, watch list clients as well as sector and geographic trends;
- key sectors including agriculture (primary and secondary), banking, manufacturing, mining and metals, property, retail, power, and public sector;
- foreign exchange rate risk;
- country and sovereign limits for the Group's Rest of Africa portfolio and specific reviews of Kenya, Ghana, and Nigeria;
- stress triggers; stress losses; and mandate and scale; and
- credit facilities to those 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 relevant legislation and regulation, and in particular to large exposures. The Committee's coverage was expanded to include the retail sector in the year under review.

The Committee will continue to undertake industry and product-specific reviews, having regard to prevailing economic conditions and assessing the risk profile of the Group's large exposures and concentrations in the context of risk appetite.

Models Committee

Members	Period served	Attendees
Jason Quinn (Chairman) David Hodnett Maria Ramos Chief Risk Officer		Peter Matlare Head: Model Risk and Development Chief Executive: WIMI

Mandate

The Committee is the designated committee responsible for approving Barclays Africa's material risk models on inception and annually thereafter, in accordance with guidelines set out in the relevant policy and by the South African Reserve Bank and other applicable regulatory requirements.

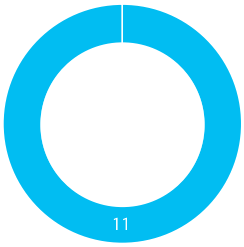
Covered, among others:

- model development and implementation priorities for 2017, particularly the development of new IFRS 9 retail and wholesale models for South Africa and Rest of Africa, in advance of their implementation on 1 January 2018;
- the reconciliation between Barclays Africa's retail and wholesale credit economic capital; and regulatory capital;
- business acceptance for economic capital risk;
- progress on the development and implementation of IT infrastructure to support the governance of models;
- the Group's regulatory capital, economic capital, wholesale, retail impairment models (both IAS 39 and IFRS 9) 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.

The Committee will continue monitoring compliance with regulatory standards set by the South African Reserve Bank and other regulators in 2018.

Separation Oversight Committee

Members	Period served	Attendees
Wendy Lucas-Bull (Chairman) Alex Darko (from July 2017) Colin Beggs David Hodnett Jason Quinn Maria Ramos Mohamed Husain Paul O'Flaherty Peter Matlare (from September 2017) René van Wyk (from March 2017) Trevor Munday Chief Risk Officer		Separation Project Director Group General Counsel

Following Barclays Africa's announcements on 31 May and 1 June 2017 (terms of Separation signed, and Barclays PLC's sell-down of its interest in Barclays Africa from 50.1% to 23.4%) the Committee (established as an *ad hoc* committee in March 2016) amended its terms of reference (and its name) to reflect its revised mandate to provide oversight of the execution of the Separation. Specific decisions in relation to the Separation activities rest with the relevant Board committees, in accordance with their respective mandates. This Committee will remain in place until the completion of the Separation (approximately three years).

Covered, among others:

- the transitional governance framework in terms of the Separation Agreement which applies until regulatory deconsolidation, and the governance structure put in place to manage the Separation to conclusion;
- the critical path to Separation with appropriate sequencing, dependencies, capabilities, capacity and migration management;
- progress, scope management and the impact of regulatory and stability changes;
- prioritising and managing strategic investments as a single book of work across the business;
- the status of service management by Barclays PLC under the three-year Transitional Service Agreement (comprising 129 material service schedules);
- various regulatory submissions, and the regulatory engagements with (i) the South African Reserve Bank and the Prudential Regulatory Authority as part of the process for Barclays PLC to achieve regulatory deconsolidation, and with (ii) the regulators for the Rest of Africa countries (who are also updated through the College of Regulators facilitated by the South African Reserve Bank);
- application for and setting up of certain international entities in the United Kingdom and United States with trading licences for business previously performed by Barclays PLC;
- Barclays PLC providing the cash equivalent of 1.5% of Barclays Africa shares (R1 891m) to the independent Absa Empowerment Trust in September 2017, and the appointment of independent trustees to that structure;
- the further reduction by Barclays PLC of its shareholding in Barclays Africa to 14.9% on 1 December 2017;
- the manner in which the necessary capital support is provided to each of the Rest of Africa country banks to enable the required Separation investments to be made; and
- the overall financial impact and implications of the Separation, including actual project spend in 2017, and the projected Separation spend for 2018 and beyond.

The Committee noted the risk management that is being applied throughout the Separation programme with appropriate risk assessments, including through independent assurance and internal audit. 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 through the Separation programme.

Remuneration summary

Part one: Background statement

Our remuneration journey

2017 was a year of significant change with the Separation, changes in our regulatory landscape and the introduction of King IV. These changes have presented a unique opportunity to define the organisation we want to be, including how our remuneration philosophy and principles will give effect to our new corporate strategy. Our new reward philosophy and principles will be deliberate in addressing the views of our stakeholders, and will be informed by a fact base of competitor practices while complying with our changing regulatory landscape.

Our history – regulatory impacts on reward practices

Until we achieve regulatory deconsolidation from Barclays PLC (expected during 2018), we are required to comply with the European Union's Capital Requirements Directive IV (CRD IV), and the Prudential Regulatory Authority Remuneration Rulebook, which create an explicit regulatory and shareholder reward framework. Since 1 January 2017, the European Banking Authority Guidelines (which the Prudential Regulatory Authority accepts) have prohibited the payment of dividends or interest on deferred share awards for material risk takers (for awards from the performance year 2017), and further extended the holding periods from three years to five years which is applicable to the executive directors and material risk takers.

