Barclays Africa Group Limited

BARCLAYS

Financial results

for the reporting period ended 31 December 2013

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The term Barclays Africa or the Group refers to Barclays Africa Group Limited together with its subsidiaries.

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Group performance

Contents

Barclays Africa Group Limited (1986/003934/06)
Financial results for the reporting period ended
31 December 2013.

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

Date of publication: 11 February 2014

Group performance overview

31 December 2013

> "We met our key commitments to the market with improved credit quality and robust cost containment although revenue growth remained challenging. The Barclays Africa deal gives us access to markets with good growth prospects and I'm confident that we have the right strategy in place to capture this opportunity."
>
> **Maria Ramos,** *Chief Executive Officer*

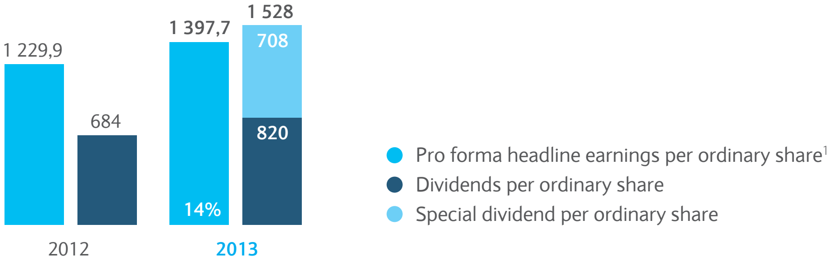
Favourable

- ➜ Return on equity (RoE) increased to **15,5%** (2012: 14,1%) above cost of equity (CoE) of **13,0%** (2012: 13,5%).
- ➜ Pro forma headline earnings per share (HEPS) increased by **14%** to **1 397,7 cents** (2012: 1 229,9 cents) on the back of an increase in headline earnings of **14%** (11% growth on a constant currency basis) to **R11,8 billion** (2012: R10,4 billion),
- ➜ Pre-provision profit increased by **5%** to **R26,1 billion** (2012: R24,9 billion).
- ➜ Impairment losses on loans and advances decreased by **21%** to **R7,0 billion**, resulting in a **1,20%** impairment losses ratio (2012: 1,60%).
- ➜ Pro forma return on assets (RoA) increased to **1,29%** (2012: 1,17%).
- ➜ Return on risk-weighted assets (RoRWA) increased to **2,18%** (2012: 2,09%).
- ➜ Dividend of **820 cents** (2012: 684 cents) per ordinary share (excluding special dividend per ordinary share), up **20%** compared to the previous reporting period.
- ➜ Strong Common Equity Tier 1 capital adequacy ratio of **11,9%** (2012: 13,0%) which is above regulatory requirements and the Group's board targets.

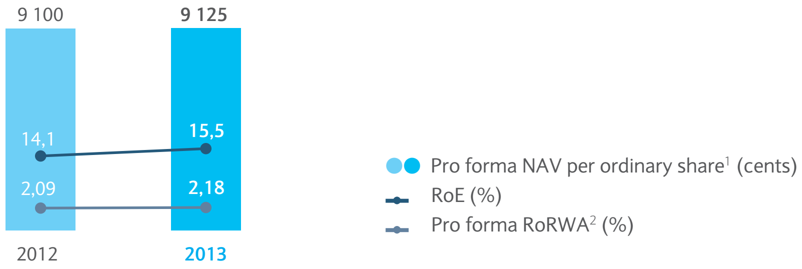
Unfavourable

- ➜ Moderate non-interest income growth of **5%** to **R27 billion** (2012: R26 billion), impacted by a decline in transactional customer numbers in Retail and Business Banking South Africa operations.
- ➜ Negative JAWS of **2,1%** and cost-to-income ratio increased to **56,3%** (2012: 55,2%).
- ➜ Higher indirect taxation and high effective tax rate of **28,9%** (2012: 29,2%).

Pro forma headline earnings per ordinary share, dividends and special dividend per ordinary share (cents and change %)



Pro forma net asset value ("NAV") per ordinary share, RoE and pro forma RoRWA (cents and %)



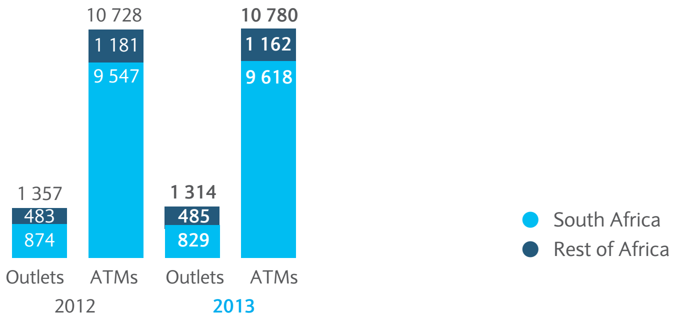
Notes

[1] The pro forma per ordinary share metrics include the ordinary shares issued on 31 July 2013 for the acquisition of Barclays Africa Limited as if the ordinary shares had always been in issue. The provision of these metrics in no way impacts the legal effective date of the ordinary share issue.

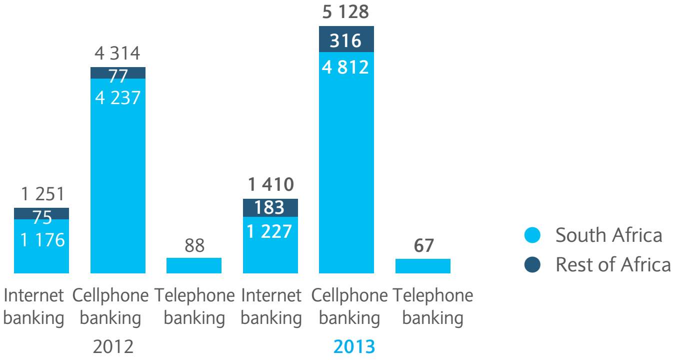
[2] The pro forma historical risk-weighted assets ("RWAs") of the Group are restated for purposes of RoRWAs and include the RWAs of Barclays Africa Limited as if they had always been a part of the Group's RWAs. This does not alter any historical submissions made to the South African Reserve Bank ("SARB").

Operational key performance indicators

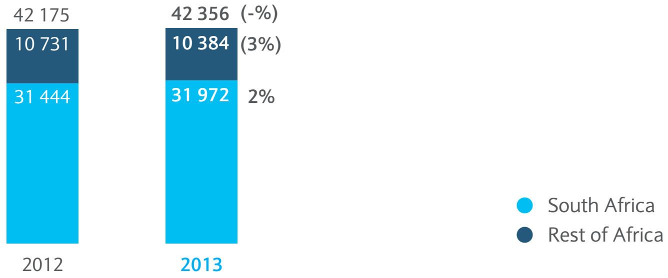
Delivery footprint (number)



Internet, cellphone and telephone banking (number of customers ('000))



Employee complement[1] (number of employees and change %)



Note

[1] Excludes contract workers.

Group performance overview

31 December 2013

One Africa

Barclays Africa Group Limited (BAGL) is listed on the JSE Limited and is one of Africa's largest financial services groups. Africa provides the Barclays Group with emerging market exposure and a promise of growth.

Our purpose

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

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

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

Our goal

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

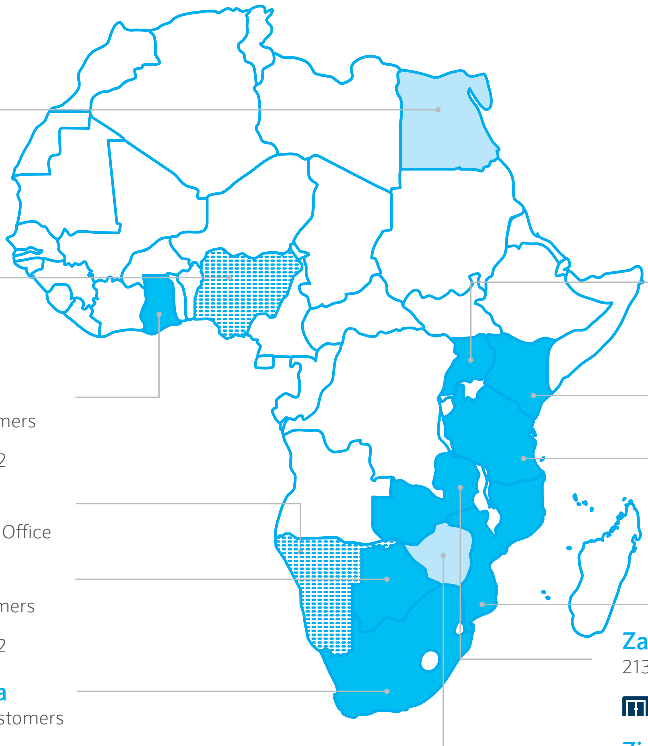
We are uniquely positioned as a fully global, fully regional and fully local bank. We combine our global product knowledge with regional expertise and our extensive and well-established local presence in Africa to serve our customers and clients even better. We will differentiate ourselves through relentless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

Our values

- **Respect:** We respect and value those we work with, and the contribution that they make.
- **Integrity:** We act fairly, ethically and openly in all we do.
- **Service:** We put our customers and clients at the centre of what we do.
- **Excellence:** We use our energy, skills and resources to deliver the best, sustainable results.
- **Stewardship:** We are passionate about leaving things better than we found them.

Our Profile

12	11,8	1,314	10,780	42,356
countries	million customers	branches	ATMs	permanent employees



Legend

🏛 Branches

🏧 ATMs

🟦 Barclays Africa

▦ Barclays Africa representative offices

▢ Barclays PLC operations managed by Barclays Africa

Egypt
Managed

Nigeria
Representative Office

Ghana
453,278 customers
🏛 67 🏧 142

Namibia
Representative Office

Botswana
253,461 customers
🏛 49 🏧 102

South Africa
9,25 million customers
🏛 829 🏧 9618

Zambia
213,837 customers
🏛 55 🏧 151

Zimbabwe
Managed

Uganda
140,082 customers
🏛 41 🏧 65

Kenya
717,758 customers
🏛 122 🏧 225

Seychelles
16,509 customers
🏛 7 🏧 16

Tanzania BBT
87,076 customers
🏛 24 🏧 42

Tanzania NBC
462,718 customers
🏛 52 🏧 272

Mozambique
118,882 customers
🏛 43 🏧 105

Mauritius
96,122 customers
🏛 25 🏧 42

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

Will be realised through

Our Five Strategic Themes

Customers and clients at the core

Deliver superior customer and client service and make their lives much easier through innovation and value for money products.

Build out the platform

Enable growth, scale and efficiency, while supporting our robust focus on customer and client demands and risk management.

Control and compliance

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

People centricity

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

Deliver sustainable growth

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

Will be measured through

Our Balanced Scorecard

We balance our stakeholders' needs across the short and long term. Our activities drive mutually reinforcing outcomes across our stakeholders.

Customer & client

We are 'Go-To' for our customers and clients.

Colleagues

Our colleagues are fully engaged.

We create a diverse and inclusive environment where colleagues can fulfil their potential.

Citizenship

We positively impact the communities in which we operate.

Conduct

Our products and services are designed and distributed to meet clients' needs.

We act with integrity in everything we do.

Company

We create sustainable returns above the cost of equity.

We understand and effectively manage our risks, and continuously improve control.

Consolidated salient features

31 December 2013

	2013	2012[1]	Change %
Statement of comprehensive income (Rm)			
Revenue	**59 406**	54 976	8
Operating expenses	**33 420**	30 329	10
Profit attributable to ordinary equity holders	**11 981**	9 999	20
Headline earnings[2]	**11 843**	10 419	14
Statement of financial position			
Loans and advances to customers (Rm)	**605 337**	566 262	7
Total assets (Rm)	**959 599**	898 371	7
Deposits due to customers (Rm)	**588 011**	543 101	8
Loans-to-deposits ratio (%)	**88,3**	87,1	
Financial performance (%)[3]			
Return on average equity	**15,5**	14,1	
Return on average assets	**1,29**	1,17	
Pro forma return on average risk-weighted assets[4]	**2,18**	2,09	
Operating performance (%)			
Net interest margin on average interest-bearing assets[3]	**4,48**	4,28	
Impairment losses on loans and advances as % of average loans and advances to customers[3]	**1,20**	1,60	
Non-performing loans as % of gross loans and advances to customers[3]	**4,7**	5,9	
Non-interest income as % of revenue	**45,5**	46,7	
Cost-to-income ratio	**56,3**	55,2	
JAWS	**(2,1)**	0,0	
Effective tax rate, excluding indirect taxation	**28,9**	29,2	
Share statistics (million)[5]			
Pro forma number of ordinary shares in issue	**847,8**	847,8	
Pro forma number of ordinary shares in issue (excluding treasury shares)	**847,3**	847,2	
Pro forma weighted average number of ordinary shares in issue (excluding treasury shares)	**847,3**	847,1	
Pro forma diluted weighted average number of ordinary shares in issue (excluding treasury shares)	**848,0**	848,7	
Share statistics (cents)[5]			
Pro forma headline earnings per ordinary share	**1 397,7**	1 229,9	14
Pro forma diluted headline earnings per ordinary share	**1 396,6**	1 227,6	14
Pro forma basic earnings per ordinary share	**1 414,0**	1 180,4	20
Pro forma diluted earnings per ordinary share	**1 412,9**	1 178,2	20
Dividend per ordinary share relating to income for the reporting period	**820**	684	20
Dividend cover (times)	**1,7**	1,8	
Special dividend per ordinary share	**708**	—	100
Pro forma net asset value per ordinary share	**9 125**	9 100	—
Pro forma tangible net asset value per ordinary share	**8 745**	8 740	—
Capital adequacy (%)[3,6]			
Barclays Africa Group Limited[7]	**15,6**	17,4	
Absa Bank Limited	**15,6**	17,5	

Notes

[1] Restated, refer to pages 121 to 130 for reporting changes.

[2] After allowing for **R294 million** (2012: R295 million) profit attributable to preference equity holders of Absa Bank Limited.

[3] These ratios are unaudited.

[4] The pro forma historical risk-weighted assets ("RWAs") of the Group are restated for purposes of RoRWAs and include the RWAs of Barclays Africa Limited as if they had always been a part of the Group's RWAs. This does not alter any historical submissions made to the South African Reserve Bank ("SARB").

[5] The pro forma per ordinary share metrics provided above include the ordinary shares issued on 31 July 2013 for the acquisition of Barclays Africa Limited as if the ordinary shares had always been in issue. The provision of these metrics in no way impacts the legal effective date of the ordinary share issue.

[6] Refer to pages 101 to 120 for the risk management section.

[7] This ratio has not been restated for the Barclays Africa Limited acquisition.

Consolidated salient features by segment

31 December 2013

	2013	2012[1]	Change %
Headline earnings (Rm)			
Retail and Business Banking (RBB)	**7 999**	5 668	41
Retail Banking South Africa	**4 941**	3 626	36
Business Banking South Africa	**1 710**	1 042	64
RBB Rest of Africa	**1 348**	1 000	35
Corporate, Investment Bank and Wealth (CIBW)	**3 017**	3 146	(4)
CIBW South Africa	**2 561**	2 682	(5)
CIBW Rest of Africa	**456**	464	(2)
Financial Services	**1 370**	1 265	8
Head office, inter-segment eliminations and Other	**(543)**	340	>(100)
Return on average risk-weighted assets (%)[2,3]			
RBB	**2,30**	1,72	
Retail Banking South Africa	**2,46**	2,00	
Business Banking South Africa	**2,34**	1,22	
RBB Rest of Africa	**1,83**	1,91	
CIBW	**1,76**	1,97	
CIBW South Africa	**1,77**	2,01	
CIBW Rest of Africa	**1,74**	1,74	
Impairment losses on loans and advances as % of average loans and advances to customers (%)[3]			
RBB	**1,50**	2,05	
Retail Banking South Africa	**1,48**	1,96	
Business Banking South Africa	**1,43**	2,37	
RBB Rest of Africa	**1,79**	2,45	
CIBW	**0,22**	0,12	
CIBW South Africa	**0,12**	0,12	
CIBW Rest of Africa	**0,98**	0,13	
Financial Services	**4,73**	12,37	
Loans and advances to customers (Rm)			
RBB	**452 327**	439 429	3
Retail Banking South Africa	**352 764**	345 698	2
Business Banking South Africa	**61 679**	63 409	(3)
RBB Rest of Africa	**37 884**	30 322	25
CIBW	**152 891**	126 193	21
CIBW South Africa	**131 521**	112 146	17
CIBW Rest of Africa	**21 370**	14 047	52
Financial Services	**—**	296	(100)
Head office, inter-segment eliminations and Other	**119**	344	(65)
Deposits due to customers (Rm)			
RBB	**281 161**	253 526	11
Retail Banking South Africa	**134 830**	126 893	6
Business Banking South Africa	**87 915**	79 100	11
RBB Rest of Africa	**58 416**	47 533	23
CIBW	**311 946**	289 767	8
CIBW South Africa	**267 330**	261 737	2
CIBW Rest of Africa	**44 616**	28 030	59
Head office, inter-segment eliminations and Other	**(5 096)**	(192)	>(100)
Off-statement of financial position (Rm)[3]			
Assets under management and administration	**263 775**	246 950	7
Financial Services	**183 491**	197 682	(7)
Money market	**57 093**	57 824	(1)
Non-money market	**126 398**	139 858	(10)
CIBW	**80 284**	49 268	63

Notes

[1] Restated, refer to pages 121 to 130 for reporting changes.

[2] The pro forma historical risk-weighted assets ("RWAs") of the Group are restated for purposes of RoRWAs and include the RWAs of Barclays Africa Limited as if they had always been a part of the Group's RWAs. This does not alter any historical submissions made to the South African Reserve Bank ("SARB").

[3] These ratios are unaudited.

Profit and dividend announcement

31 December 2013

Salient features

- Diluted headline earnings per share (HEPS) increased 14% to 1 396,6 cents.
- Pre-provision profit increased 5% to R26 billion.
- Return on equity (RoE) increased to 15,5% from 14,1%.
- Declared a final dividend per share (DPS) of 470 cents, taking the total to 820 cents, up 20%.
- Paid a special DPS of 708 cents.
- Revenue grew 8% to R59,4 billion.
- Net interest margin (on average interest-bearing assets) rose to 4,48% from 4,28%.
- Non-interest income increased 5% to R27,1 billion and accounted for 45,5% of total revenue.
- Operating expenses grew 10% to R33,4 billion, increasing the cost-to-income ratio to 56,3% from 55,2%.
- Loans and advances to customers grew 7% to R605,3 billion, while deposits due to customers increased 8% to R588,0 billion.
- Credit impairments declined 21% to R7,0 billion, resulting in a 1,20% credit loss ratio from 1,60%.
- Non-performing loans (NPLs) improved to 4,7% of gross loans and advances to customers from 5,9%. Return on risk-weighted assets (RoRWA) increased to 2,18% and return on assets (RoA) improved to 1,29% from 2,09% and 1,17% respectively.
- Net asset value (NAV) per share increased to 9 125 cents, despite paying R11,6 billion in dividends during the period.
- Barclays Africa Group Limited's Common Equity Tier 1 (CET1) capital adequacy ratio was 11,9%, well above regulatory requirements and our board targets.

Overview of results

These are the first results for Barclays Africa Group Limited, incorporating Barclays Africa Limited and the additional purchase consideration shares in issue. Barclays Africa Group Limited's headline earnings increased 14% to R11 843 million from R10 419 million and attributable profit grew 20% to R11 981 million. Diluted HEPS also increased 14% to 1 396,6 cents from 1 227,6 cents. The Group's RoE improved to 15,5% from 14,1%, comfortably above its 13,0% cost of equity. A total ordinary DPS of 820 cents was declared and a special DPS of 708 cents was paid, after considering regulatory changes, the Group's strong capital position, strategic plans and near-term business objectives.

Improved credit impairments, particularly in retail mortgages and commercial property finance, was the principal reason for higher earnings. However, pre-provision profit increased 5% to R26,0 billion, as revenue growth improved in the second half, while remaining below cost growth that included substantial investment spend.

Retail and Business Banking's (RBB) headline earnings increased 41% to R8,0 billion, due largely to lower credit impairments. Financial Services' headline earnings grew 8% to R1,4 billion, while Corporate, Investment Bank and Wealth's (CIBW) headline earnings decreased 4% to R3,0 billion.

Headline earnings from the acquired Barclays Africa Limited increased 14% to R1 923 million, largely due to 25% growth in net interest income, which outweighed 62% higher credit impairments and 19% growth in operating expenses. The acquisition was earnings accretive, adding 1,2% to the Group's 2013 HEPS.

Operating environment

Global growth recovered steadily in 2013, supported for the first time since the global financial crisis by developed market economies while emerging markets' growth slowed. Central banks maintained their accommodative monetary policy stance, with some cutting interest rates and others injecting liquidity into the financial system. South Africa's economic growth remained modest and uneven, affected largely by subdued global demand and protracted industrial action in key sectors. Household consumption growth slowed further in 2013, reflecting deteriorating household balance sheets, a lacklustre job market, subdued confidence, rising inflation and moderating real wage growth. Consumer appetite for credit waned as credit extension to households slowed from 10,0% at the beginning of 2013 to 5,5% in December. The rand exchange rate depreciated throughout the year reaching a low of R/$10,53 in December after starting the year at R/$8,56. The South African economy looks to have grown by about 2% in 2013. Economic growth in the Barclays Africa Group markets outside South Africa remained resilient in 2013 at an estimated 6,3%, about half a percent stronger than that witnessed in 2012.

The economies were affected by a more adverse external environment on the back of rising financing costs, slow growth in emerging markets and lower commodity prices. In spite of resilient economic growth in several countries, fiscal pressures continued to build in a number of markets and rating agencies reacted with a mix of outlook and/or rating downgrades.

Group performance

Statement of financial position

Total Group assets increased 7% to R959,6 billion at 31 December 2013, largely due to 7% growth in loans and advances to customers and 28% higher loans and advances to banks.

Loans and advances to customers

Gross loans and advances to customers increased 7% to R621,4 billion. Retail Banking South Africa's gross loans grew 2% to R363,1 billion, given 12% growth in credit cards and 10% higher instalment credit agreements, offset by 2% lower mortgages. Business Banking South Africa's gross loans decreased 3%, due to 3% lower commercial property finance. RBB Rest of Africa's gross loans grew 25% to R40,2 billion, largely due to rand depreciation. CIBW gross loans increased 21%, given strong growth in foreign currency loans, corporate overdrafts and Rest of Africa lending.

Funding

The Group maintained its strong liquidity position, growing deposits due to customers 8% to R588,0 billion. Debt securities in issue declined 8% to R97,8 billion. The funding tenor also remained robust with an average long-term funding ratio of 24,3% for the period, from 26,5% in 2012. Deposits due to customers contributed 77,9% to total funding, while the proportion of debt securities in issue dropped to 13,0% from 15,4%. Retail Banking South Africa maintained its leading market share, increasing deposits 6% to R134,8 billion. Business Banking South Africa's deposits grew 11%, largely due to 57% growth in savings and transmission deposits. CIBW's deposits increased 8%, due to 8% growth in fixed deposits and 59% higher Rest of Africa deposits. The Group's loans-to-deposits ratio improved to 88,3% from 87,1%.

Net asset value

The Group's NAV was flat at R77,3 billion, as it generated retained earnings of R11,4 billion in the period, which was offset by paying R11,6 billion in dividends. The Group's NAV per share was broadly flat at 9 125 cents.

Capital to risk-weighted assets

The Group's risk-weighted assets were R560,9 billion at 31 December 2013, due to 7% growth in loans and advances to customers and implementing Basel III from 1 January 2013, partially offset by various RWA optimization initiatives. Capital levels remain above board targets and regulatory requirements. Barclays Africa Group Limited's CET1 and Tier 1 capital adequacy ratios were 11,9% and 13,0% respectively (from Absa Group's 13,0% and 14,0%). The Group's total capital ratio was 15,6%, above our board target of 12,5% to 14,0%.

The total DPS of 820 cents for the period and the R6 billion special dividend were well considered, based on the Group's strong capital position, internal capital generation, strategy and growth plans.

After completing the Barclays Africa transaction, Barclays Africa Group Limited intends to establish a funding programme to optimize the management of liquidity and capital requirements across the Group.

Statement of comprehensive income

Net interest income

Net interest income increased 10% to R32 351 million from R29 302 million, and average interest-bearing assets grew 6%. The net interest margin improved to 4,48% from 4,28%, largely due to including the Edcon portfolio for the full year, CIBW's improved margin and an increased proportion of higher margin Rest of Africa lending. The deposit margin decreased, due to lower average rates and competition, and the contributions from hedging and the endowment also declined.

Group performance *(continued)*

Statement of comprehensive income *(continued)*

Impairment losses on loans and advances

Credit impairments fell 21% to R6 987 million from R8 855 million, resulting in a lower credit loss ratio of 1,20% from 1,60%. Total NPL coverage improved further to 41,8% from 38,0%. Unidentified impairments and identified impairments for performing loans increased 35% to R3,8 billion, which amounts to 0,64% of performing loans from 0,52% at 31 December 2012.

RBB's credit impairments dropped 23% to R6 678 million, a 1,50% credit loss ratio from 2,05%. Retail Banking South Africa's credit impairments fell 22% to R5 162 million, improving its credit loss ratio to 1,48% from 1,96%. As expected, the credit loss ratio for secured loans improved, while those of unsecured loans increased off a low base.

Home Loans credit impairments decreased 65% to R1 552 million from last year's elevated R4 461 million. Mortgage NPLs fell 28% to R13,5 billion, with a material improvement in the legal book. Mortgage coverage decreased to 27,8% from 28,5% reflecting a reduction in the legal book where cover is higher. Vehicle and Asset Finance's credit loss ratio improved to 0,80% from 1,08%, reflecting improved collections and lower NPLs.

Despite consumers remaining under pressure, Personal Loans' credit loss ratio was well within expectations at 6,23% from 5,00%, given the focus on existing customers and on further improving this book's risk profile. Card's charge increased to R1 903 million from R475 million, as the Edcon portfolio was included for a full year, from just two months in 2012. The credit impairment on the remaining Card book doubled to R811 million, which represents a 3,29% credit loss ratio from 1,82%. The Edcon portfolio's credit loss ratio increased to 11,86% from 9,56% in the first half, as its NPL cover improved to 81%.

Business Banking South Africa's credit impairments decreased 42% to R896 million, improving its credit loss ratio to 1,43% from 2,37%, largely due to lower commercial property finance provisions off a high base. RBB Rest of Africa's credit impairments grew 7% to R620 million, due only to rand depreciation, as its credit loss ratio improved to 1,79% from 2,45%. While CIBW's charge more than doubled, this included a large portfolio provision and its credit loss ratio was just 0,22%.

Total NPLs have reduced by R4,8 billion to 4,7% of gross loans and advances to customers at 31 December 2013 from 5,9% at 31 December 2012. Retail Banking South Africa's NPLs fell 19% to R19,6 billion.

Non-interest income

Non-interest income increased 5% to R27 055 million from R25 674 million, with stronger growth in the second half. Net fee and commission income rose 7% to R18,6 billion, largely due to 27% higher CIBW income and solid Financial Services growth, while RBB increased 3%.

Retail Banking SA's non-interest income grew 4% to R11,2 billion. Excluding the Edcon portfolio it decreased 1%, due to fewer transaction accounts and deliberately migrating customers to lower priced Value Bundles. These were partially offset by strong growth in the Rewards programme, 8% growth in merchant income (to R2,2 billion) and 14% growth in Home Loans' non-interest revenue.

Business Banking South Africa's non-interest income grew 14% to R3,1 billion, predominantly due to a R320 million positive swing in income from equities following valuation writedowns in 2012. Net fee and commission income increased 2% to R2,9 billion, reflecting 6% growth in electronic banking fees and 3% in cash fees that outweighed lower cheque payment volumes.

RBB Rest of Africa's non-interest income grew 7% to R2 037 million, due to currency effects. Excluding rand depreciation it decreased 4%. Fees and commissions fell 2% due to removing credit life insurance fees and lower transaction volumes in some markets.

Financial Services' revenue grew 8% to R4 367 million, as gross insurance premium income increased with 8% and fee income from investments, Distribution and Fiduciary Services grew 13%.

CIBW's non-interest income increased 8% to R6 924 million, in part due to the sale of the Custody and Trustee business, although Corporate electronic banking fees grew 8% and Investment Banking's growth was strong. CIBW's net trading result decreased 3% to R3 993 million, reflecting difficult trading conditions in the second quarter and continued margin pressure in fixed income and foreign exchange.

Group performance *(continued)*

Statement of comprehensive income *(continued)*

Operating expenses

Operating expenses grew 10% to R33 420 million from R30 329 million, which increased the Group's cost-to-income ratio to 56,3% from 55,2%. Excluding the Edcon portfolio, which was included for the full year, total costs grew 7%. Rand depreciation against other currencies in Africa added almost 3% to expense growth.

Staff costs increased 11% to R17 593 million to account for 53% of the total. Salaries and current service costs on post-retirement benefits grew 7%, due to slightly higher headcount, inflationary pressures and rand depreciation. Total incentives increased 25%, after a reduction in the previous year and a substantial recovery in RBB earnings.

Non-staff costs increased 9% to R15,8 billion. Optimizing the Group's property portfolio reduced property costs by 13% to R1 692 million, while leveraging Barclays' capabilities and systems, reduced information technology costs 6% to R2,1 billion. Total IT spend, including related staff, amortisation and depreciation, grew 8% to R6 414 million and accounted for 19% of Group expenses. Amortisation of intangible assets grew 44%, reflecting increased investment in systems.

Professional fees grew 68% to R1 578 million, which included substantially higher strategic initiative spend on project delivery and systems. Marketing costs grew 19% as the Group's Prosper campaign was launched.

Retail Banking South Africa's operating expenses increased 13%, or 6% excluding the Edcon portfolio. Business Banking South Africa's costs fell 7% due to a large decline in its Equities expenses. Excluding this, its costs increased 2%. Retail and Business Banking Rest of Africa's costs increased 25%, largely due to rand depreciation. Financial Services' operating expenses grew 9%, reflecting its expansion into the rest of Africa and amortisation on new operating systems. CIBW's operating expenses increased 8% with continued investment in key growth areas.

Taxation

The Group's taxation expense increased 18% to R5 222 million, slightly less than the growth in pre-tax profit, resulting in a 28,9% effective tax rate from 29,2%.

Segment performance

Retail Banking South Africa

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

Business Banking South Africa

Business Banking South Africa's headline earnings increased 64% to R1 710 million, reflecting 24% growth in its core franchise and significantly lower losses in its equity portfolio that has stabilised. Solid 14% non-interest income growth, 7% lower operating costs and a 42% reduction in credit impairments were the key drivers. These offset a 1% decline in net interest income, as its loans declined 3%. Business Banking South Africa generated 14% of Group headline earnings in 2013. Its cost to income ratio improved significantly to 58,7% from 66,2%, which helped to increase its RoA to 1,91% from 1,19%.

Retail and Business Banking Rest of Africa

Retail and Business Banking Rest of Africa's headline earnings increased 35% to R1 348 million, largely due to strong 30% growth in its net interest income. Rand depreciation accounted for over half of its earnings growth and 15% of its cost growth. Non-interest income declined 4% on a constant currency basis. Retail and Business Banking Rest of Africa constituted 11% of Group headline earnings. Its cost to income ratio increased to 62,6% from 62,0%, while its RoA declined to 1,62% from 1,76%, in part due to rand depreciation increasing its asset base.

Segment performance *(continued)*

Corporate, Investment Bank and Wealth

Headline earnings declined 4% to R3 017 million, reflecting a higher effective tax rate and non-recurring gains in 2012. Net revenue growth of 10% exceeded 8% cost growth to drive 9% higher pre-tax profits. Market's total net revenue increased slightly, despite difficult trading conditions in the second quarter and margin compression in some key products. However, Investment Banking and Corporate's net revenue grew 37% and 18% respectively. Private equity revenue declined due to lower revaluations. The sale of investments reduced this portfolio 42% to R3,3 billion, which should improve future returns. CIBW accounted for 24% of Group headline earnings in 2013. Its RoRWA declined to 1,9% from 2,2%, given lower earnings and an increase in market risk risk-weighted assets on implementing Basel III.

Financial Services

Headline earnings grew 8% to R1 370 million, while net operating income (NOI) increased 10% to R1 724 million. Investments' headline earnings increased 23% to R412 million, as its revenue grew 14% to R1 032 million as a result of improved margins. Life Insurance's embedded value of new business increased 18% to R427 million, reflecting increased branch sales and bank volumes. Rest of Africa profits more than doubled to R37 million. The revised Distribution operating model resulted in this business achieving break even, while employee benefits' turnaround saw its earnings more than treble to R42 million. However, short-term insurance earnings dropped 39%, due to higher industry wide weather-related claims. Financial Services accounted for 11% of Group headline earnings. Its RoE improved to 28,6% from 27,2%.

Prospects

We expect a continuation of the recovery in the global economy during 2014 as uncertainty around United States Federal Reserve tapering diminishes, fiscal headwinds abate, and monetary policy gains traction. We expect global GDP to expand by 3,5%, after growth of around 3% in the prior two years. Domestically, although we expect a modest recovery in GDP growth to 2,7% in 2014, with the key risks being the impact on the consumer of higher inflation and policy rates, the impact on the economy of labour strikes and the weak rand, and the impact on markets from global monetary policy. We see low probability of GDP growth accelerating significantly faster without major policy shifts, improved confidence levels, and/or an alleviation of binding energy and transportation infrastructure constraints.

We expect steady growth in the Barclays Africa Group markets beyond South Africa, with some of the countries being among the fastest growing in the world. However, important challenges are emerging. More notably, infrastructure constraints and/or lower commodity prices have led to cuts in our growth forecasts for some of the economies. Also, fiscal and current account imbalances are emerging in many countries just as the United States Federal Reserve is slowing its asset purchase programme. Whilst there are important differences between countries, as a grouping we believe that economic growth can reach 6,3% again in 2014, last year, supported by investment in infrastructure and improving global growth prospects. On the monetary policy front, these countries show little room for further monetary easing in 2014, with the bias being towards raising interest rates in some markets.