CRD IV, which came into effect in January 2014, has also had a significant impact on our reward practices and pay mix, primarily as a result of the 2:1 maximum ratio of variable to fixed pay for executives and material risk takers. Consequently, we implemented role based pay to remain market competitive. This has distorted the executive and material risk taker pay mix and undermined the nexus between performance and pay. Lower variable pay, partly due to contained short-term incentives and no long-term incentive awards during the period 2014 to 2016, resulted in inadequate executive exposure to the share price and gearing to long-term performance. These regulations are not applicable to local peers and competitors, and have impacted our market competitiveness.

Our new reward strategy is being developed for the future, taking into account regulatory deconsolidation.

While implementing this revised reward strategy is a journey with financial and regulatory constraints, we are confident that it will ultimately build stakeholder confidence in our reward outcomes through a strong and transparent correlation with performance; encourage and direct our employees' discretionary efforts; and ensure we make fair and responsible reward decisions.

Shareholder engagement and voting

We had a 75.7% vote 'for' our remuneration policy at our 2017 annual general meeting. We seek to improve this result and have made our comprehensive disclosure more transparent to enable active and extensive engagement with our shareholders. Our responses to remuneration matters raised by shareholders are outlined below.

Feedback	Actions taken/response to feedback
The pay mix of executives is distorted and too high due to the combination of conventional salary and role based pay.	Role based pay remains in place to ensure market competitiveness until we achieve regulatory deconsolidation from Barclays PLC, after which it will terminate, and we will align fixed pay with the market. 29 material risk takers received role based pay in 2017.
The current 10% new share issuance limit for 'reward shares' is higher than what is considered appropriate.	Currently Barclays Africa does not issue new shares for the release of deferred or long-term incentive share awards. These shares are purchased on the open market, and therefore have no impact on share price dilution. We seek shareholder approval at the 2018 annual general meeting for a maximum 5% limit, and a 0.5% individual limit, for the number of shares awarded across all share incentive schemes.
The variable remuneration arrangements are not subject to performance periods longer than one year.	Long-term incentive awards made in 2017 were under the existing Long-Term Incentive Plan which has a three-year performance period. These will vest between three and five-and-a-half years depending on an individual's material risk taker status. The Group Remuneration Committee (RemCo) determined the 2017 short-term bonus incentive pool based on the 2017 financial year performance of Barclays Africa and individual business units. Specific deferrals of payout are highlighted later in this report.
The level of disclosure around performance measurement should be enhanced.	We held numerous engagements with shareholders, and include additional disclosure regarding targets and stretch in this remuneration report.
No clear linkage to targets on incentives – there should be quantitative stretch targets that can be tracked.	The Long-Term Incentive Plan awards in 2017 have a threshold, target and stretch approach. The RemCo determined the 2017 short-term bonus incentive pool based on affordability as well as the Group's and individual business units' performance (in particular headline earnings).
Success in separating from Barclays PLC should be a factor in the Long-Term Incentive Plan conditions.	The 2017 Long-Term Incentive Plan metrics incorporate a strategic measure which includes progress against organisational objectives such as the Separation.

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How we have applied King IV

The RemCo has applied Principle 14 of King IV, and is committed to ensuring that we remunerate fairly, responsibly and transparently. Within this remuneration report, we have made our disclosures and current remuneration policies more transparent and comprehensive. We have considered the recommended practices under Principle 14 by mindfully contemplating how each practice could enhance the quality of our disclosures, considering each recommended practice in light of what is appropriate for Barclays Africa and the sector, and in light of other required and voluntary governance standards with which we comply.

The recommended practices which have been applied in this remuneration report are listed below. We have:

- restructured our remuneration report according to the three parts recommended in King IV. The remuneration policy overview and implementation report focus on executive management as defined within King IV. In addition, within the remuneration policy, the remuneration elements and design principles informing the remuneration arrangements for other employees are included at a high level.
- focused on fair and responsible remuneration, and have contextualised how our policy addresses fair and responsible remuneration for executive management in the context of overall employee remuneration.
- provided details of any obligations in executive employment contracts which could give rise to payments on termination of employment or office.
- adopted the single, total figure reporting within our remuneration disclosures.
- implemented the new voting regime, and have requested advisory endorsement of our remuneration policy and the implementation report.

Fair and responsible pay

Society, including our customers and regulators, expects us to be a force for good, including fair and responsible pay for all employees and those of third-party providers.

PwC Actuarial Services conducted a comprehensive analysis of our annual basic pay, using regression analysis, to assess equal pay for work of equal value. This analysis showed that there are no unjustifiable variances in annual basic pay across Group-wide management and bargaining unit populations. In addition, PwC and Global Remuneration Services/Mercer conducted appropriate reputable remuneration surveys to ensure our internal equity and external competitiveness.

Our annual minimum basic pay of R144 000 is higher than the national minimum and living wage, and where feasible, we monitor the remuneration paid by our third-party service providers. The Group's Gini coefficient increased marginally to 0.45% from 0.44% in 2016, due to the specific interventions to lock-in critical senior employees during the Separation. We continue awarding higher increases to our more junior employees, as outlined on page 86.

Symmetry in reward, risk and conduct is a key tenet of our approach to remuneration. We maintain a sound governance structure of material risk takers to ensure that their remuneration is in line with our Values, and does not encourage undue risk. Our Remuneration Review Panel is an executive sub-committee of the RemCo and is chaired by the Chief Risk Officer. The Remuneration Review Panel makes recommendations to the RemCo on risk management, compliance and control matters relating to remuneration. In particular, it makes recommendations on adjustments to bonus pools, individual awards, malus adjustments and clawback.