Against this backdrop, we expect mid-single digit loan growth in South Africa this year. We will continue to focus on operating costs, while investing for growth. In the next three years, we aim to reduce our cost to income ratio to the low 50s and to improve our RoE to between 18% and 20%. We expect the rest of Africa to account for 20% to 25% of Group revenue by 2016.

Basis of presentation

The Group's annual financial results have been prepared in accordance with the recognition and measurement requirements of International Financial Reporting Standards ("IFRS"), interpretations issued by the IFRS Interpretations Committee ("IFRS-IC") the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by Financial Reporting Standards Council, the JSE Listings Requirements and the requirements of the Companies Act. The principal accounting policies applied are set out in the Group's most recent annual consolidated financial statements.

The information disclosed in the SENS is derived from the information contained in the audited annual consolidated financial statements and does not contain full or complete disclosure details. Any investment decisions by shareholders should be based on consideration of the audited annual consolidated financial statements available on request. The presentation and disclosure complies with International Accounting Standard (IAS) 34.

Basis of presentation *(continued)*

The preparation of financial information requires the use of estimates and assumptions about future conditions. Use of available information and application of judgement are inherent in the formation of estimates. The accounting policies that are deemed critical to the Group's results and financial position, in terms of the materiality of the items to which the policy is applied, and which involve a high degree of judgement including the use of assumptions and estimation, are impairment of loans and advances, goodwill impairment, valuation of financial instruments, impairment of available-for-sale financial assets, impairment of investments in associates and joint ventures, deferred tax assets, post-retirement benefits, provisions, share-based payments, liabilities arising from claims made under short-term insurance contracts, liabilities arising from claims made under life-term insurance contracts, income taxes and offsetting of financial assets and liabilities.

Accounting policies

The accounting policies applied in preparing the audited consolidated annual financial statements are the same as those in place for the reporting period ended 31 December 2012. The new and amended standards that became effective for the first time during the reporting period are specified in note 1.22 of the accounting policies contained in the most recent annual consolidated financial statements. These changes can be summarised as:

- implementation of new IFRS standards specifically IFRS 10 Consolidated Financial Statements ("IFRS 10") and IAS 19 Employee Benefits (amended 2011) ("IAS 19R"); and
- certain changes in internal accounting policies.

Refer to page 121 to 130 for more details on the reporting changes.

Change in accounting estimates

During the current year, the Group revised the estimated useful lives of computer equipment from 3 to 5 years to 4 to 6 years. This revision was done as a result of the requirement of IAS 16 to reassess the useful lives of property, plant and equipment on an annual basis. This change in useful lives has brought the Group's estimated useful lives of computer equipment in line with the Barclays PLC estimated useful lives for computer equipment. The change in accounting estimate has been accounted for prospectively in accordance with IAS 8.

Auditors report

Ernst & Young Inc. and PricewaterhouseCoopers Inc., Barclays Africa Group Limited's independent auditors, have audited the consolidated annual financial statements of Barclays Africa Group Limited from which management prepared the condensed consolidated financial results. The auditors have expressed an unqualified audit opinion on the consolidated annual financial statements. The condensed consolidated financial results comprise the condensed consolidated statement of financial position at 31 December 2013, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the year then ended, and selected explanatory notes, excluding items not indicated as audited. The audit report of the consolidated annual financial statements is available for inspection at Barclays Africa Group Limited's registered office.

Events after the reporting period

The directors are not aware of any events occurring between the reporting date of 31 December 2013 and the date of authorisation of these condensed consolidated financial results as defined in IAS 10 Events after the reporting period.

On behalf of the board

WE Lucas-Bull
Group Chairman

M Ramos
Chief Executive Officer

Johannesburg
11 February 2014

Profit and dividend announcement

31 December 2013

Declaration of final ordinary dividend number 55

Shareholders are advised that an ordinary dividend of 470 cents per ordinary share was declared today, 11 February 2014, for the period ended 31 December 2013. The ordinary dividend is payable to shareholders recorded in the register of members of the Company at the close of business on 4 April 2014. The directors of Barclays Africa Group Limited confirm that the Group will satisfy the solvency and liquidity test immediately after completion of the dividend distribution.

The dividend will be subject to the new dividend tax that was introduced with effect from 1 April 2012. In accordance with paragraphs 11.17 (a) (i) to (x) and 11.17 (c) of the JSE Listings Requirements, the following additional information is disclosed:

- The dividend has been declared out of income reserves.
- The local dividend tax rate is fifteen per cent (15%).
- The gross local dividend amount is 470 cents per ordinary share for shareholders exempt from the dividend tax.
- The net local dividend amount is 399,50 cents per ordinary share for shareholders liable to pay for the dividend tax.
- Barclays Africa Group currently has 847 750 679 ordinary shares in issue (includes 437 896 treasury shares).
- Barclays Africa Group Limited's income tax reference number is 9150116714.

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

Last day to trade cum dividend	28 March 2014
Shares commence trading ex dividend	31 March 2014
Record date	4 April 2014
Payment date	7 April 2014

Share certificates may not be dematerialised or rematerialised between Monday, 31 March 2014 and Friday, 4 April 2014, both dates inclusive. On 7 April 2014 the dividend will be electronically transferred to the bank accounts of certificated shareholders who use this facility.

In respect of those who do not, cheques dated 7 April 2014 will be posted on or about that date. The accounts of those shareholders who have dematerialised their shares (which are held at their participant or broker) will be credited on 7 April 2014.

On behalf of the board

N R Drutman

Company Secretary

Johannesburg
11 February 2014

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

Condensed consolidated statement of comprehensive income

for the reporting period ended 31 December

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

Notes

[1] Restated, refer to pages 121 to 130 for reporting changes.

[2] The pro forma per ordinary share metrics provided above include the ordinary shares issued on 31 July 2013 for the acquisition of Barclays Africa Limited as if the ordinary shares had always been in issue. The provision of these metrics in no way impacts the legal effective date of the ordinary share issue.

Condensed consolidated statement of comprehensive income

for the reporting period ended 31 December

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

Note

[1] Restated, refer to pages 121 to 130 for reporting changes.

Consolidated profit analysis – banking and other activities vs. financial services

for the reporting period ended 31 December

	Note	2013 Rm	2012[1] Rm	Change %
Income from banking and other activities		**55 038**	50 945	8
Net interest income	2	**32 337**	29 296	10
Non-interest income	4	**22 701**	21 649	5
Net fee and commission income		**17 446**	16 520	6
Gains and losses from banking, trading and investment activities		**4 200**	4 174	1
Other income		**1 055**	955	10
Income from financial services		**9 571**	8 389	14
Net interest income	2	**14**	6	>100
Non-interest income	4	**9 557**	8 383	14
Net fee and commission income		**1 108**	864	28
Net insurance premium income		**5 457**	5 423	1
Gains and losses from investment activities		**2 992**	2 096	43
Total operating income		**64 609**	59 334	9
Impairment losses on loans and advances	3	**(6 987)**	(8 855)	21
Banking and other activities		**(6 963)**	(8 831)	21
Financial services		**(24)**	(24)	—
Benefits due to policyholders from financial services	4	**(5 203)**	(4 358)	(19)
Net insurance claims and benefits paid		**(2 816)**	(2 716)	(4)
Changes in investment and insurance contract liabilities		**(2 457)**	(1 707)	(44)
Other income		**70**	65	8
Operating income before operating expenditure		**52 419**	46 121	14
Operating expenditure in banking and other activities		**(32 007)**	(28 918)	(11)
Operating expenses	5	**(31 098)**	(28 191)	(10)
Other impairments		**(27)**	(107)	75
Indirect taxation		**(882)**	(620)	(42)
Operating expenditure in financial services		**(2 446)**	(2 267)	(8)
Operating expenses	5	**(2 322)**	(2 138)	(9)
Other impairments		**(6)**	(25)	76
Indirect taxation		**(118)**	(104)	(13)
Share of post-tax results of associates and joint ventures		**130**	249	(48)
Banking and other activities		**130**	239	(46)
Financial services		**—**	10	(100)
Operating profit before income tax		**18 096**	15 185	19
Taxation expense		**(5 222)**	(4 439)	(18)
Profit for the reporting period		**12 874**	10 746	20
Profit attributable to:				
Ordinary equity holders		**11 981**	9 999	20
Non-controlling interest – ordinary shares		**599**	452	33
Non-controlling interest – preference shares		**294**	295	—
		12 874	10 746	20
Headline earnings	1	**11 843**	10 419	14

Note

[1] Restated, refer to pages 121 to 130 for reporting changes.

Condensed consolidated statement of financial position

as at 31 December

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

Note

[1] Restated, refer to pages 121 to 130 for reporting changes.

Condensed consolidated statement of financial position – IAS 39 classification

as at 31 December

	2013 (Audited)		2012[1] (Audited)	
	Assets Rm	Liabilities and equity Rm	Assets Rm	Liabilities and equity Rm
Fair value through profit or loss	**131 916**	**104 403**	140 644	108 571
Designated at fair value	**42 582**	**50 535**	48 337	52 982
Cash, cash balances and balances with central banks	**3 210**	**—**	2 878	—
Statutory liquid asset portfolio	**—**	**—**	800	—
Loans and advances to banks	**6 140**	**—**	9 647	—
Other assets	**17**	**—**	17	—
Loans and advances to customers	**10 546**	**—**	11 942	—
Investment securities	**22 669**	**—**	23 053	—
Deposits from banks	**—**	**9 320**	—	11 132
Other liabilities	**—**	**36**	—	17
Deposits due to customers	**—**	**17 863**	—	19 089
Debt securities in issue	**—**	**3 543**	—	3 198
Liabilities under investment contracts	**—**	**19 773**	—	18 768
Borrowed funds	**—**	**—**	—	778
Held for trading	**85 977**	**51 477**	86 851	51 734
Trading portfolio assets	**85 954**	**—**	86 810	—
Investment securities	**23**	**—**	41	—
Trading portfolio liabilities	**—**	**51 477**	—	51 734
Hedging instruments	**3 357**	**2 391**	5 456	3 855
Hedging portfolio assets	**3 357**	**—**	5 456	—
Hedging portfolio liabilities	**—**	**2 391**	—	3 855
Available-for-sale	**84 282**	**—**	81 204	—
Designated as available-for-sale	**58 804**	**—**	54 031	—
Cash, cash balances and balances with central banks	**12 562**	**—**	11 636	—
Statutory liquid asset portfolio	**36 577**	**—**	35 047	—
Investment securities	**9 665**	**—**	7 348	—
Hedged items				
Statutory liquid asset portfolio	**25 478**	**—**	27 173	—
Amortised cost	**714 533**	**756 468**	652 029	692 844
Designated at amortised cost	**710 121**	**739 309**	647 059	675 651
Cash, cash balances and balances with central banks	**32 425**	**—**	29 521	—
Loans and advances to banks	**73 831**	**—**	52 864	—
Other assets	**13 486**	**—**	15 324	—
Loans and advances to customers	**590 379**	**—**	549 350	—
Deposits from banks	**—**	**59 744**	—	30 292
Other liabilities	**—**	**15 765**	—	16 935
Deposits due to customers	**—**	**570 148**	—	524 012
Debt securities in issue	**—**	**82 207**	—	91 619
Borrowed funds	**—**	**11 445**	—	12 793
Hedged items	**4 412**	**17 159**	4 970	17 193
Loans and advances to customers	**4 412**	**—**	4 970	—
Debt securities in issue	**—**	**12 079**	—	11 987
Borrowed funds	**—**	**5 080**	—	5 206
Held-to-maturity	**2 659**	**—**	1 206	—
Cash, cash balances and balances with central banks	**1 933**	**—**	735	—
Investment securities	**726**	**—**	471	—
Other assets and liabilities[2]	**26 209**	**13 527**	23 288	12 511
Total equity	**—**	**85 201**	—	84 445
	959 599	**959 599**	898 371	898 371

Notes

[1] Restated, refer to pages 121 to 130 for reporting changes.

[2] Includes non-financial assets and liabilities and financial instruments not measured in terms of IAS 39.

Condensed consolidated statement of changes in equity

for the reporting period ended 31 December

Balance at the beginning of the reporting period
Total comprehensive income for the reporting period
Profit for the reporting period
Other comprehensive income
Dividends paid during the reporting period
Accounting adjustments related to business combinations under common control[1]
Purchase of Group shares in respect of equity-settled share-based payment schemes
Elimination of the movement in treasury shares held by Group entities
Movement in share-based payment reserve
Transfer from share-based payment reserve
Value of employee services
Movement in foreign insurance subsidiary regulatory reserve
Movement in general credit risk reserve
Share of post-tax results of associates and joint ventures
Acquisition of non-controlling interest and related transaction costs[2]
Transaction costs related to shares issued on the acquisition of Barclays Africa Limited
Balance at the end of the reporting period

Balance at the beginning of the reporting period
Restatements[4]
Restated balance at the beginning of the reporting period
Total comprehensive income for the reporting period
Profit for the reporting period
Other comprehensive income
Dividends paid during the reporting period
Accounting adjustments related to business combinations under common control[1]
Purchase of Group shares in respect of equity-settled share-based payment schemes
Elimination of the movement in treasury shares held by Group entities
Movement in share-based payment reserve
Transfer from share-based payment reserve
Value of employee services
Zambia regulatory requirements transfer
Movement in foreign insurance subsidiary regulatory reserve
Movement in general credit risk reserve
Movement in insurance contingency reserve[3]
Share of post-tax results of associates and joint ventures
Increase in the interest of non-controlling equity holders
Disposal of interest in subsidiary without loss of control
Restated balance at the end of the reporting period

Notes

All movements are reflected net of taxation.

[1] The excess of the purchase price over BAGL's share of the net assets of Barclays Africa Limited, acquired on 31 July 2013, is accounted for as a deduction against share premium. The purchase price was applied retrospectively, resulting in the deemed excess of the purchase price over the historical carrying values of the underlying net assets of Barclays Africa Limited being similarly included within share premium. This application results in a net movement recognised in share premium for each retrospective reporting period to date of acquisition. Refer to pages 132 to 134 for further information.

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

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

[4] Restated, refer to pages 121 to 130 for reporting changes.

Condensed consolidated statement of changes in equity

for the reporting period ended 31 December

2013
(Audited)

Share capital Rm	Share premium Rm	Retained earnings Rm	Foreign currency translation reserve Rm	Other reserves Rm	Capital and reserves attributable to ordinary equity holders Rm	Non-controlling interest – ordinary shares Rm	Non-controlling interest – preference shares Rm	Total equity Rm
1 694	5 336	64 898	1 029	4 139	77 096	2 705	4 644	84 445
—	—	11 657	2 668	(1 715)	12 610	917	294	13 821
—	—	11 981	—	—	11 981	599	294	12 874
—	—	(324)	2 668	(1 715)	629	318	—	947
—	—	(11 602)	—	—	(11 602)	(346)	(294)	(12 242)
—	(443)	—	—	—	(443)	—	—	(443)
—	(76)	—	—	—	(76)	—	—	(76)
1	(280)	—	—	—	(279)	—	—	(279)
0	38	—	—	(27)	11	—	—	11
0	38	—	—	(38)	—	—	—	—
—	—	—	—	11	11	—	—	11
—	—	(3)	—	3	—	—	—	—
—	—	(220)	—	220	—	—	—	—
—	—	(130)	—	130	—	—	—	—
—	—	101	—	—	101	(36)	—	65
—	(101)	—	—	—	(101)	—	—	(101)
1 695	4 474	64 701	3 697	2 750	77 317	3 240	4 644	85 201

2012[4]
(Audited)

Share capital Rm	Share premium Rm	Retained earnings Rm	Foreign currency translation reserve Rm	Other reserves Rm	Capital and reserves attributable to ordinary equity holders Rm	Non-controlling interest – ordinary shares Rm	Non-controlling interest – preference shares Rm	Total equity Rm
1 434	4 676	53 813	(218)	2 603	62 308	1 453	4 644	68 405
259	475	6 431	1 033	68	8 266	1 367	—	9 633
1 693	5 151	60 244	815	2 671	70 574	2 820	4 644	78 038
—	—	9 911	214	1 723	11 848	576	295	12 719
—	—	9 999	—	—	9 999	452	295	10 746
—	—	(88)	214	1 723	1 849	124	—	1 973
—	—	(5 069)	—	—	(5 069)	(597)	(295)	(5 961)
—	257	(346)	—	—	(89)	—	—	(89)
—	(211)	—	—	—	(211)	—	—	(211)
1	29	—	—	—	30	—	—	30
0	110	—	—	(97)	13	—	—	13
0	110	—	—	(110)	—	—	—	—
—	—	—	—	13	13	—	—	13
—	—	150	—	(150)	—	—	—	—
—	—	(13)	—	13	—	—	—	—
—	—	(54)	—	54	—	—	—	—
—	—	324	—	(324)	—	—	—	—
—	—	(249)	—	249	—	—	—	—
—	—	—	—	—	—	35	—	35
—	—	—	—	—	—	(129)	—	(129)
1 694	5 336	64 898	1 029	4 139	77 096	2 705	4 644	84 445

Condensed consolidated statement of cash flows

for the reporting period ended 31 December

	Note	2013 (Audited) Rm	2012[1] (Audited) Rm	Change %
Net cash generated from operating activities		**18 035**	5 199	>100
Net cash utilised in investing activities		**(1 841)**	(1 672)	(20)
Net cash utilised in financing activities		**(14 616)**	(2 045)	>(100)
Net increase in cash and cash equivalents		**1 578**	1 482	6
Cash and cash equivalents at the beginning of the reporting period	1	**13 985**	12 163	15
Effect of exchange rate movements on cash and cash equivalents		**291**	340	(14)
Cash and cash equivalents at the end of the reporting period	2	**15 854**	13 985	13

Notes to the condensed consolidated statement of cash flows

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

	2013 (Audited) Rm	2012[1] (Audited) Rm	Change %
Cash, cash balances and balances with central banks[2]	**11 085**	9 989	11
Loans and advances to banks[3]	**2 900**	2 174	35
	13 985	12 163	15

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

	2013 (Audited) Rm	2012[1] (Audited) Rm	Change %
Cash, cash balances and balances with central banks[2]	**12 653**	11 085	14
Loans and advances to banks[3]	**3 201**	2 900	10
	15 854	13 985	13

Notes

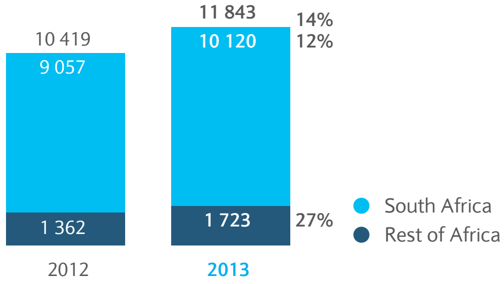
[1] Restated, refer to pages 121 to 130 for reporting changes.

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

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

1. Headline earnings and earnings per share

Headline earnings (Rm and change %)



Headline earnings	2013 (Audited)		2012 (Audited)		
	Gross Rm	**Net[1] Rm**	Gross Rm	Net[1] Rm	Net change[1] %
Headline earnings is determined as follows:					
Profit attributable to ordinary equity holders		**11 981**		9 999	20
Total headline earnings adjustment:		**(138)**		420	>(100)
IFRS 3 – Goodwill impairment	**—**	**—**	18	18	>(100)
IFRS 5 – Gains and losses on disposal of non-current assets held for sale	**(171)**	**(138)**	—	—	>(100)
IAS 16 and IAS 36 – Loss/(profit) on disposal and impairment of property and equipment	**5**	**4**	(79)	(62)	>100
IAS 27 – Loss on disposal of subsidiary	**8**	**8**	—	—	100
IAS 28 and IFRS 11 – Headline earnings component of share of post-tax results of associates and joint ventures	**—**	**—**	(1)	(1)	100
IAS 36 – Impairment of investments in associates and joint ventures	**2**	**2**	—	—	100
IAS 36 and IAS 38 – Loss on disposal and impairment of intangible assets	**1**	**—**	98	70	(100)
IAS 39 – Release of available-for-sale reserves	**10**	**7**	10	7	—
IAS 39 – Disposal and impairment of available-for-sale assets	**6**	**4**	—	—	>100
IAS 40 – Change in fair value of investment properties	**(29)**	**(25)**	408	388	>(100)
		11 843		10 419	14

Performance

Notable adjustments to headline earnings

- The gain on disposal of non-current assets held for sale is largely attributable to the disposal of a non-core business line in CIBW.
- For the previous reporting period, the loss on disposal and impairment of intangible assets was largely attributable to the impairment of software development costs in Enterprise Functions.
- The change in fair value of investment properties related to significant negative fair value adjustments within the Commercial Property Finance ("CPF") portfolio in RBB, which was recognised in the previous reporting period.

Note

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

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

Pro forma earnings and headline earnings per share[1]	2013 (Audited)	2012 (Audited)	Change value/ %
Basic (cents)	**1 414,0**	1 180,4	20
Profit attributable to ordinary equity holders	**11 981**	9 999	20
Issued shares at the beginning of the reporting period[2]	**718,2**	718,2	—
Issued shares for acquisition of Barclays Africa Limited[3]	**129,5**	129,5	—
Treasury shares held by Group entities	**(0,4)**	(0,6)	0,2
Weighted average number of ordinary shares in issue (excluding treasury shares)	**847,3**	847,1	0,2
Diluted basic (cents)	**1 412,9**	1 178,2	20
Diluted basic earnings attributable to ordinary equity holders[4]	**11 981**	9 999	20
Weighted average number of ordinary shares in issue	**847,3**	847,1	0,2
Adjusted for share options issued at no value	**0,7**	1,6	(0,9)
Diluted weighted average number of ordinary shares in issue (excluding treasury shares)	**848,0**	848,7	(0,7)
Headline (cents)	**1 397,7**	1 229,9	14
Headline earnings attributable to ordinary equity holders	**11 843**	10 419	14
Weighted average number of ordinary shares in issue (excluding treasury shares)	**847,3**	847,1	0,2
Diluted headline (cents)	**1 396,6**	1 227,6	14
Diluted headline earnings attributable to ordinary equity holders[4]	**11 843**	10 419	14
Diluted weighted average number of ordinary shares in issue (excluding treasury shares)	**848,0**	848,7	(0,7)

Notes

[1] The pro forma per ordinary share metrics provided above include the ordinary shares issued on 31 July 2013 for the acquisition of Barclays Africa Limited as if the ordinary shares had always been in issue. The provision of these metrics in no way impacts the legal effective date of the ordinary share issue.

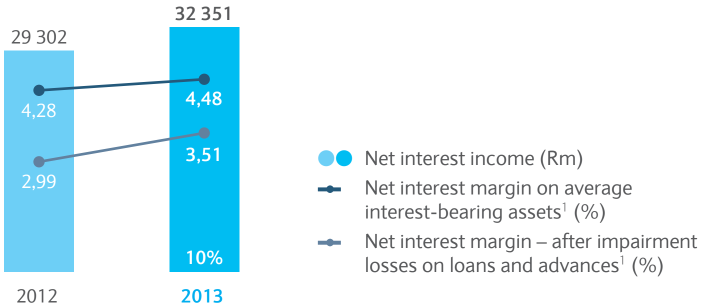
[2] Refer to page 46 for the number of ordinary shares in issue.

[3] No weighting has been applied to this share issue in line with the principles of accounting for business combinations under common control.

[4] There are currently no instruments in issue that will have a dilutive impact on the profit attributable to ordinary equity holders.

2. Net interest income

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



	2013			2012		
Group average statement of financial position	Average balance[1] Rm	Average rate %	Interest income/ (expense) Rm	Average balance[1,2] Rm	Average rate %	Interest income/ (expense) Rm
Assets						
Cash, cash balances and balances with central banks	14 110	1,74	245	11 776	1,41	166
Statutory liquid asset portfolio	62 083	7,01	4 352	58 286	7,27	4 235
Loans and advances to banks and customers	638 504	8,12	51 825	606 709	8,07	48 982
Investment securities	8 125	25,50	2 072	7 322	23,79	1 742
Other interest[3]	—	—	1 738	—	—	2 172
Interest-bearing assets	722 822	8,33	60,232	684 093	8,38	57 297
Non-interest-bearing assets	194 494	—	—	203 462	—	—
Total assets	917 316	6,57	60 232	887 555	6,46	57 297
Liabilities						
Deposits from banks and due to customers	565 617	(3,92)	(22 158)	509 679	(3,90)	(19 863)
Debt securities in issue	107 503	(6,09)	(6 545)	121 452	(6,59)	(8 008)
Borrowed funds	15 528	(9,56)	(1 485)	13 355	(10,16)	(1 357)
Other interest[3]	—	—	2 307	—	—	1 233
Interest-bearing liabilities	688 648	(4,05)	(27 881)	644 486	(4,34)	(27 995)
Non-interest-bearing liabilities	145 198	—	—	164 467	—	—
Total liabilities	833 846	(3,34)	(27 881)	808 953	(3,46)	(27 995)
Total equity	83 470	—	—	78 602	—	—
Total liabilities and equity	917 316	(3,04)	(27 881)	887 555	(3,15)	(27 995)
Net interest margin on average interest-bearing assets		4,48			4,28	

Notes

[1] Calculated based on daily and monthly weighted average balances for South Africa and the Rest of Africa respectively.

[2] The Group reassessed its criteria applied to determine the balance of interest-bearing assets, in line with industry practice. This resulted in a restatement of the net interest margin on average interest-bearing assets for the previous reporting periods.

[3] Includes fair value adjustments on hedging instruments and hedged items.

2. Net interest income *(continued)*

Change in net interest margin	2013 bps	2012 bps
Loans and advances to customers (i)	**16**	—
Change in customer rates (pricing)	**—**	(1)
Change in composition (mix)	**16**	1
Deposits due to customers (ii)	**(4)**	(4)
Change in customer rates (pricing)	**(3)**	(2)
Change in composition (mix)	**—**	(1)
Endowment (iv)	**(1)**	(1)
CIBW (iii)	**8**	(15)
Equity endowment (iv)	**(1)**	(1)
Interest rate risk management (hedging strategy) (iv)	**(6)**	(6)
Hedging (iv)	**(4)**	(2)
Other	**(2)**	(4)
Rest of Africa (v)	**7**	5
Other	**—**	(2)
	20	(23)

Performance

The Group's net interest margin expanded by 20 basis points (bps) during the current reporting period. The increase in the net interest margin is mainly attributable to:

(i) Loans and advances to customers

- Continued focus on competitive pricing of major products over the last couple of years has resulted in margins remaining fairly stable year-on-year. The acquisition of the Edcon portfolio at the end of 2012 had a 13 bps positive impact on the overall Group margin. This, coupled with the decline in the Home Loans portfolio in particular, had a positive 16 bps impact on the margin due to the change in the overall composition towards higher margin products.

(ii) Deposits due to customers

- Margin pressure across most customer products due to a competitive environment, coupled with the launch of lower margin products during the reporting period resulted in a 3 bps decrease in the Group's margin.

(iii) CIBW

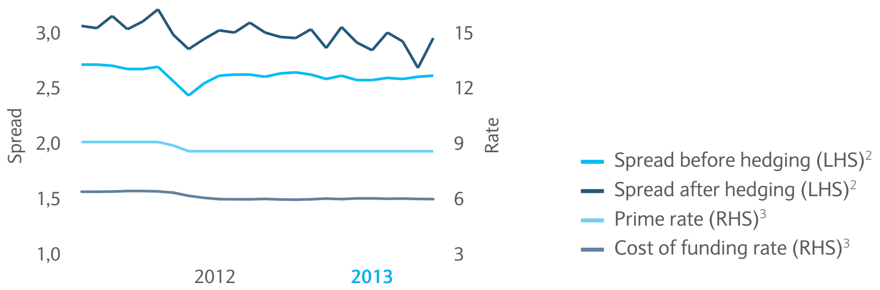
- The Investment Bank showed improved margins (5 bps) on the back of growth in leverage finance and project finance transactions in Investment Banking (4 bps), and increased margin in Markets (1 bps). Markets' margin increase was driven by increased fixed term lending (3 bps) offset by an increase in foreign currency loans and advances to banks (2 bps decline). Foreign currency loans and advances to banks earn negative margin, which is offset by positive gains on the foreign currency hedging instruments for these trades, which is recognised in gains and losses from banking and trading activities. Corporate margin increase (3 bps) was driven largely by higher margins from corporate overdraft products.

2. Net interest income *(continued)*

Performance *(continued)*

(iv) Hedging strategy

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



- Absa Bank Limited hedges its net interest margin against changes in interest rates. It employs a hedging policy whereby structural positions (rate insensitive assets and liabilities as well as the endowment impact on equity) are hedged on a programme basis by continuously entering into fixed swaps over the entire interest rate cycle. The hedging programme increases net interest margin stability over an interest rate cycle, notably enhancing the net interest margin at a low point in the cycle and sacrificing the interest margin when rates are high.
- Cash flow hedge accounting is applied to account for the interest rate swaps executed as part of the hedging programme. The change in mark-to-market value is deferred to the cash flow hedging reserve (“other reserves”), from where it is released to the statement of comprehensive income on an accrual basis. Should market rates prevail at current levels, the cash flow hedging reserve, totalling R0,5 billion after tax (2012: R2,4 billion) as at the reporting date will be released to the statement of comprehensive income over the life of the underlying hedged item.
- The decline in this reserve can be ascribed to the increase in average swap rates compared to the previous reporting period. The benefit realised in the current reporting period of 25 bps was 4 bps lower (2012: 2 bps lower) when compared to the benefit of 29 bps in the previous period, but still contributed positively to the overall margin. In the current reporting period, R1,6 billion (2012: R2,1 billion) was released to the statement of comprehensive income.

(v) Rest of Africa

- Africa had a 7 bps positive impact on the margin mainly due to its increased weighting in the overall composition, with higher margins relative to the Group margin (8 bps increase). This positive composition impact was reduced by pricing changes (1 bps decline) largely due to declining interest rate environments, an increase in market competition as well as regulatory changes which had a negative impact on margins.

Notes

[1] Absa Bank Limited hedging strategy:

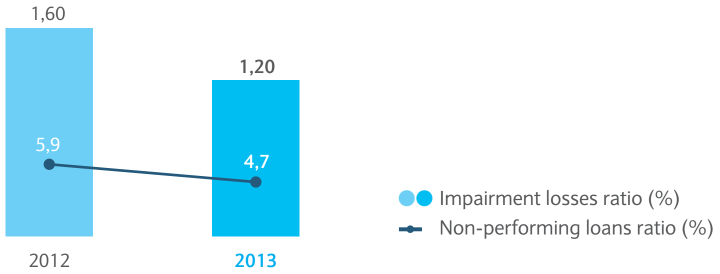
- The hedging programme provides greater margin stability from an interest rate risk perspective over the entire cycle.
- In a decreasing rate scenario, the hedging programme enhances the net interest margin while the opposite is true for an increasing rate scenario.
- Basis risk still remains between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

[2] Left-hand side of the ‘y’ axis.

[3] Right-hand side of the ‘y’ axis.

3. Impairment losses on loans and advances

Impairment losses and non-performing loans ratio (%)



Charge to the statement of comprehensive income by segment	2013 Rm	2012 Rm	Change %
RBB			
Total charge	**6 678**	8 696	(23)
Impairment losses ratio (%)	**1,50**	2,05	
Retail Banking South Africa			
Card	**811**	403	>100
Edcon portfolio	**1 092**	72	>100
Home Loans	**1 552**	4 461	(65)
Personal Loans	**782**	612	28
Retail Bank	**370**	366	1
Vehicle and Asset Finance	**555**	669	(17)
Total charge	**5 162**	6 583	(22)
Impairment losses ratio (%)	**1,48**	1,96	
Business Banking South Africa			
Business Banking	**897**	1 528	(41)
Business Banking Equities	**(1)**	4	>(100)
Total charge	**896**	1 532	(42)
Impairment losses ratio (%)	**1,43**	2,37	
RBB Rest of Africa			
Total charge	**620**	581	7
Impairment losses ratio (%)	**1,79**	2,45	
CIBW			
Total charge	**300**	139	>100
Impairment losses ratio (%)	**0,22**	0,12	
CIBW South Africa			
Total charge	**144**	120	20
Impairment losses ratio (%)	**0,12**	0,12	
CIBW Rest of Africa			
Total charge	**156**	19	>100
Impairment losses ratio (%)	**0,98**	0,13	
Financial Services			
Total charge	**24**	24	—
Impairment losses ratio (%)	**4,73**	12,37	
Head office, inter-segment eliminations and Other			
Total charge	**(15)**	(4)	>(100)
Total charge to the statement of comprehensive income	**6 987**	8 855	(21)
Comprising:			
Impairments raised	**8 105**	9 750	(17)
Identified impairments	**7 754**	9 553	(19)
Unidentified impairments	**351**	197	78
Recoveries of loans and advances previously written off[1]	**(1 118)**	(895)	(25)
Total charge to the statement of comprehensive income	**6 987**	8 855	(21)
Impairment losses ratio (%)	**1,20**	1,60	

Note

[1] Includes collections costs of **R120 million** (2012: R133 million).