We considered executive director and prescribed officer remuneration alongside a detailed comparison to the broader employee population's remuneration to ensure consistency across the Group.

This year we present part two (the main overview of the remuneration policy) and part three (the implementation report) to the shareholders for advisory votes. This is in alignment with the amended JSE Listings Requirements and the provisions of King IV. Part two outlines the Board's measures in the event of a negative vote on the remuneration policy of 25% or more.

Regulatory impacts

Our remuneration approach and disclosures 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.

As part of our commitment to good corporate governance, we have changed the structure of this report to align with the principles and recommended practices of King IV as follows:

- This report is split into three sections: Part one sets out the context of remuneration decisions during the year; part two sets out our remuneration policy and governance; part three addresses the implementation of the remuneration policy during 2017.
- We continue to be transparent, to ensure fair and responsible pay through the disclosure of relative measures such as our 2017 Gini coefficient.
- As required by Regulation 43 of the South African Banks Act, the remuneration of risk, compliance, legal, and internal audit employees is determined independently within each function, rather than by the business they support, though within the parameters of the pool we allocate to them.
- While we remain regulated by the Prudential Regulation Authority, we will comply with the European Union's CRD IV, and, in particular, the 2:1 maximum ratio of variable to fixed pay, and additional holding periods and clawback provisions for material risk takers.
- We take note of the newly promulgated South African Twin Peaks legislation which will establish prudential and conduct regulatory bodies in South Africa to govern and regulate the financial services industry in a similar manner to the United Kingdom and will adapt our remuneration governance to reflect the requirements established by these bodies.

Remuneration advisors

The RemCo is satisfied that the advice received from PwC was objective and independent.

Pay and performance highlights

Our pay decisions considered financial performance holistically, including progress against our Balanced Scorecard, which is fundamental to how our business is run (see page 30). This is in line with improving returns to shareholders and accelerating delivery. Our policy is to pay above the market median for our top performers and critical talent. By retaining our highest-quality people, we best deliver our strategy and shareholder value.

Barclays Africa's 2017 financial results were satisfactory in a challenging macro environment, with normalised headline earnings increasing by 4% (7% in constant currency). We continued to benefit from a diversified portfolio as stronger growth outside South Africa supported overall performance. Group return on equity at 16.4% remained strong and largely in line with the prior year, while earnings were marginally better than the Board-approved target in constant currency terms.

The 2017 annual discretionary bonus incentive pool increased in absolute terms by 2% compared to normalised headline earnings growth of 4%. Total incentives, which grew by 5%, includes:

- formulaic incentives;
- a Separation bonus pool of R184m for individuals who support our separation efforts; and
- the restricted share awards granted in 2017.

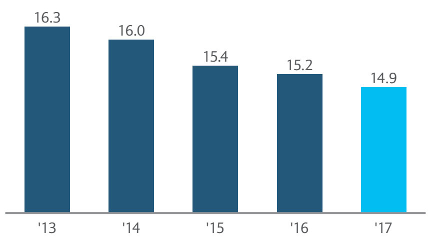
The Separation bonus pool included additional highly skilled resources specifically hired for the project, particularly in the IT function. 334 employees were dedicated full-time to the Separation. The Separation bonus is a temporary pool, which will cease once the Separation has been achieved.

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 2017 can be summarised as follows (these are based on normalised profit before tax):

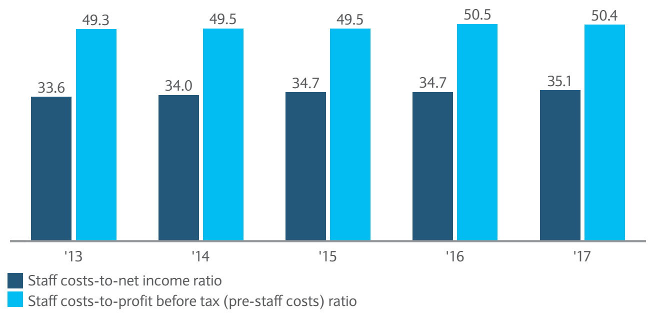
- The staff cost-to-profit before tax (pre-staff costs) ratio decreased by 0.1 percentage points. During 2017, we employed an additional 670 employees.
- The staff cost-to-net income ratio is 35.1%, which is 0.4 percentage points higher than 2016.
- The cost-to-income ratio increased to 56.8% (2016: 55.2%).
- Total staff cost increased to R23 138m (4.7%), of which salaries increased to R18 684m (4.5%).
- The ratio of our annual bonus pool to headline earnings continued to reduce in 2017 (14.9%).

These year-on-year changes illustrate our continued focus on generating quality earnings with a focus on costs.

Ratio of annual bonus pool to headline earnings (%)



Staff cost framework ratios (%)



Part two: Remuneration policy and governance – overview of main provisions

2017 elements of remuneration – pre regulatory deconsolidation

While we apply a common remuneration structure across the Group, we differentiate its implementation according to local market practice and statutory or regulatory requirements. Remuneration is split between fixed and variable elements – variable elements reward the achievement of Group, business unit, team and individual objectives. In the table below we summarise the elements of remuneration as they applied in 2017 (pre regulatory deconsolidation).