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

	2013						
	Performing loans			Non-performing loans			
Loans and advances to customers	**Exposure Rm**	**Impairment Rm**	**Coverage ratio %**	**Exposure Rm**	**Impairment Rm**	**Coverage ratio %**	**Net total exposure Rm**
RBB	439 283	3 431	0,78	28 110	11 635	41,4	452 327
Retail Banking South Africa	343 500	2 726	0,79	19 576	7 586	38,8	352 764
Cheque accounts	2 006	31	1,54	96	56	58,3	2 015
Credit cards	25 147	402	1,60	1 931	1 272	65,9	25 404
Edcon portfolio	8 753	297	3,39	1 103	893	81,0	8 666
Instalment credit agreements	63 156	286	0,45	1 359	629	46,2	63 600
Loans to associates and joint ventures	10 287	—	—	—	—	—	10 287
Mortgages	218 256	1 327	0,61	13 541	3 763	27,8	226 707
Personal and term loans	15 895	383	2,41	1 546	973	63,0	16 085
Business Banking South Africa	59 088	378	0,64	4 980	2 011	40,4	61 679
Cheque accounts	16 710	137	0,82	863	361	41,8	17 075
Commercial property finance	29 906	125	0,42	2 844	1 235	43,4	31 390
Instalment credit agreements	975	4	0,41	115	102	88,7	984
Loans to associates and joint ventures	559	—	—	—	—	—	559
Term loans	10 938	112	1,02	1 158	313	27,0	11 671
RBB Rest of Africa	36 695	327	0,89	3 554	2 038	57,3	37 884
CIBW	152 574	270	0,18	1 190	603	50,7	152 891
CIBW South Africa	131 417	230	0,18	787	453	57,6	131 521
CIBW Rest of Africa	21 157	40	0,19	403	150	37,2	21 370
Head office, inter-segment eliminations and Other	229	110	48,03	—	—	—	119
	592 086	3 811	0,64	29 300	12 238	41,8	605 337

	2012						
	Performing loans			Non-performing loans			
Loans and advances to customers	Exposure Rm	Impairment Rm	Coverage ratio %	Exposure Rm	Impairment Rm	Coverage ratio %	Net total exposure Rm
RBB	421 685	2 501	0,59	32 535	12 289	37,8	439 429
Retail Banking South Africa	331 779	1 610	0,49	24 076	8 547	35,5	345 698
Cheque accounts	1 868	4	0,21	96	68	70,8	1 892
Credit cards	21 362	324	1,52	1 839	1 231	66,9	21 646
Edcon portfolio	9 806	102	1,04	—	—	—	9 704
Instalment credit agreements	56 715	293	0,52	1 790	895	50,0	57 317
Loans to associates and joint ventures	8 393	—	—	—	—	—	8 393
Mortgages	218 275	821	0,38	18 798	5 353	28,5	230 899
Personal and term loans	15 360	66	0,43	1 553	1 000	64,4	15 847
Business Banking South Africa	60 476	422	0,70	5 600	2 245	40,1	63 409
Cheque accounts	17 571	96	0,55	859	337	39,2	17 997
Commercial property finance	30 382	229	0,75	3 222	1 340	41,6	32 035
Instalment credit agreements	1 307	12	0,92	443	298	67,3	1 440
Loans to associates and joint ventures	627	—	—	—	—	—	627
Term loans	10 589	85	0,80	1 076	270	25,1	11 310
RBB Rest of Africa	29 430	469	1,60	2 859	1 497	52,4	30 323
CIBW	125 536	204	0,16	1 499	638	42,6	126 193
CIBW South Africa	111 917	154	0,14	879	496	56,4	112 146
CIBW Rest of Africa	13 619	50	0,37	620	142	22,9	14 047
Head office, inter-segment eliminations and Other	764	125	16,35	20	20	100,0	640
	547 985	2 830	0,52	34 054	12 947	38,0	566 262

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

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

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

Statement of financial position – identified and unidentified impairments	2013 Rm	2012 Rm	Change %
Comprising:			
Identified impairments	14 634	14 687	—
Performing loans	2 396	1 741	38
Non-performing loans	12 238	12 946	(5)
Unidentified impairments	1 415	1 090	30
	16 049	15 777	2

Note

[1] Includes Financial Services and Head office, Inter-segment eliminations and Other.

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

Performance

Impairment losses on loans and advances improved by 33% relative to the prior year charge after adjusting for the impact of the Edcon portfolio acquisition. This has been achieved without compromising coverage on both performing and non-performing loans. Performing loan coverage has increased by R977 million to 0,64% (2012: 0,52%). Non-performing loan coverage has increased from 38,0% to 41,8%. Overall non-performing loan exposures have reduced significantly, and retail mortgages specifically, as a result of our continued focus in the collections environment which seeks to further improve our on and off balance sheet recoveries.

RBB

Retail Banking South Africa (↓22%)

- The total impairment losses ratio improved to 1,48% from 1,96% and mainly driven by improvement in Home Loans, which was partly offset by a deterioration in the unsecured lending portfolio.
- The improvement in Home Loans was driven by non-recurring coverage increases experienced in 2012 as well as reduced inflows into NPLs through improved collection and recovery processes and continued low default experienced on new business written.
- Personal Loans impairments losses ratio increased from 5,00% to 6,23%, underpinned by a more prudent approach to impairment provisioning.
- VAF's decline in impairment losses ratio stems from a slowdown in commercial asset finance (CAF) delinquencies and high identified impairments in the previous reporting period due to strained economic conditions. The VAF NPL coverage ratio decreased from 50,0% to 46,2%, attributable to the accelerated write-off of aged NPLs, which has also contributed to the NPL reduction from 3,05% to 2,10%.
- The focus on reducing NPLs remains a priority, particularly within the Home Loans portfolio where the NPLs have reduced from 7,9% to 5,9%.
- The increase in the impairment losses ratio for Card, excluding the Edcon portfolio, is largely driven by the maturation of new business as the losses ratio approaches more normalised levels, increasing from 1,82% to 3,29% and remains within acceptable risk parameters.
- Edcon impairments increased to R1 092 million compared with R72 million for November and December 2012, mainly due to the fact that 2013 represented a full reporting period. The impairment losses ratio increased from 5,03% to 11,86% and the NPL coverage ratio was 81% (2012: 0%). Focus on credit quality has been key in managing the portfolio with credit policy and strategic collection changes implemented to improve the underlying portfolio performance.

Business Banking South Africa (↓42%)

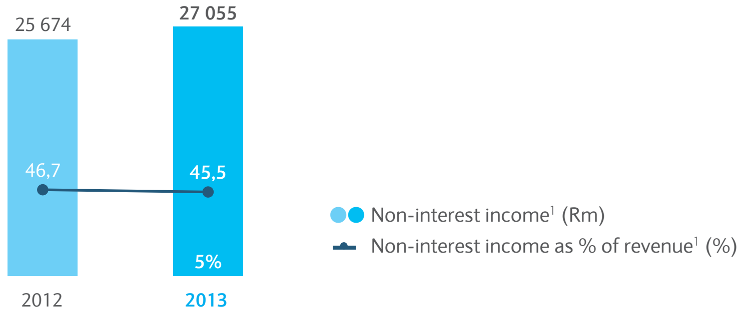
- The impairment losses ratio improved to 1,43% (2012: 2,37%), driven by:
  - An improvement in both the volume and value of new defaults experienced as well as an improvement in book construct.
  - The impairment charge for the commercial property finance (CPF) portfolio being significantly lower by 58,2% at R409 million (2012: R979 million), resulting in an improved impairment losses ratio of 1,25% (2012: 2,91%). This was slightly negated by continued muted demand in the property market, which negatively impacted realisation prices.
  - Continued focus on maximising recoveries of previously written-off exposures, increasing collections by 22% to R148 million (2012: R121 million).
  - While commercial groups continued showing signs of distress, defaults were lower compared to the elevated levels experienced in the previous reporting period.
  - NPLs declining by 11,1% from peak levels experienced in 2012, with the impairment coverage on this portfolio remaining broadly stable at 40,4% (2012: 40,1%). Significant write-offs were made on large defaulted exposures, with minimal additional impact on impairment losses on loans and advances.

RBB Rest of Africa (↑7%)

- Impairment losses on loans and advances increased by 7% to R620 million (2012: R581 million), resulting in an impairment losses ratio of 1,79% (2012: 2,45%) primarily as a result of foreign exchange translations. Excluding this impact, impairment losses on loans and advances improved by 4%, driven by an overall improvement in the quality of the loan book, improved collections and a focus on reducing NPLs.

4. Non-interest income

Non-interest income and non-interest income as % of total revenue (Rm, % and change %)



Non-interest income split	2013 Rm	2013 Com-position %	2012 Rm	2012 Com-position %	Change %
Net fee and commission income	**18 554**	**69**	17 383	68	7
RBB	**15 505**	**57**	14 999	58	3
Retail Banking South Africa	**10 757**	**39**	10 273	40	5
Business Banking South Africa	**2 853**	**11**	2 792	11	2
RBB Rest of Africa	**1 895**	**7**	1 934	8	(2)
CIBW	**2 118**	**8**	1 662	7	27
CIBW South Africa	**1 448**	**5**	1 237	5	17
CIBW Rest of Africa	**670**	**3**	425	2	58
Financial Services[2]	**1 108**	**4**	864	3	28
Other	**(53)**	**—**	(32)	—	(66)
Inter-segment eliminations[3]	**(124)**	**—**	(110)	—	(13)
Net insurance premium income and claims and benefits paid	**2 867**	**11**	2 899	12	(1)
Retail Banking South Africa (Woolworths Financial Services (Pty) Ltd)	**210**	**1**	178	1	18
Financial Services[2]	**2 641**	**10**	2 707	11	(2)
Other	**41**	**—**	(28)	—	>100
Inter-segment eliminations[4]	**(25)**	**—**	42	—	>(100)
Changes in investment and insurance contract liabilities	**(2 457)**	**(9)**	(1 707)	(7)	(44)
Financial Services[2]	**(2 457)**	**(9)**	(1 707)	(7)	(44)

Notes

[1] Excluding impairment losses on loans and advances.

[2] Financial Services recorded non-interest income of **R4 354 million** (2012: R4 025 million). Refer to the segment performance on pages 90 to 100.

[3] Includes a debit of **R115 million** (2012: R101 million debit) eliminated against gains and losses from banking and trading activities, and a debit of **R9 million** (2012: R9 million debit) eliminated against operating expenses.

[4] Includes a debit of **R25 million** (2012: R42 million credit) eliminated against operating expenses.

4. Non-interest income *(continued)*

Non-interest income split	2013 Rm	2013 Composition %	2012 Rm	2012 Composition %	Change %
Gains and losses from banking, trading and investment activities	**7 192**	**26**	6 270	24	15
RBB	**15**	**—**	(373)	(1)	(3)
Retail Banking South Africa	**73**	**—**	75	—	(3)
Business Banking South Africa	**(139)**	**(1)**	(335)	(1)	59
Equities – revaluations	**(124)**	**(1)**	(378)	—	67
Other gains and losses	**(15)**	**—**	43	—	>(100)
RBB Rest of Africa	**81**	**—**	(113)	—	>100
CIBW	**4 555**	**17**	4 714	18	(3)
CIBW South Africa	**3 523**	**13**	3 810	15	(8)
Markets – net trading result	**3 119**	**12**	3 410	13	(9)
Private Equity – revaluations	**101**	**—**	318	1	(68)
Other gains and losses	**303**	**1**	82	—	>100
CIBW Rest of Africa	**1 032**	**4**	904	3	14
Financial Services[1]	**2 992**	**10**	2 096	8	43
Other	**(106)**	**—**	290	1	>(100)
Inter-segment eliminations[2]	**(264)**	**(1)**	(457)	(2)	42
Other operating income	**899**	**3**	829	3	8
Property-related income	**468**	**2**	530	2	(12)
RBB	**431**	**2**	374	1	15
Retail Banking South Africa	**62**	**—**	91	—	(32)
Business Banking South Africa	**365**	**1**	254	1	44
RBB Rest of Africa	**4**	**—**	29	—	(86)
CIBW	**(2)**	**—**	(18)	—	89
CIBW South Africa	**—**	**—**	1	—	>(100)
CIBW Rest of Africa	**(2)**	**—**	(19)	—	89
Financial Services[1]	**25**	**—**	21		19
Other	**14**	**—**	153	1	(91)
Other operating income	**404**	**1**	383	1	6
RBB	**206**	**—**	229	1	(10)
Retail Banking South Africa	**87**	**—**	129	1	(33)
Business Banking South Africa	**61**	**—**	42	—	45
RBB Rest of Africa	**58**	**—**	58	—	—
CIBW	**252**	**1**	30	—	>100
CIBW South Africa	**245**	**1**	22	—	>100
CIBW Rest of Africa	**7**	**—**	8	—	(13)
Financial Services[1]	**45**	**—**	44	—	—
Other	**(99)**	**—**	80	—	>(100)
Inter-segment eliminations[3]	**27**	**—**	(84)	—	>100
	27 055	**100**	25 674	100	5

Notes

[1] Financial Services recorded non-interest income of **R4 354 million** (2012: R4 025 million). Refer to the segment performance on pages 90 to 100.

[2] Includes a debit of **R378 million** (2012: R558 million debit) eliminated against net interest income, a credit of **R114 million** (2012: R101 million credit) eliminated against net fee and commission income.

[3] Includes a debit of **R27 million** (2012: R84 million debit) eliminated against operating expenses, and a credit of **R8 million** (2012: Rnil) eliminated against net interest income, a credit of **R1 million** (2012: Rnil) eliminated against gains and losses from investment activities and a credit of **R45 million** (2012: Rnil) eliminating against net insurance premium income.

4. Non-interest income *(continued)*

Performance

Non-interest income increased by 5% to R27 055 million (2012: R25 674 million) for the reporting period.

Banking operations (↑5%)

- Retail Banking South Africa's net fee and commission income reflected muted growth of 5% ending at R10 757 million (2012: R10 273 million), attributable to the lower number of transactional accounts, the migration of transactions to lower revenue generating products and channels, and a deliberate migration from 'pay as you transact' pricing offers to packaged offerings, in particular Value Bundles, coupled with the loss of the South African Security Agency tender in 2012. This was offset by increased transaction volumes relating to the Rewards programme, growth in new Card customers and an increase in merchant income on the back of Card footprint expansion. Non-interest income was adversely impacted by the card industry issues relating to the processing of dual message card transactions.
- Business Banking South Africa's non-interest income grew by 14% to R3 140 million (2012: R2 753 million). Net fee and commission income increased marginally by 2% to R2 853 million (2012: R2 792 million) mainly as a result of growth in electronic banking fees and cash fees. Losses from banking and trading activities decreased by 59% to R139 million (2012: R335 million) due to lower negative fair value adjustments in equity investments compared to the previous reporting period.
- RBB Rest of Africa's non-interest income recorded an increase of 7% to R2 037 million (2012: R1 908 million), driven by the impact of foreign exchange translations. Excluding the effect of foreign exchange translations, non-interest income decreased marginally by 4%. This was mainly due to regulatory changes and the strategic decisions on the discontinuance of credit life insurance in certain markets. A change in consumer transaction behaviour also affected non-interest income negatively.
- CIBW South Africa's non-interest income increased by 3% to R5 216 million (2012: R5 070 million) driven by an increase in net fee and commission income and other operating income of 17% and >100% respectively, partially offset by a 9% decrease in the net trading result. The decrease in net trading result was largely affected by difficult trading conditions in the second quarter, margin compression across fixed income and currencies and constrained liquidity. Increased volumes and profitability in documentary trade products as well as increased brokerage fees resulting from the launch of the NewPlat and NewGold exchange traded funds, contributed to the growth in net fees and commissions. The profit on disposal of a non-core business drove the increase in other operating income.

Financial services operations (↑8%)

- Included in the Group's non-interest income is the revenue from insurance on a net basis, i.e. gross revenue net of reinsurance, claims movement in policyholder liabilities and investment returns as well as acquisition cost. Gross insurance premium income increased by 8%, while net insurance premium income remained flat at R5 457 million. Growth in net premiums of 34% for operations in the rest of Africa were offset by a decline in net premiums for South African operations mainly due to reduced appetite for crop insurance and the exit of non-core product lines in Short-term Insurance. The increased claims ratio of 70,3% was negatively impacted by significant weather-related claims
- Revenue relating to net commissions from distribution business, non-insurance-related income and other income increased by 13% to R2 118 million attributable to strong new business growth in Distribution, strong growth in fee income from Employee Benefits and a change in composition of assets under management and administration in the Investments business.

Cost efficiency ratio – Financial Services	**2013 Rm**	2012 Rm	Change %	**Where included in Group**
Operating expenses	**(2 322)**	(2 138)	(9)	Operating expenses
Revenue	**9 630**	8 846	9	
Gross premium income	**7 512**	6 969	8	Net insurance premium income
Net commission from distribution business	**447**	407	10	Net fee and commission income
Non-insurance-related income[1]	**1 333**	1 117	19	Net fee and commission income
Other income	**338**	353	(4)	Net fee and commission income and other operating income
Cost efficiency ratio (%)	**24,1**	24,2		

Note

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

4. Non-interest income *(continued)*

Reconciliation of Financial Services non-interest income to Group	2013 Rm	2012 Rm	Change %	Where included in Group
Revenue as per above	**9 630**	8 846	9	
Fee and commission expense[1]	**(954)**	(966)	1	Net fee and commission income
Reinsurance premiums	**(2 055)**	(1 546)	(33)	Net insurance premium income
Net insurance claims and benefits paid	**(2 816)**	(2 716)	(4)	Net insurance claims and benefits paid
Changes in investment contracts and insurance liabilities	**(2 457)**	(1 707)	(44)	Changes in investment and insurance contract liabilities
Gains and losses from investment activities	**2 992**	2 096	43	Gains and losses from investment activities
Other operating income	**14**	18	(28)	Other operating income
Non-interest income	**4 354**	4 025	8	

Non-interest income per note	2013 (Audited) Rm	2012 (Audited) Rm	Change %
Fee and commission income			
Asset management and other related fees	**160**	158	1
Consulting and administration fees	**661**	566	17
Credit-related fees and commissions	**15 145**	14 439	5
Cheque accounts	**3 598**	3 589	—
Credit cards[2]	**1 226**	655	87
Electronic banking	**4 129**	4 093	1
Savings accounts	**2 303**	2 488	(7)
Other[3]	**3 889**	3 614	8
Insurance commission received	**1 315**	1 147	15
Investment banking fees	**255**	252	1
Merchant income	**2 197**	2 034	8
Pension fund payment services	**—**	122	(100)
Trust and other fiduciary services	**1 412**	1 120	26
Portfolio and other management fees	**1 144**	870	32
Trust and estate income	**268**	250	7
Other	**203**	258	(21)
	21 348	20 096	6
Fee and commission expense			
Cheque processing fees	**(150)**	(161)	7
Insurance commission paid	**(1 001)**	(945)	(6)
Transaction-based legal fees	**(115)**	(209)	45
Trust and other fiduciary service fees	**(88)**	(73)	(21)
Valuation fees	**(142)**	(127)	(12)
Other	**(1 298)**	(1 198)	(8)
	(2 794)	(2 713)	(3)

Notes

[1] Includes insurance and non-insurance-related fees and commission paid.