Fixed remuneration	**Salary**	Included as part of cost to company and reflects an individual's role, specific skills and experience, and provides the basis for a competitive remuneration package. 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.
	Role based pay	Created due to the regulatory environment to which we are exposed. Role based pay is not considered as salary (or cost to company) for pension and benefit purposes, unless legally required in a particular geography. Role based pay only applies to material risk takers and will fall away post regulatory deconsolidation, at which point fixed pay will be aligned with the market. 29 material risk takers received role based pay in 2017. Our Chief Executive Officer's role based pay was previously delivered through 50% phantom shares and 50% cash. Our Chief Executive Officer is no longer a member of the Barclays PLC Executive Committee, and as such her role based pay from July 2017 was paid monthly in cash to align with other Barclays Africa executive directors.
	Lifestyle benefits	Competitive benefits (including pension, insurance etc.) appropriate to an employee's role and location.
Variable remuneration	**Annual bonus (non-deferred)**	For executive directors, prescribed officers and material risk takers, 50% of the non-deferred bonus is delivered in cash, and 50% is delivered as shares which are released after 12 months (as a Share Incentive Award – refer below). Executives are given the choice to defer 100% of the annual bonus into shares. For all other employees, 100% of the non-deferred bonus is delivered in cash subject to the provisions set out under the deferred bonus below. All cash portions of the bonuses are paid in March.
	Share Incentive Award (non-deferred)	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 12 months in March of the following year.
	Annual bonus (deferred)	• For material risk takers between 40% and 60% of their total annual bonus is deferred depending on the individual's material risk taker status. The deferred amount is apportioned as follows: – 50% in shares 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 (Share Value Plan). – 50% in cash released 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 (Cash Value Plan). • For all other South African employees, annual bonuses greater than R500 000 are deferred as follows: – **R500 000 to R1 500 000:** 70% immediate cash, 30% deferred over three years equally into the Cash Value Plan and the Share Value Plan – **R1 500 000 to R3 000 000:** 60% immediate cash, 40% deferred over three years equally into Cash Value Plan and the Share Value Plan – **>R3 000 000:** 50% immediate cash, 50% deferred over three years equally into Cash Value Plan and the Share Value Plan • For all non-South African employees, deferral is based on different thresholds, but again deferred over three years, split equally into cash and shares.
	Long-term incentives	Executive management (including other senior management and key employees) are eligible, at the discretion of the RemCo, to participate through annual awards. Awards, the quantum of which is based on appropriate market benchmarks, carry dividend equivalents (except for material risk takers) and performance conditions, with a performance period of three years. These will vest between three and five- and-a-half years depending on an individual's material risk taker status. Where regulatory limitations still apply, the RemCo will apply discretion to delay the vesting of awards to ensure compliance with the relevant requirements.

Determination of 2017 short-term bonus incentive pools

The RemCo determined the 2017 bonus pools based on affordability and performance, and the continuing requirements of CRD IV on the same basis as prior years by following the principles below:

1. The RemCo determined overall Group, business unit and function bonus pool limits using the prior year's base and adjusting it based on the Group's and individual business units' performance. In addition, we adjusted bonus pools, as appropriate, for adverse risk and control events.
2. Managers then recommended bonus awards within the overall limits after having assessed individual performance against personal objectives and behaviour in line with our Values. A robust process ensures individuals who were accountable, directly or indirectly, for adverse risk events had their remuneration adjusted appropriately.
3. Consistency checks were then conducted at Group, business unit and function level.
4. The RemCo reviewed and approved proposed senior manager awards. The aggregate Group bonus pool was finally approved by the Group Audit and Compliance Committee, based on the Group's 2017 performance.

Service contracts and termination arrangements

For our executives and prescribed officers, our approach to payments in the event of termination takes account of the individual circumstances, including the reason for termination, individual performance, contractual obligations and the terms of the short-term or long-term incentive.

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).

Treatment of annual bonus on termination

There is no automatic entitlement to bonus on termination, but it may be considered at the RemCo's discretion and subject to performance measures being met and pro rated 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 director 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 RemCo determines otherwise in exceptional cases. Deferred awards are subject to malus provisions which enable the RemCo 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 RemCo determines otherwise in exceptional circumstances.

Treatment of long-term incentive awards

Each long-term plan is treated in accordance with its individual rules.

Adjustments to bonuses for adverse risk and conduct matters

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 nil, 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 follows a robust process for considering risk and conduct matters and the associated consequences reflected in individual incentive decisions. When considering individual responsibility, they take a variety of factors into account, such as whether the individual:

- was solely responsible for the event, or whether others were also directly or indirectly responsible;
- was aware (or could reasonably have been expected to be aware) of the failure;
- took or missed opportunities to take adequate steps to address the failure; and
- by virtue of seniority, could be deemed indirectly responsible, including employees who drive the Group's culture and set its strategy.

Where appropriate, we adjust the remuneration of individuals who were directly or indirectly accountable for an event. This includes reductions in current year bonus and in vesting amounts of deferred awards through the application of malus.

Following the recommendations of the Remuneration Review Panel, 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.

Minimum shareholding requirements

To ensure greater executive exposure to the share price and alignment to shareholders, Executive Committee members are required to have a minimum shareholding of 150% of their annual cost to company (salary and benefits, but excluding role based pay). This must be built up at a rate of at least 20% per annum over five years from 2016.

New reward strategy, 2018 and beyond

We are developing a new remuneration policy, which will underpin our strategy, entrepreneurial culture and risk management approach. The reward policy is being informed by issues raised by our institutional investors and changing regulatory landscape, and we will continue our active engagement with shareholders as this progresses.

Advisory vote on the remuneration policy

The remuneration policy as it appears above is subject to an advisory vote by shareholders at the 2018 annual general meeting. Accordingly, shareholders are requested to cast an advisory vote on part two of this remuneration report (remuneration policy and governance – overview of main provisions).

Measures to be taken if the vote is less than 75%

In the event that the remuneration policy and/or the implementation report have been voted against by 25% or more of the voting rights exercised at the annual general meeting, the Board commits to steps in good faith and with best reasonable effort, towards the following at a minimum:

- An engagement to ascertain the reasons for the dissenting votes
- Appropriately addressing legitimate and reasonable objections and concerns raised, which may include amending the remuneration policy, or clarifying or adjusting remuneration governance and/or processes

In addition, the background statement of the remuneration report following such negative voting will disclose details on:

- whom the company engaged, and the manner and form of engagement to ascertain the reasons for dissenting votes; and
- the nature of steps taken to address legitimate and reasonable objections and concerns.

Policy regarding non-executive directors' fees

The proposed fees for non-executive directors are approved by the Directors' Affairs Committee and are recommended to Barclays Africa Board for approval and inclusion for shareholders vote at the annual general meeting.

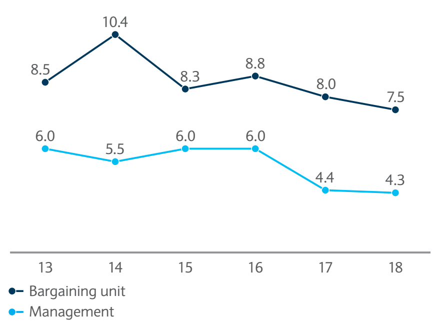
Part three: Implementation of remuneration policy for financial year 2017

This implementation report details the principles implemented in 2017. Additional disclosures relating to senior managers and material risk takers are provided in our 2017 Pillar 3 risk and capital management report.

Fixed remuneration increases

Recognising the need to remunerate executive management fairly and responsibly in the context of overall remuneration, we award higher increases to junior levels than to executive levels, as shown alongside.

Increases in fixed remuneration (%)
Average cost-to-company increase (South Africa only)



The following table details the fixed remuneration for executive directors and prescribed officers which will be effective from 1 April 2018 as well as for the previous three years.

	2015		2016		2017		**2018**		
	Cost-to-company R 000	Role based pay R 000	Cost-to-company R 000	Role based pay R 000	Cost-to-company R 000	Role based pay R 000	**Cost-to-company R 000**	**Role based pay R 000**	2018 fixed pay % change
Executive directors									
Maria Ramos	8 000	6 500	8 000	6 500	8 600	6 500	**8 600**	**6 500**	–
David Hodnett	6 542	3 500	7 000	5 000	7 000	5 000	**7 000**	**5 000**	–
Peter Matlare	–	–	6 500	3 500	6 500	3 500	**6 500**	**3 500**	–
Jason Quinn	–	–	5 300	–	5 300	–	**6 000**	**–**	13
Prescribed officers									
Nomkhita Nqweni	4 000	1 500	5 000	2 500	5 000	2 500	**5 000**	**2 500**	–

Summary of 2017 total incentive outcomes

	2015 R 000	2016 R 000	**2017 R 000**	YoY change %
Non-deferred bonus pool	1 787	1 766	**1 817**	3
Deferred bonus pool	412	510	**505**	(1)
Annual bonus pool	2 199	2 276	**2 322**	2
Commission and other incentives	125	124	**136**	10
Retention awards	134	–	**–**	–
Separate bonus pool related to Barclays PLC sell-down	–	82	**184**	124
Restricted awards		191	**156**	(18)
Total incentives granted	2 458	2 673	**2 798**	5
Total permanent employees (number)	39 964	39 356	**40 026**	2
Total employees who received a bonus (number)	36 686	36 227	**37 358**	3

The annual discretionary bonus incentive pool has increased by 2% in absolute terms on a normalised basis, with a total value of R2 322m. A separate bonus pool of R184m was approved to support the Separation. Including the Separation bonus pool and restricted share awards, the total incentives increase is 5%.

Incentives as reflected in the income statement, including buy-outs of forfeited bonuses for a limited number of senior new hires, higher formulaic bonuses (in line with production and cost targets) and an accrual release in the prior year, increased by 8%. Excluding these items, the normalised incentive pool increased by 2% as reflected above, which is in line with performance.

Executive Committee incentives, included in the above table, have increased from R93m in 2016 to R95m in 2017, an increase of 2.6% on the prior year. If the 2016 pool is annualised for a full year of service for the Deputy Chief Executive Officer: Rest of Africa Banking, the 2017 pool is 3.3% lower than 2016.

Aligned with the restricted share awards in 2016, the RemCo granted restricted share awards to 53 key employees (to the total value of R156m), including executive directors and prescribed officers, to retain skills critical during the Separation and beyond. No further restricted share awards will be made in 2018. The details of the 2017 restricted awards were as follows:

Restricted share awards

- **Form of award:** Shares under the rules of the Barclays Africa Share Value Plan.
- **Award date:** 1 October 2017.
- **Performance period:** Two years, ending on 30 September 2019.
- **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 key business and individual objectives, including a participant's contribution to the Separation
- 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

The 2017 restricted awards for executive directors and prescribed officers are outlined on page 88.