[2] Includes acquiring and issuing fees.

[3] Includes service and credit-related fees and commissions on mortgage loans and foreign exchange transactions.

4. Non-interest income *(continued)*

	2013 (Audiated) Rm	2012 (Audited) Rm	Change %
Net insurance premium income			
Gross insurance premiums	**7 813**	7 073	10
Premiums ceded to reinsurers	**(2 127)**	(1 455)	(46)
	5 686	5 618	1
Net insurance claims and benefits paid			
Gross claims and benefits paid on insurance contracts	**(4 733)**	(3 657)	(29)
Reinsurance recoveries	**1 914**	938	>100
	(2 819)	(2 719)	(4)
Changes in investment and insurance contract liabilities			
Increase in investment contract liabilities	**(2 274)**	(1 363)	(67)
Increase in insurance contract liabilities	**(183)**	(344)	47
	(2 457)	(1 707)	(44)
Gains and losses from banking and trading activities			
Net gains on investments	**312**	93	>100
Debt instruments designated at fair value through profit or loss	**181**	179	1
Equity instruments designated at fair value through profit or loss	**141**	(76)	>100
Available-for-sale unwind from reserves	**(10)**	(10)	—
Net trading result	**3 854**	4 382	(12)
Net trading income excluding the impact of hedge accounting	**4 092**	4 360	(6)
Ineffective portion of hedges	**(238)**	22	>(100)
Cash flow hedges	**(234)**	45	>(100)
Fair value hedges	**(4)**	(23)	83
Other	**195**	60	>100
	4 361	4 535	(4)

4. Non-interest income *(continued)*

	2013 (Audited) Rm	2012 (Audited) Rm	Change %
Gains and losses from banking and trading activities by segment[1,2]			
RBB	**23**	(375)	>100
Retail Banking South Africa	**73**	75	—
Business Banking South Africa	**(139)**	(338)	59
RBB Rest of Africa	**89**	(112)	>100
CIBW	**4 547**	4 714	(4)
CIBW South Africa	**3 523**	3 810	(8)
CIBW Rest of Africa	**1 024**	904	13
Head office and Other	**(227)**	254	>(100)
Inter-segment eliminations	**18**	(58)	>100
	4 361	4 535	(4)
Gains and losses from investment activities			
Available-for-sale unwind from reserves	**4**	2	100
Net gains on investments from insurance activities[3]	**2 803**	1 686	66
Policyholder – insurance contracts	**337**	329	2
Policyholder – investment contracts	**2 181**	1 086	>100
Shareholder funds	**285**	271	5
Other	**24**	47	(49)
	2 831	1 735	63
Gains and losses from investment activities by segment[1,2]			
RBB	**(8)**	12	>(100)
Business Banking South Africa	**—**	13	(100)
RBB Rest of Africa	**(8)**	(1)	>(100)
CIBW	**8**	—	100
CIBW South Africa	**—**	—	—
CIBW Rest of Africa	**8**	—	100
Financial Services	**2 992**	2 096	43
Head office and Other	**36**	26	38
Inter-segment eliminations	**(197)**	(399)	51
	2 831	1 735	63
Other operating income			
Exchange differences	**40**	41	(2)
Income from investment properties	**62**	30	>100
Change in fair value	**62**	—	100
Rentals	**—**	30	(100)
Income from maintenance contracts	**16**	25	(36)
Loss on disposal of computer software development costs	**(1)**	(3)	67
(Loss)/profit on disposal of property and equipment	**(5)**	79	>(100)
Profit on disposal of developed properties	**49**	33	48
Profit on disposal of repossessed properties	**15**	14	7
Rental income	**347**	348	(0)
Sundry income[3]	**376**	262	44
	899	829	8
Total non-interest income	**27 055**	25 674	5

Notes

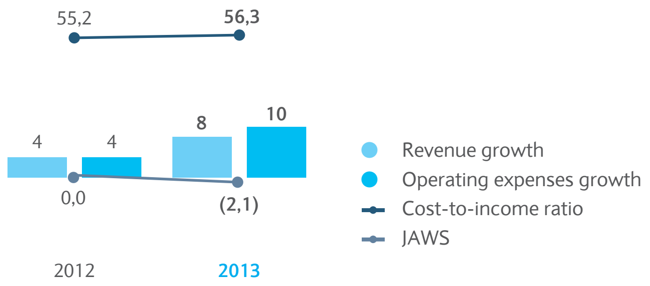
[1] Refer to the segment performance on pages 50 to 100.

[2] The segmentation of gains and losses from banking and trading and investment activities is unaudited.

[3] Includes service fees levied on sundry non-core business activities.

5. Operating expenses

Growth, cost-to-income ratio and JAWS ratio (%)



Breakdown of operating expenses	2013 (Audited) Rm	2012 (Audited) Rm	Change %
Amortisation of intangible assets	**470**	327	44
Auditors' remuneration	**259**	203	28
Cash transportation	**715**	710	1
Depreciation	**1 641**	1 593	3
Equipment costs	**391**	382	2
Information technology ("IT")[1]	**2 078**	2 201	(6)
Investment properties charges – change in fair value	**33**	408	(92)
Marketing costs	**1 355**	1 137	19
Operating lease expenses on properties	**1 309**	1 010	30
Printing and stationery	**310**	280	11
Professional fees[1]	**1 578**	937	68
Property costs	**1 692**	1 950	(13)
Staff costs	**17 593**	15 787	11
Bonuses	**1 679**	1 210	39
Salaries and current service costs on post-retirement benefits	**13 942**	13 008	7
Share-based payments	**428**	469	(9)
Training costs	**341**	256	33
Other[2]	**1 203**	844	43
Telephone and postage	**1 083**	1 000	8
Other[3]	**2 913**	2 404	21
	33 420	30 329	10

Breakdown of IT-related spend included in operating expenses[4]	2013 Rm	2012 Rm	Change %
Amortisation of intangible assets and depreciation of equipment	**1 286**	1 133	14
Information technology	**2 078**	2 201	(6)
Staff costs	**1 335**	1 227	9
Other	**1 715**	1 352	27
	6 414	5 913	8

Notes

[1] 'Information technology' and 'professional fees' includes research and development costs totalling **R246 million** (2012: R113 million).

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

[3] Includes fraud losses, travel and entertainment costs, as well as administration fees related to the Edcon portfolio.

[4] Unaudited.

5. Operating expenses *(continued)*

Performance

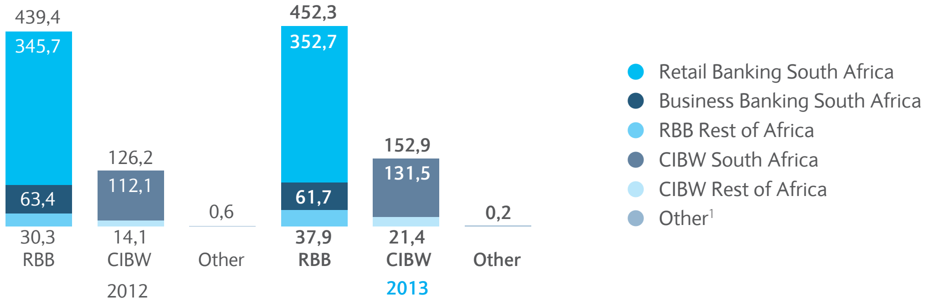
- Operating expenses increased by 10% to R33 420 million (2012: R30 329 million). The Group's cost-to-income ratio deteriorated marginally to 56,3% from 55,2%. South African business costs grew 8% in line with inflation, with other African operations costs growing 17%, of which 14% was due to foreign currency translation effects.
- Staff costs grew by 11% to R17 593 million (2012: R15 787 million), reflecting 7% higher salary costs, while strengthening our teams to drive the Group's 'Go-To' strategy, and 33% higher training costs. Other staff costs increased 43% to R1 203 million (2012: R844 million) driven by restructuring costs in certain Rest of Africa businesses, together with additional recruitment costs in strengthening the Group's operating model. Bonus costs were 39% higher, mainly driven by the recovery in performance of the Retail Banking segment after the reduction in bonuses in the previous reporting period and foreign exchange translations.
- Non-staff expenses increased by 9%, with investments in the business being offset by efficiency gains. The Group's continued focus on optimising property costs reduced these 13% from R1 950 million to R1 692 million with investment property charges also reducing by 92% from R408 million to R33 million. Cash transportation costs were well-contained and grew 1% to R715 million.
- Information technology efficiencies reduced costs by 6%, driven by optimising software licensing and maintenance, and the continuous leveraging of Barclays' global platforms and global deals with suppliers. The increasing investment in both infrastructure, systems and processes resulted in a 44% increase in amortisation and contributed to the 68% growth in professional fees. Capital expenditure in computer assets, property and the ATM network increased, although the corresponding increase in depreciation was offset by the realignment of computer equipment's useful lives, resulting in a 3% increase.
- Marketing costs increased by 19%, driven by the launch of the "Prosper" campaign. Telephone and postage costs increased 8%, attributable to further integration of the African operations.
- Other expenses increased 21% largely driven by the increase in administration fees paid to Edcon for the servicing of accounts and Barclays Africa Limited transaction costs being offset by other cost efficiencies.

6. Indirect taxation

	2013 (Audited) Rm	2012 (Audited) Rm	Change %
Training levy	**117**	108	9
Value added tax (VAT) net of input credits	**883**	616	43
	1 000	724	38

7. Loans and advances to customers

Loans and advances to customers by segment (Rbn)



Loans and advances mix	2013 %	2012 %
RBB	**74,7**	77,5
Retail Banking South Africa	**58,2**	61,0
Business Banking South Africa	**10,2**	11,1
RBB Rest of Africa	**6,3**	5,4
CIBW	**25,3**	22,3
CIBW South Africa	**21,7**	19,8
CIBW Rest of Africa	**3,6**	2,5
Financial Services	**—**	0,1
Head office, inter-segment eliminations and Other	**—**	0,1
	100,0	100,0

Note

[1] Includes loans and advances to customers for Financial Services and Head office, inter-segment eliminations and Other.

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

Loans and advances to customers by segment	2013 Rm	2012 Rm	Change %
RBB			
Gross loans and advances to customers	**467 393**	454 220	3
Impairment losses on loans and advances	**(15 066)**	(14 791)	(2)
	452 327	439 429	3
Retail Banking South Africa			
Cheque accounts	**2 102**	1 964	7
Credit cards[1]	**36 934**	33 007	12
Instalment credit agreements	**64 515**	58 505	10
Loans to associates and joint ventures	**10 287**	8 393	23
Mortgages	**231 797**	237 073	(2)
Personal loans	**17 128**	16 588	3
Other loans and advances	**313**	325	(4)
Gross loans and advances to customers	**363 076**	355 855	2
Impairment losses on loans and advances	**(10 312)**	(10 157)	(2)
	352 764	345 698	2
Business Banking South Africa			
Cheque accounts[2]	**17 573**	18 430	(5)
Instalment credit agreements	**1 090**	1 750	(38)
Loans to associates and joint ventures	**559**	627	(11)
Mortgages (including commercial property finance)	**32 750**	33 604	(3)
Term loans	**12 096**	11 665	4
Gross loans and advances to customers	**64 068**	66 076	(3)
Impairment losses on loans and advances	**(2 389)**	(2 667)	10
	61 679	63 409	(3)
RBB Rest of Africa			
Gross loans and advances to customers	**40 249**	32 289	25
Impairment losses on loans and advances	**(2 365)**	(1 967)	(20)
	37 884	30 322	25
CIBW			
Gross loans and advances to customers	**153 764**	127 035	21
Impairment losses on loans and advances	**(873)**	(842)	—
	152 891	126 193	21
CIBW South Africa			
Cheque accounts	**12 944**	12 813	1
Corporate overdrafts	**52 548**	37 762	39
Foreign currency loans	**21 076**	12 151	73
Mortgages	**11 670**	11 716	—
Overnight finance	**13 374**	18 314	(27)
Preference shares	**8 955**	6 342	41
Reverse repurchase agreements	**3 893**	4 698	(17)
Other loans and advances	**7 744**	9 000	(14)
Gross loans and advances to customers	**132 204**	112 796	17
Impairment losses on loans and advances	**(683)**	(650)	(5)
	131 521	112 146	17
CIBW Rest of Africa			
Gross loans and advances to customers	**21 560**	14 239	51
Impairment losses on loans and advances	**(190)**	(192)	1
	21 370	14 047	52

Notes

[1] Includes **R11 046 million** (2012: R9 054 million) relating to the Edcon portfolio.

[2] Includes corporate and wholesale overdrafts.

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

Loans and advances to customers by segment *(continued)*	**2013** **Rm**	2012 Rm	Change %
Financial Services			
Gross loans and advances to customers	**—**	316	(100)
Impairment losses on loans and advances	**—**	(20)	100
	—	296	(100)
Head office, inter-segment eliminations and Other			
Gross loans and advances to customers	**229**	468	(51)
Impairment losses on loans and advances	**(110)**	(124)	11
	119	344	(65)
Total loans and advances to customers			
Gross loans and advances to customers	**621 386**	582 039	7
Impairment losses on loans and advances	**(16 049)**	(15 777)	(2)
Net loans and advances to customers	**605 337**	566 262	7

Performance

Loans and advances increased by 7% to R605 337 million (2012: R566 262 million) largely driven by 10% growth in instalment credit agreements, 12% increase in credit cards, offset by 2% lower mortgages in Retail Banking South Africa. RBB Rest of Africa's 25% increase was largely driven by foreign exchange movements coupled with solid performances from personal loan products. CIBW loans and advances grew 21%, due to strong growth in corporate overdrafts and foreign currency loans in CIBW South Africa, with CIBW Rest of Africa performance driven by foreign exchange movements and cheque account growth.

At a segment level

RBB

Retail Banking South Africa (↑2%)

- Instalment credit agreements increased by 10% to R64 515 million (2012: R58 505 million), on the back of solid production growth and strong performance from strategic alliance partners.
- Credit cards growth of 12% is attributable to new account acquisitions, elevated levels of customer spend and the realisation of the multi-channel strategy. The Edcon portfolio increased by 5% to R9 856 million, largely driven by the purchase of the second and third tranches of the South African portfolio, amounting to R650 million. Underlying growth has been muted due to deteriorating market conditions and credit actions taken to improve portfolio quality.
- Personal loans increased marginally by 3% due to focused sales efforts and enhanced prospecting strategies, while maintaining focus on risk-controlled growth strategies.
- Mortgages decreased by 2% to R231 797 million (2012: R237 073). The primary driver of this decline is the 28% decline in the Home Loans non-performing loan portfolio. Performing loans as a percentage of the total Home Loan book increased from 91% to 93% and new business production in home loans increased by 16%, with an increase in front book market share from a low of 16% in 2011 to the current level of 19% in 2013.

Business Banking South Africa (↓3%)

- Mortgages decreased by 3%, largely due to higher than expected repayments. Sales activity increased as a result of concentration risk reduction targets achieved, supported by increased front book pay-outs of 34%.
- Cheque accounts declined by 5% to R17 573 million (2012: R18 430 million), largely due to a customer having settled a significant advance balance by utilising existing deposit funds. Agri-loans increased by 3% to R8 000 million (2012: R7 755 million) mainly attributable to higher input costs for farmers as a result of inflation.
- Term loans increased by 4% attributable to cross selling initiatives, targeting of specific market segments and extension of loans close to maturity.

RBB Rest of Africa (↑25%)

- The increase in loans and advances to customers (5% on a constant currency basis) was largely due to growth in the unsecured loan portfolios through personal loan products. This was achieved through the implementation of various lending campaigns and a revamp of prestige banking in certain markets. Commercial loans exhibited resilience in tough competitive conditions with successes in key markets through the acquisition of business banking customers. This growth was somewhat dampened by a lower demand for secured loan products.