Short-term incentive awards

A summary of the Group's and business units' performance follows:

Barclays Africa: The 2017 financial results were satisfactory in a challenging macro environment, with normalised headline earnings increasing by 4% (7% in constant currency). We benefited from our diversified portfolio, as stronger growth outside South Africa supported overall performance. Return on equity at 16.4% (on a normalised basis) remained strong and largely in line with the prior year. Group earnings were marginally better than Board-approved target in constant currency terms.

South Africa Banking: Achieved 4% normalised earnings growth reflective of low revenue growth and supported by lower impairments. Low revenue growth partially reflects regulatory changes in RBB and slow balance sheet growth in a weak growth environment in South Africa; however, momentum showed some improvement in the second half of the year. Return on equity of 20.9% remains strong and in line with prior-year returns. South Africa Banking earnings were higher than the Board-approved target.

Rest of Africa Banking: Performance supported overall Group performance as normalised headline earnings growth increased by 24% in constant currency, and return on equity improved from 15.1% to 16.6%. Strong financial performance reflects lower impairments and strong top-line growth from Corporate, partially offset by material regulatory headwinds in Kenya. Rest of Africa Banking earnings were well ahead of the Board-approved target.

WIMI: Normalised earnings were 8% lower than the prior year following single name credit impairment in Wealth and higher claims in the Western Cape in the first half of 2017. Underlying performance was supported by improved claims management in South Africa Banking and Rest of Africa Banking and embedded value of new business improved reflecting the benefits of collaboration with RBB. Earnings were lower than the Board-approved target.

Individual performance, which included Balanced Scorecard results, was assessed by the RemCo for the award of short-term incentives to executive directors and prescribed officers. These are reflected in the outcomes shown in the following table:

		Executive directors				Prescribed officer
		Maria Ramos	David Hodnett	Peter Matlare	Jason Quinn	Nomkhita Nqweni
Group performance as a % of fixed remuneration[1]	Weighting/on-target	80	40	40	40	40
	Maximum[3]	160	80	80	80	80
	Outcome	76	38	38	38	38
Business/function performance as a % of fixed remuneration[1]	Weighting/on-target	–	40	40	40	40
	Maximum[3]	–	80	80	80	80
	Outcome	–	49	42	74	26
Individual performance[2] as a % of fixed remuneration[1]	Weighting/on-target	20	20	20	20	20
	Maximum[3]	40	40	40	40	40
	Outcome	24	34	20	38	17
Final award as a % of fixed remuneration[1] (Group performance + business/function performance + individual performance)	Maximum[3]	200	200	200	200	200
	Outcome	100	121	100	150	81

[1] Fixed remuneration refers to the cost-to-company and role based pay packages as at 31 December 2017.
[2] Determined on individual performance and/or RemCo discretion.
[3] The maximum is set at 200% of fixed remuneration as required by CRD IV.

Long-Term Incentive Plan and restricted share awards

The following table details the Long-Term Incentive Plan and restricted share awards made to executive directors and prescribed officers during 2017.

	Restricted share awards				Long-Term Incentive Plan awards	
	2016		2017		2017	
	Award R000	Proportion[1] of fixed remuneration %	Award R000	Proportion[1] of fixed remuneration %	Award R000	Proportion[1] of fixed remuneration %
Executive directors						
Maria Ramos	8 000	55	8 000	53	24 000	159
David Hodnett	7 000	58	7 000	58	21 000	175
Peter Matlare	–	–	–	–	19 500	195
Jason Quinn	3 000	57	3 000	57	14 000	264
Prescribed officers						
Nomkhita Nqweni	3 000	40	3 000	40	14 000	187

[1] Based on cost-to-company plus role based pay as outlined on page 87.

The performance criteria applicable to the 2017 Long-Term Incentive Plan awards are measured over a three year period. The criteria and relevant weightings are shown in the table below. Vesting periods, based on material risk taker status, vary from three to five-and-a-half years. The vesting period for all executive directors and prescribed officers is five-and-a-half years.

Financial	Constant currency growth in normalised average headline earnings per share		30%
	Normalised return on equity		30%
Strategic	Transformation: achievement of defined race and gender targets (Rest of Africa excludes race)		20%
	Organisational change	Successful Separation	20%
		Satisfactory control environment	

The vesting outcomes during the year are detailed on page 178 of the Group's consolidated and separate financial statements.

Termination of office payments

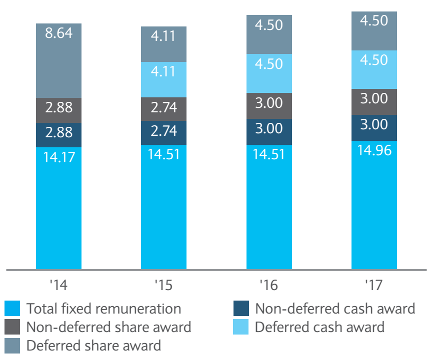
No payments were made on termination of employment or office of any members of executive management.