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

Performance *(continued)*

At a segment level *(continued)*

CIBW

CIBW South Africa (↑17%)

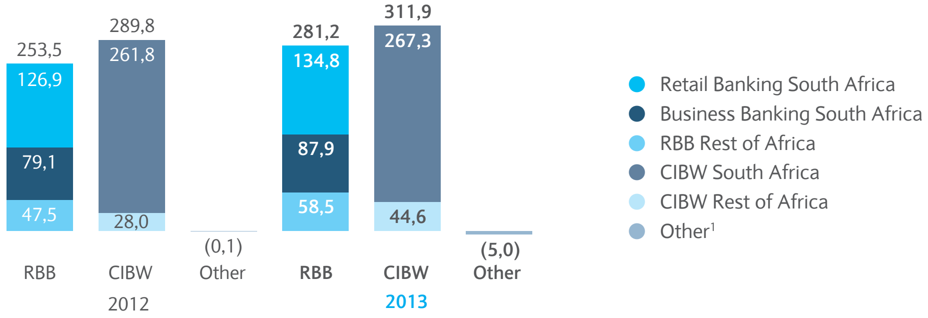
- The increase in CIBW loans and advances to customers is largely driven by strong growth in corporate overdrafts (39%), attributable to increased focus on coverage and execution. This has led to growth in the industrials, telecommunications, media and technology as well as the power, utilities and infrastructure sectors.
- Foreign currency loan increases were mainly attributable to growth in the pharmaceutical, financial sponsors and industrial sectors of the market.
- Preference share advances grew by 41%, driven by strong client demand, increased strategic focus from business and more certainty in the legislative framework pertaining to preference shares.
- Overnight finance loans declined mainly as a result of lower liquidity demand from Corporate clients due to lower Corporate activity over the 2013 December month end.

CIBW Rest of Africa (↑52%)

- The increase of 52% is largely due to foreign exchange translation effects and growth in cheque accounts.

8. Deposits due to customers and debt securities in issue

Deposits due to customers by segment (Rbn)



Total funding mix	2013 %	2012 %
Deposits due to customers	**77,9**	78,6
RBB	**37,3**	36,7
Retail Banking South Africa	**17,9**	18,4
Business Banking South Africa	**11,6**	11,4
RBB Rest of Africa	**7,8**	6,9
CIBW	**41,3**	41,9
CIBW South Africa	**35,4**	37,9
CIBW Rest of Africa	**5,9**	4,0
Head office, inter-segment eliminations and Other	**(0,7)**	—
Deposits from banks	**9,1**	6,0
Debt securities in issue	**13,0**	15,4
	100,0	100,0

Note

[1] Includes Head office, inter-segment eliminations and Other.

8. Deposits due to customers and debt securities in issue *(continued)*

Deposits due to customers by segment	**2013** **Rm**	2012 Rm	Change %
RBB	**281 161**	253 526	11
Retail Banking South Africa			
Call deposits	**371**	425	(13)
Cheque account deposits	**19 931**	18 388	8
Credit card deposits	**1 914**	1 938	(1)
Fixed deposits	**30 743**	30 043	2
Investment products	**36 141**	28 748	26
Notice deposits	**10 605**	11 308	(6)
Savings and transmission deposits	**34 700**	35 758	(3)
Other deposits	**425**	285	49
	134 830	126 893	6
Business Banking South Africa			
Call deposits	**10 862**	11 563	(6)
Cheque account deposits	**42 350**	39 372	8
Fixed deposits	**17 471**	16 489	6
Notice deposits	**1 460**	1 633	(11)
Savings and transmission deposits	**15 772**	10 043	57
	87 915	79 100	11
RBB Rest of Africa	**58 416**	47 533	23
CIBW	**311 946**	289 767	8
CIBW South Africa			
Call deposits	**41 596**	44 661	(7)
Cheque account deposits	**78 646**	82 082	(4)
Fixed deposits	**84 465**	78 300	8
Foreign currency deposits	**13 864**	9 513	46
Notice deposits	**44 283**	42 787	3
Repurchase agreements with non-banks	**1 208**	1 503	(20)
Other deposits	**3 268**	2 891	13
	267 330	261 737	2
CIBW Rest of Africa	**44 616**	28 030	59
Head office, inter-segment eliminations and Other	**(5 096)**	(192)	>(100)
Total deposits due to customers	**588 011**	543 101	8

8. Deposits due to customers and debt securities in issue *(continued)*

Debt securities in issue	**2013 (Audited) Rm**	2012 (Audited) Rm	Change %
Credit linked notes	**8 155**	9 800	(17)
Floating rate notes	**44 719**	52 639	(15)
Liabilities arising from securitised structured entities	**495**	2 391	(79)
Negotiable certificates of deposit	**20 494**	17 575	17
Promissory notes	**935**	1 378	(32)
Structured notes and bonds	**1 487**	1 122	33
Senior notes	**21 533**	21 892	(2)
Other	**11**	7	57
	97 829	106 804	(8)

Performance

The funding balance increased by 9% to R754 904 million (2012: R691 329 million), driven by increases in deposits from banks and deposits due to customers which contribute 9,1% and 77,9% respectively to total funding. Growth in deposits due to customers was largely driven by a 26% increase in Retail Banking South Africa investment products and 23% in RBB Rest of Africa. Wholesale funding increases were predominantly attributable to a 46% increase in CIBW South Africa foreign currency deposits and 59% increase in CIBW Rest of Africa.

At a segment level

RBB

Retail Banking South Africa (↑6%)

- Investment products generated strong growth of 26% predominantly driven by the new Depositor Plus product launched during the reporting period.
- Cheque accounts increased by 8%, as a result of the campaign to open new cheque accounts and the strategy to migrate customers.
- Savings and transmission and notice deposits declined by 3% and 6% respectively, partly offset by growth of 2% in fixed deposits. Consumers continue to move across products, given market volatility and interest rate uncertainty.

Business Banking South Africa (↑11%)

- Strong growth of 57% in savings and transmission deposits is attributable to the introduction of Depositor Plus, reflecting strong inflows of new customer deposit balances.
- The increases of 8% in cheque accounts and 6% in fixed deposits were mainly attributable to business as usual growth, with market volatility and uncertainty in interest rate movements also contributing to increased investments in short-term products.

RBB Rest of Africa (↑23%)

- Currency depreciation contributed significantly to the 23% increase in deposits due to customers.

CIBW

CIBW South Africa (↑2%)

- Foreign currency deposits growth of 46% was largely driven by increased flows from institutional clients in December 2013 due to the market being long foreign currency.
- Fixed deposits increased by 8%, attributable to the steep yield curve where customers found value in locking in fixed rates up to one year.
- Notice deposits increased by 3% as new deposit products issued to clients experienced continued growth.

CIBW Rest of Africa (↑59%)

- The increase of 59% is largely driven by foreign exchange translation effects and growth in the fixed deposit accounts.

9. Equity and borrowed funds[1]

Share capital and share premium	**2013 (Audited) Rm**	2012 (Audited) Rm	Change %
Authorised			
Ordinary shares of R2,00 each	**1 761**	1 761	—
Issued			
Ordinary shares of R2,00 each	**1 436**	1 436	—
Acquisition of Barclays Africa Limited[2]	**259**	259	—
Treasury shares held by Group entities	**(0)**	(1)	100
	1 695	1 694	—
Total issued capital			
Share capital	**1 695**	1 694	—
Share premium	**4 474**	5 336	(16)
	6 169	7 030	(12)

Number of ordinary shares in issue (after deduction of treasury shares) – closing balance	**2013 Number of shares million**	2012 Number of shares million	Change value million
Ordinary shares in issue of R2,00 each	**718,2**	718,2	—
Issued shares for acquisition of Barclays Africa Limited[2]	**129,5**	129,5	—
Treasury shares held by Group entities	**(0,4)**	(0,5)	0,1
	847,3	847,2	0,1

Borrowed funds		**2013 (Audited) Rm**	2012 (Audited) Rm	Change %
Subordinated callable notes issued by Absa Bank Limited				
Interest rate	**Final maturity date**			
8,80%	7 March 2019	**1 725**	1 725	—
8,10%	27 March 2020	**2 000**	2 000	—
10,28%	3 May 2022	**600**	600	—
8,295%	21 November 2023	**1 188**	1 188	—
Three-month JIBAR + 2,10%	3 May 2022	**400**	400	—
Three-month JIBAR + 1,95%	21 November 2022	**1 805**	1 805	—
Three-month JIBAR + 2,05%	21 November 2023	**2 007**	2 007	—
CPI-linked notes, fixed at the following coupon rates:				
6,25%	31 March 2018	**—**	1 886	(100)
6,00%	20 September 2019	**3 000**	3 000	—
5,50%	7 December 2028	**1 500**	1 500	—
Subordinated callable notes issued by other subsidiaries				
United States dollar three-month LIBOR	29 April 2013	**—**	136	(100)
Bank of Botswana Certificates rate + 0.85%	30 October 2014	**120**	207	(42)
Ninety-one day Kenyan Government Treasury Bill rate + 0,60%	19 November 2014	**121**	97	25
Ninety-one day Zambian Government Treasury Bill rate + 2,00%	9 May 2015	**96**	82	17
One-hundred and eighty-two day Kenyan Government Treasury Bill rate + 1,00%	14 July 2015	**90**	73	23
11,50%	14 July 2015	**153**	124	23
One-hundred and eighty-two day Zambian Government Treasury Bill rate + 2,50% (capped at 13,00% overall)	18 May 2016	**96**	82	17
United States dollar three-month LIBOR + 1,00%	31 March 2018	**69**	56	23
Accrued interest		**1 490**	1 475	1
Fair value adjustment		**65**	334	(81)
		16 525	18 777	(12)

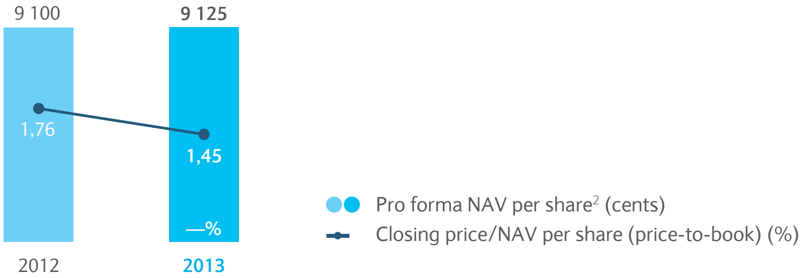
Notes

[1] Refer to pages 101 to 120 for the risk management section.

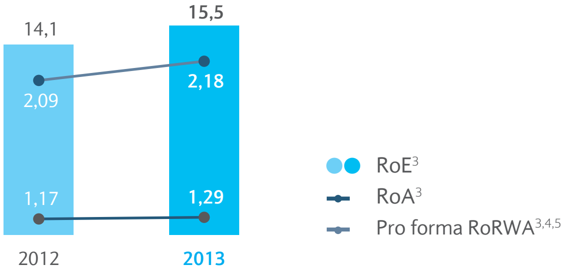
[2] The pro forma per share metrics provided above include the shares issued on 31 July 2013 in consideration for the acquisition of Barclays Africa Limited as if the shares had always been in issue. The provision of these metrics in no way impacts the legal effective date of the share issue.

9. Equity and borrowed funds[1] *(continued)*

Pro forma NAV per share and closing price/NAV per share (cents, % and change %)



Return on average equity, assets and pro forma risk-weighted assets (%)



Performance

The Group's RoE increased to 15,5% (2012: 14,1%), mainly driven by an improvement to the Group's RoA to 1,29% (2012: 1,17%). This is above the Group's internal cost of equity (CoE) of 13,0% (2012: 13,5%).

The improvement in RoA was mainly a result of increased net interest margin and reduced impairment losses on loans and advances.

The Group continues to be capitalised above the minimum regulatory and board-approved capital target ranges, subsequent to the successful implementation of Basel III in January 2013, the declaration of a special dividend of 708 cents per share in July 2013 and the completion of the Barclays Africa Limited acquisition. The incorporation of the new entities capital management components into the Group remains a key focus area.

RWAs increased to R561 billion (2012: R438 billion[5]) largely as a result of the acquisition of Barclays Africa Limited and the implementation of Basel III, with continued RWA optimisation allowing the Group to further enhance capital allocation. RWA efficiencies from sale of assets, collateral management and process improvements have made a significant contribution to funding RWA growth on the statement of financial position.

Barclays Africa Group Common Equity Tier 1 capital adequacy ratio of 11,9% (2012: 13,0%) is well above regulatory requirements and within the Group's board targets.

Notes

[1] Refer to pages 101 to 120 for the risk management section.

[2] The pro forma per ordinary share metrics provided above include the ordinary shares issued on 31 July 2013 for the acquisition of Barclays Africa Limited as if the ordinary shares had always been in issue. The provision of these metrics in no way impacts the legal effective date of the ordinary share issue.

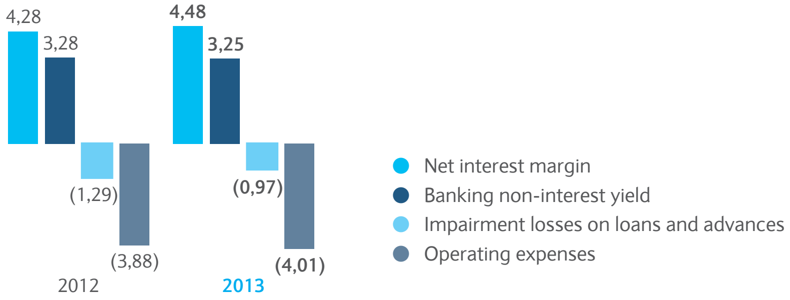
[3] Unaudited.

[4] The pro forma historical risk-weighted assets ("RWAs") of the Group are restated for purposes of RoRWAs and include the RWAs of Barclays Africa Limited as if they had always been a part of the Group's RWAs. This does not alter any historical submissions made to the SARB.

[5] RWA actual values have not been restated for previous reporting periods.

10. RoE decomposition

Major drivers of RoE (%)



		2013 %	2012 %
	Net interest margin (average interest-bearing assets)	**4,48**	4,28
Less:	Impairment losses on loans and advances/average interest-bearing assets	**0,97**	1,29
Equals:	Net interest margin – after impairment losses (average interest-bearing assets)	**3,51**	2,99
Multiply:	Average interest-bearing assets/average banking assets	**86,8**	87,4
Equals:	Banking interest yield	**3,05**	2,61
Plus:	Banking non-interest yield	**3,25**	3,28
Equals:	Banking revenue yield	**6,30**	5,89
Less:	Operating expenses/average banking assets	**4,01**	3,88
Equals:	Net banking return	**2,29**	2,01
Less:	Other[1]	**0,87**	0,68
Equals:	Banking return	**1,42**	1,33
Multiply:	Average banking assets/total average assets	**90,8**	88,2
Equals:	Return on average assets (RoA)	**1,29**	1,17
Multiply:	Leverage	**11,98**	12,02
Equals:	Return on average equity (RoE)	**15,5**	14,1

Note

[1] Includes other impairments, indirect taxation, share of post-tax results of associates and joint ventures, and taxation expense.

11. Off-statement of financial position items

	2013 (Audited) Rm	2012 (Audited) Rm	Change %
Assets under management and administration			
Alternative asset management and exchange-traded funds	**72 840**	41 957	74
Deceased estates[1]	**2 559**	2 012	27
Participation bond schemes	**—**	2 184	(100)
Portfolio management	**46 203**	44 222	4
Private equity	**—**	819	(100)
Trusts[1]	**4 472**	3 783	18
Unit trusts	**123 318**	138 978	(11)
Other	**14 383**	12 995	11
	263 775	246 950	7
Financial guarantee contracts[2]	**243**	146	66
Commitments			
Authorised capital expenditure[3]			
Contracted but not provided for	**745**	578	29
Contingencies			
Guarantees[4]	**21 215**	19 348	10
Irrevocable debt facilities[5]	**49 609**	48 107	3
Irrevocable equity facilities[5]	**400**	543	(26)
Letters of credit	**6 402**	7 080	(10)
Other	**5 674**	4 328	31
	83 300	79 406	5

Notes

[1] Unaudited. Refer to page 99 in the Financial Services segment performance overview for further details.

[2] Represents the maximum exposure that is not necessarily the measurement recognised on the statement of financial position in accordance with IFRS.

[3] The Group has capital commitments in respect of computer equipment and property development. Management is confident that future net revenue and funding will be sufficient to cover these commitments.

[4] Guarantees include performance and payment guarantee contracts.

[5] Irrevocable facilities are commitments to extend credit where the Group does not have the right to terminate facilities by written notice. Commitments generally have fixed expiry dates. Since commitments may expire without being drawn upon, the total contract amounts do not necessarily represent future cash requirements.

Segment performance

Contents

RBB experienced strong headline earnings growth of 41% due to lower credit impairments, solid performance from RBB Rest of Africa, some of which stems from favourable foreign exchange movements, and the stabilisation of the equity portfolio. A higher effective tax rate negatively impacted CIBW's headline earnings. Financial Services grew headline earnings by 8%, primarily due to improved new business volumes.