Executive directors and prescribed officer remuneration outcomes

Maria Ramos, Chief Executive Officer

	2014 R	2015 R	2016 R	**2017 R**
Salary	6 978 920	7 282 552	7 622 073	**8 130 855**
Role based pay	6 500 000	6 500 000	6 500 000	**6 500 000**
Medical aid	81 840	89 208	97 680	**106 476**
Retirement benefits	567 593	592 593	244 599	**175 000**
Other employee benefits	42 860	44 960	44 960	**46 981**
Total fixed remuneration	14 171 213	14 509 313	14 509 312	**14 959 312**
Non-deferred cash award	2 880 000	2 740 000	3 000 000	**3 000 000**
Non-deferred share award	2 880 000	2 740 000	3 000 000	**3 000 000**
Deferred cash award	–	4 110 000	4 500 000	**4 500 000**
Deferred share award	8 640 000	4 110 000	4 500 000	**4 500 000**
Awarded value of long-term incentives				
Total variable remuneration	14 400 000	13 700 000	15 000 000	**15 000 000**
Total remuneration	28 571 213	28 209 313	29 509 312	**29 959 312**

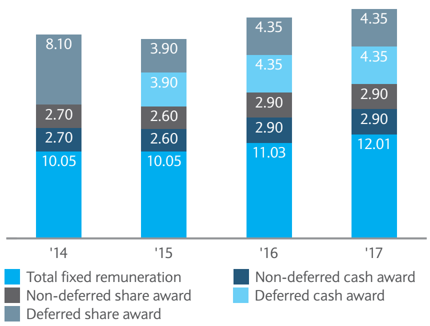
Total remuneration (Rm)



David Hodnett, Deputy Chief Executive Officer: South Africa Banking

	2014 R	2015 R	2016 R	**2017 R**
Salary	5 903 600	5 913 471	6 388 552	**6 656 796**
Role based pay	3 500 000	3 500 000	4 250 000	**5 000 000**
Medical aid	105 288	114 768	125 664	**136 980**
Retirement benefits	483 037	484 593	226 599	**175 000**
Other employee benefits	62 438	38 480	39 498	**40 536**
Total fixed remuneration	10 054 363	10 051 312	11 030 313	**12 009 312**
Non-deferred cash award	2 700 000	2 600 000	2 900 000	**2 900 000**
Non-deferred share award	2 700 000	2 600 000	2 900 000	**2 900 000**
Deferred cash award	–	3 900 000	4 350 000	**4 350 000**
Deferred share award	8 100 000	3 900 000	4 350 000	**4 350 000**
Awarded value of long-term incentives				
Total variable remuneration	13 500 000	13 000 000	14 500 000	**14 500 000**
Total remuneration	23 554 363	23 051 312	25 530 313	**26 509 312**

Total remuneration (Rm)

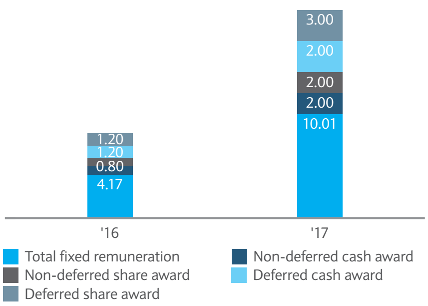


Peter Matlare, Deputy Chief Executive Officer: Rest of Africa Banking

Peter Matlare was appointed on 1 August 2016, and thus the 2016 earnings reflected are not for the full year.

	2016 R	**2017 R**
Salary	2 439 812	**5 806 948**
Role based pay	1 458 333	**3 500 000**
Medical aid	55 828	**182 568**
Retirement benefits	200 617	**481 482**
Other employee benefits	15 180	**38 314**
Total fixed remuneration	4 169 770	**10 009 312**
Non-deferred cash award	800 000	**2 000 000**
Non-deferred share award	800 000	**2 000 000**
Deferred cash award	1 200 000	**3 000 000**
Deferred share award	1 200 000	**3 000 000**
Awarded value of long-term incentives		
Total variable remuneration	4 000 000	**10 000 000**
Total remuneration	8 169 770	**20 009 312**

Total remuneration (Rm)



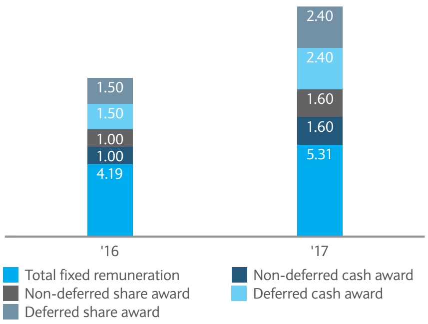
Jason Quinn, Financial Director

Jason Quinn was appointed Financial Director 1 September 2016.

	2016 R	**2017 R**
Salary	3 459 337	**4 793 007**
Role based pay	333 333	–[1]
Medical aid	84 012	**90 732**
Retirement benefits	284 843	**392 593**
Other employee benefits	26 495	**32 981**
Total fixed remuneration	4 188 020	**5 309 313**
Non-deferred cash award	1 000 000	**1 600 000**
Non-deferred share award	1 000 000	**1 600 000**
Deferred cash award	1 500 000	**2 400 000**
Deferred share award	1 500 000	**2 400 000**
Awarded value of long-term incentives		
Total variable remuneration	5 000 000	**8 000 000**
Total remuneration	9 188 020	**13 309 313**

[1] On his appointment as Financial Director, Jason's cost-to-company increase incorporated the termination of his role based pay.

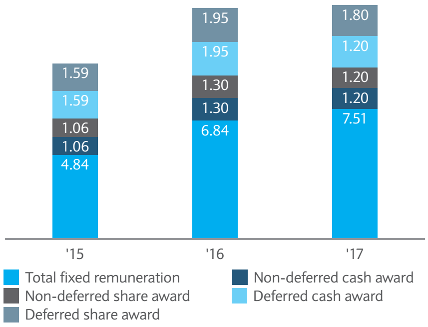
Total remuneration (Rm)



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

	2015 R	2016 R	**2017 R**
Salary	3 246 561	4 049 835	**4 667 804**
Role based pay	1 166 667	2 500 000	**2 500 000**
Medical aid	46 464	50 412	**54 444**
Retirement benefits	271 605	195 216	**175 000**
Other employee benefits	111 349	47 182	**112 064**
Total fixed remuneration	4 842 646	6 842 645	**7 509 312**
Non-deferred cash award	1 060 000	1 300 000	**1 200 000**
Non-deferred share award	1 060 000	1 300 000	**1 200 000**
Deferred cash award	1 590 000	1 950 000	**1 800 000**
Deferred share award	1 590 000	1 950 000	**1 800 000**
Awarded value of long-term incentives			
Total variable remuneration	5 300 000	6 500 000	**6 000 000**
Total remuneration	10 142 646	13 342 645	**13 509 312**

Total remuneration (Rm)



Single total figure remuneration

This table provides a summary of all remuneration that is received or receivable for the reporting period, and all the remuneration elements that it comprises, where applicable disclosed at fair value.

	Salary R	Benefits R	Role based pay R	Annual bonus[1] R	Deferred remuneration[2, 3] R	Total remuneration R
2017						
Maria Ramos	**8 130 855**	**328 457**	**6 500 000**	**6 000 000**	**16 599 738**	**37 559 050**
David Hodnett	**6 656 796**	**352 516**	**5 000 000**	**5 800 000**	**15 349 721**	**33 159 033**
Peter Matlare	**5 806 948**	**702 364**	**3 500 000**	**4 000 000**	**6 000 000**	**20 009 312**
Jason Quinn	**4 793 007**	**516 306**	**–**[3]	**3 200 000**	**7 649 785**	**16 159 098**
Nomkhita Nqweni	**4 667 804**	**341 508**	**2 500 000**	**2 400 000**	**6 449 785**	**16 359 097**
2016						
Maria Ramos	7 622 073	387 239	6 500 000	6 000 000	17 000 000	37 509 312
David Hodnett	6 338 552	391 761	4 250 000	5 800 000	15 700 000	32 480 313
Peter Matlare	2 439 812	271 625	1 458 333	1 600 000	2 400 000	8 169 771
Jason Quinn	3 459 337	395 350	333 333	2 000 000	6 000 000	12 188 020
Nomkhita Nqweni	4 049 835	292 810	2 500 000	2 600 000	6 900 000	16 342 646

[1] The annual bonus comprises the total bonus earned and settled within one year (from financial year-end). Therefore, the annual bonus in the table above includes both the immediate cash payment, as well as deferred components, settled within one year.

[2] The deferred remuneration includes:
2017: Deferred bonus earned for the 2017 financial period but settled from 2018 onwards. The fair value of the restricted shares granted in the 2017 financial period.
2016: Deferred bonus earned for the 2016 financial period but settled from 2017 onwards. The fair value of the restricted shares granted in the 2016 financial period.

[3] No long-term incentive remuneration is reflected. Grants made in 2017 under the Long-Term Incentive Plan have a three-year performance period, and will be included in the year in which they vest. Grants made in 2017 are detailed on page 88.

Minimum shareholding requirements

The RemCo is confident that, based on awards made this year, the shareholding of each executive director and prescribed officer is progressing at the rate required to attain the minimum shareholding requirements.

Statement regarding compliance with remuneration policy

The RemCo has satisfied itself that the remuneration policy as detailed in the 2017 remuneration report was complied with, and there were no substantial deviations from the policy during the year.

Increase in non-executive directors' fees

Special resolution 3 in the notice of annual general meeting, sets out the proposed non-executive directors' fees for the period 1 May 2018 to 30 April 2019. A general increase of 5.5% has been applied to the previous fees.

Advisory vote on the implementation report

The implementation report as it appears above is subject to an advisory vote by shareholders at the 2018 annual general meeting. Accordingly, shareholders are requested to cast an advisory vote on part three of this remuneration report (implementation report for the financial year 2017).

Approval of remuneration report by the Board of directors

This remuneration report was approved by the Board of directors on 12 March 2018.

Contact details

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Incorporated in the Republic of South Africa
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Authorised financial services and registered
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Information regarding our country operations can be found at barclaysafrica.com

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ADR depositary

BNY Mellon

Lead independent sponsor

J.P. Morgan Equities South Africa Proprietary Limited

Joint sponsor

Absa Bank Limited (Corporate and Investment Bank)

Noteworthy terms used in the report

Audit	Ernst & Young Inc. and KPMG Inc. conducted an audit of the consolidated and separate financial statements which are presented in accordance with the International Financial Reporting Standards (IFRS).
Black	All African, Coloured or Indian people qualifying for South African citizenship by birth or descent, or people who were naturalised before 27 April 1994.
King IV	King IV Report on Corporate Governance™ for South Africa, 2016
Limited Assurance	Ernst & Young Inc. and PricewaterhouseCoopers Inc. have undertaken a limited assurance engagement over select indicators set out in the Balanced Scorecard (marked with an LA).
Normalised	Barclays PLC contributed GBP765m (R12.6bn) towards the Separation and it is expected that it will neutralise the capital and cash flow impact of Separation investments on the Group over time. This will result in a disconnect between the underlying business performance and IFRS results. Refer to page 51.
SA African	With reference to the definition of Black above, SA African refers specifically to Africans, excluding Coloureds and Indians.
Separation	The programme of activities over approximately three years which will disengage the Barclays Africa and Barclays PLC businesses from one another. Refer to page 20.
Verified	Empowerdex have undertaken an independent verification engagement over the broad-based black economic empowerment performance of our South African operations (marked with a V).

A full glossary of acronyms and definitions are available at barclaysafrica.com.