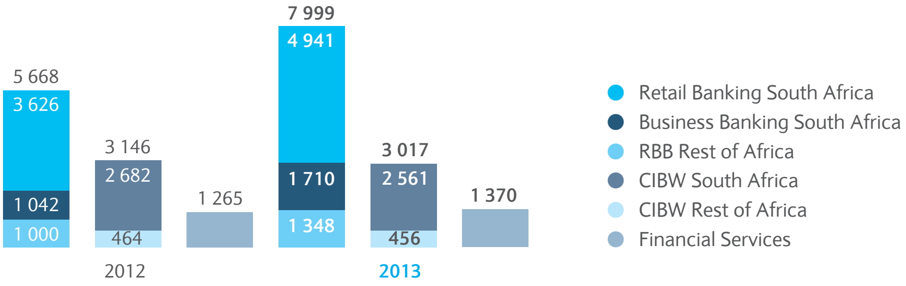
Favourable

- The successful integration of the Barclays Africa Limited operations into the Group.
- RBB's headline earnings increased by 41% to R7 999 million.
- Sizeable decline in credit impairments mainly due to a significant decrease in the Home Loans portfolio.
- Stabilisation of the equity portfolio of Business Banking South Africa.
- Deposits due to customers increased by 8% on the back of the newly launched product, Depositor Plus, and solid growth from operations in the rest of Africa.
- Strong revenue growth in Investment Banking and Corporate.
- RBB achieved positive momentum in asset production behind selective strategies.
- CIBW exited non-core businesses with the sale of the Custody and Trustee business and its interest in the Absa Capital Private Equity Fund 1.
- Embedded value of new business growth of 18% to R427 million in Financial Services.

Unfavourable

- Increase of 10% in operating expenses resulting in a marginally higher cost-to-income ratio.
- A higher effective tax rate negatively impacted CIBW's earnings.
- High volumes of Short-term Insurance claims experienced in South Africa.
- Higher unsecured lending impairments across the Retail Banking South Africa portfolio.
- A decline in Retail Banking South Africa transactional franchise customers and a decrease in revenue.

Headline earnings (Rm)



Segment performance overview

Segment reporting structure

The operating segments included in this section of the report reflect how the Group's businesses are managed and reported to the Chief Operating Decision Maker ("CODM"). The Group has identified the following reportable operating segments based on a combination of products and services offered to customers and clients, external revenue generation and the location of the markets served.

The main reportable operating segments driven more by the products and services offered to customers and clients are included as market segments. These being:

- RBB;
- CIBW[1];
- Financial Services[1]; and
- Head office, inter-segment eliminations and Other[1].

Further to the above, the Group also provides the CODM with geographical segments, driven by the location of the markets being served:

- South Africa[2]
- Rest of Africa

Barclays Africa Group Limited

	RBB[3]	**CIBW[3]**	**Financial Services[3]**	**Head office, inter-segment eliminations and Other[3,8]**
South Africa[2]	Retail Banking[4] ➜ Home Loans ➜ Vehicle and Asset Finance[5] ("VAF") ➜ Card[6, 7] ➜ Personal Loans ➜ Retail Bank[6] Business Banking[4,5] ➜ Debt Products ➜ Investment Products ➜ Transactional Products ➜ Equities	➜ Corporate ➜ Investment Bank – Markets – Investment Banking – Private Equity and Infrastructure Investments ➜ Wealth	➜ Life Insurance ➜ Investments ➜ Short-term Insurance ➜ Fiduciary Services ➜ Distribution	➜ Enterprise Functions[9,10] ➜ Group Treasury[9] ➜ Consolidation Centre[10]
Rest of Africa	**RBB**	**CIBW**	**Financial Services**	**Head office and Other**

Notes

[1] The operations in the rest of Africa, included in these segments, are managed and reported to the CODM on an integrated basis along with the South African operations.

[2] Includes Absa Bank London operations. These results have been allocated to Business Banking South Africa, CIBW and Head office, inter-segment eliminations and Other, the segments where these operations are managed.

[3] Refer to pages 121 to 130 for reporting changes. All comparative information has been restated, unless indicated otherwise.

[4] Retail Banking South Africa (previously Retail Markets) and Business Banking South Africa (previously Business Markets) were renamed to align with industry naming conventions.

[5] The CAF and Absa Vehicle Management Solutions businesses of the VAF sub-segment previously reported within the Business Banking segment, have been transferred to the Retail Banking segment to take advantage of synergies within the existing VAF portfolio in Retail Banking.

[6] The debit card operations, previously reported as part of the Card sub-segment were transferred to the Retail Bank sub-segment in Retail Banking. This ensures better alignment of this business with the products that utilise the operational base.

[7] Includes Woolworths Financial Services and the Edcon portfolio.

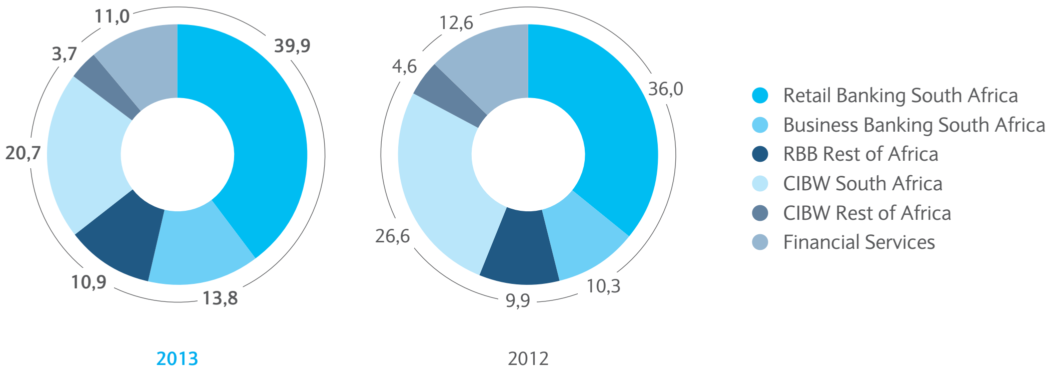
[8] Includes Absa Manx Insurance Company.

[9] Enterprise Core Services was renamed to Enterprise Functions. Capital and funding centres was renamed to Group Treasury.

[10] The business unit previously reported as the Corporate Centre was disaggregated into two separate sub-segments: Enterprise Functions and Consolidation Centre.

Headline earnings by segment

Headline earnings – market segment (%)[1]



	2013 Rm	2012 Rm	Change %
Banking operations			
RBB	**7 999**	5 668	41
Retail Banking South Africa	**4 941**	3 626	36
Home Loans	**876**	(992)	>100
Vehicle and Asset Finance	**1 127**	847	33
Card	**1 980**	1 888	5
Personal Loans	**385**	587	(34)
Retail Bank	**573**	1 296	(56)
Business Banking South Africa	**1 710**	1 042	64
RBB Rest of Africa	**1 348**	1 000	35
CIBW	**3 017**	3 146	(4)
CIBW South Africa	**2 561**	2 682	(5)
CIBW Rest of Africa	**456**	464	(2)
Head office, inter-segment eliminations and Other	**(543)**	340	>(100)
Total banking	**10 473**	9 154	14
Financial Services	**1 370**	1 265	8
Headline earnings	**11 843**	10 419	14

Note

[1] Calculation based on the exclusion of Head office, inter-segment eliminations and Other.

Segment report per market segment

	RBB			CIBW		
	2013	2012	Change %	**2013**	2012	Change %
Statement of comprehensive income (Rm)						
Net interest income	**27 602**	24 798	11	**4 724**	4 103	15
Impairment losses on loans and advances	**(6 678)**	(8 696)	23	**(300)**	(139)	>(100)
Non-interest income	**16 366**	15 407	6	**6 924**	6 388	8
Operating expenses	**(24 679)**	(22 419)	(10)	**(6 731)**	(6 205)	(8)
Other	**(399)**	(411)	3	**(84)**	22	>(100)
Operating profit before income tax	**12 212**	8 679	41	**4 533**	4 169	9
Taxation expense	**(3 526)**	(2 834)	(24)	**(1 154)**	(837)	(38)
Profit for the reporting period	**8 686**	5 845	49	**3 379**	3 332	1
Profit attributable to:						
Ordinary equity holders	**8 045**	5 278	52	**3 150**	3 146	—
Non-controlling interest – ordinary shares	**452**	367	23	**124**	91	36
Non-controlling interest – preference shares	**189**	200	(6)	**105**	95	11
	8 686	5 845	49	**3 379**	3 332	1
Headline earnings	**7 999**	5 668	41	**3 017**	3 146	(4)
Operating performance (%)						
Net interest margin on average interest-bearing assets[1]	**4,52**	4,33		**1,19**	0,99	
Impairment losses on loans and advances as % of average loans and advances to customers[1]	**1,50**	2,05		**0,22**	0,12	
Non-interest income as % of revenue	**37,2**	38,3		**59,4**	60,9	
Revenue growth	**9**	3		**11**	11	
Cost growth	**(10)**	(5)		**(8)**	(7)	
Cost-to-income ratio[2]	**56,1**	55,8		**57,8**	59,1	
Statement of financial position (Rm)						
Loans and advances to customers	**452 327**	439 429	3	**152 891**	126 193	21
Investment securities	**7 731**	6 332	22	**5 771**	7 919	(27)
Other assets	**282 052**	223 032	26	**383 704**	368 301	4
Total assets	**742 110**	668 793	11	**542 366**	502 413	8
Deposits due to customers	**281 161**	253 526	11	**311 946**	289 767	8
Debt securities in issue	**3 477**	3 660	(5)	**75 674**	82 988	(9)
Other liabilities	**435 706**	395 171	10	**146 939**	121 901	21
Total liabilities	**720 344**	652 357	10	**534 559**	494 656	8
Financial performance (%)						
Pro forma return on average risk-weighted assets[1,3]	**2,30**	1,72		**1,76**	1,97	
Return on average assets[1]	**1,19**	0,89		**0,57**	0,56	
Other						
Banking customer base per segment (millions)[1,4]	**11,79**	12,70	(7)	**0,02**	0,02	—
– South Africa	**9,23**	10,19	(9)	**0,02**	0,02	—
– Rest of Africa	**2,56**	2,51	2	—	—	—

Notes

[1] These ratios and numbers are unaudited.

[2] The cost-efficiency ratio of Financial Services, based on insurance industry norms is **24,1%** (2012: 24,2%). The revenue used in this ratio for Financial Services is gross insurance premiums, net commission from the distribution business and non-insurance-related income. Refer to page 34 and pages 90 to 100.

[3] The pro forma historical RWAs of the Group are restated to include the RWAs of Barclays Africa Limited as if they had always been a part of the Group's RWAs. This does not alter any submissions made to the SARB.

[4] Excludes the Edcon portfolio and Woolworths Financial Services.

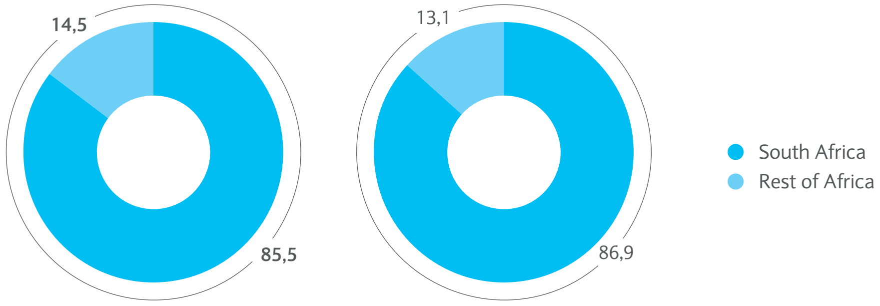
Segment report per market segment

Financial Services			Head office, inter-segment eliminations and Other			Group		
2013	2012	Change %	**2013**	2012	Change %	**2013**	2012	Change %
14	6	>100	**11**	395	(97)	**32 351**	29 302	10
(24)	(24)	—	**15**	4	>100	**(6 987)**	(8 855)	21
4 354	4 025	8	**(589)**	(146)	>(100)	**27 055**	25 674	5
(2 322)	(2 138)	(9)	**312**	433	(28)	**(33 420)**	(30 329)	(10)
(125)	(119)	(4)	**(295)**	(99)	>(100)	**(903)**	(607)	(49)
1 897	1 750	8	**(546)**	587	>(100)	**18 096**	15 185	19
(528)	(502)	(5)	**(14)**	(266)	95	**(5 222)**	(4 439)	(18)
1 369	1 248	10	**(560)**	321	>(100)	**12 874**	10 746	20
1 369	1 248	10	**(583)**	327	>(100)	**11 981**	9 999	20
—	—	—	**23**	(6)	>100	**599**	452	33
—	—	—	**—**	—	—	**294**	295	—
1 369	1 248	10	**(560)**	321	>(100)	**12 874**	10 746	20
1 370	1 265	8	**(543)**	340	>(100)	**11 843**	10 419	14
n/a	n/a		**n/a**	n/a		**4,48**	4,28	
4,73	12,37		**n/a**	n/a		**1,20**	1,60	
99,7	99,9		**n/a**	n/a		**45,5**	46,7	
8	—		**n/a**	n/a		**8**	4	
(9)	(1)		**n/a**	n/a		**(10)**	(4)	
53,2	53,1		**n/a**	n/a		**56,3**	55,2	
—	296	(100)	**119**	344	(65)	**605 337**	566 262	7
21 300	19 846	7	**(1 719)**	(3 184)	46	**33 083**	30 913	7
11 821	10 778	10	**(356 398)**	(300 915)	(18)	**321 179**	301 196	7
33 121	30 920	7	**(357 998)**	(303 755)	(18)	**959 599**	898 371	7
—	—	—	**(5 096)**	(192)	>(100)	**588 011**	543 101	8
—	—	—	**18 678**	20 156	(7)	**97 829**	106 804	(8)
28 238	26 222	8	**(422 325)**	(379 273)	(11)	**188 558**	164 021	15
28 238	26 222	8	**(408 743)**	(359 309)	(14)	**874 398**	813 926	7
n/a	n/a		**n/a**	n/a		**2,18**	2,09	
4,15	4,12		**n/a**	n/a		**1,29**	1,17	
n/a	n/a		**n/a**	n/a		**11,81**	12,70	(7)
n/a	n/a		**n/a**	n/a		**9,25**	10,19	(9)
n/a	n/a		**n/a**	n/a		**2,56**	2,51	2

Segment report per geographical segment

	South Africa		
	2013	2012	Change %
Statement of comprehensive income (Rm)			
Net interest income	**24 953**	23 378	7
Impairment losses on loans and advances	**(6 211)**	(8 255)	25
Non-interest income	**23 124**	22 197	4
Operating expenses	**(26 342)**	(24 282)	(8)
Other	**(837)**	(538)	(56)
Operating profit before income tax	**14 687**	12 500	17
Taxation expense	**(3 961)**	(3 414)	(16)
Profit for the reporting period	**10 726**	9 086	18
Profit attributable to:			
Ordinary equity holders	**10 251**	8 643	19
Non-controlling interest – ordinary shares	**181**	148	22
Non-controlling interest – preference shares	**294**	295	—
	10 726	9 086	18
Headline earnings	**10 120**	9 057	12
Operating performance (%)			
Net interest margin on average interest-bearing assets[1]	**3,94**	3,75	
Impairment losses on loans and advances as % of average loans and advances to customers[1]	**1,17**	1,61	
Non-interest income as % of revenue	**48,1**	48,7	
Revenue growth	**5**	2	
Cost growth	**(8)**	—	
Cost-to-income ratio	**54,8**	53,3	
Statement of financial position (Rm)			
Loans and advances to customers	**546 084**	521 893	5
Investment securities	**25 018**	24 823	1
Other assets	**216 412**	251 568	(14)
Total assets	**787 514**	798 284	(1)
Deposits due to customers	**485 147**	467 729	4
Debt securities in issue	**97 348**	106 780	(9)
Other liabilities	**137 252**	152 660	(10)
Total liabilities	**719 747**	727 169	(1)
Financial performance (%)			
Pro forma return on average risk-weighted assets[1]	**2,28**	2,13	
Return on average assets[1]	**1,28**	1,13	

Headline earnings – geographic segment (%)



2013 2012

Note

[1] These ratios are unaudited.

Segment report per geographical segment

Rest of Africa			Group		
2013	2012	Change %	2013	2012	Change %
7 398	5 924	25	**32 351**	29 302	10
(776)	(600)	(29)	**(6 987)**	(8 855)	21
3 931	3 477	13	**27 055**	25 674	5
(7 078)	(6 047)	(17)	**(33 420)**	(30 329)	(10)
(66)	(69)	4	**(903)**	(607)	(49)
3 409	2 685	27	**18 096**	15 185	19
(1 261)	(1 025)	(23)	**(5 222)**	(4 439)	(18)
2 148	1 660	29	**12 874**	10 746	20
1 730	1 356	28	**11 981**	9 999	20
418	304	38	**599**	452	33
—	—	—	**294**	295	—
2 148	1 660	29	**12 874**	10 746	20
1 723	1 362	27	**11 843**	10 419	14
8,28	9,83		**4,48**	4,28	
1,54	1,55		**1,20**	1,60	
34,7	37,0		**45,5**	46,7	
21	14		**8**	4	
(17)	(24)		**(10)**	(4)	
62,5	64,3		**56,3**	55,2	
59 253	44 369	34	**605 337**	566 262	7
8 065	6 090	32	**33 083**	30 913	7
104 767	49 628	>100	**321 179**	301 196	7
172 085	100 087	72	**959 599**	898 371	7
102 864	75 372	36	**588 011**	543 101	8
481	24	>100	**97 829**	106 804	(8)
51 306	11 361	>100	**188 558**	164 021	15
154 651	86 757	78	**874 398**	813 926	7
1,72	1,72		**2,18**	2,09	
1,37	1,53		**1,29**	1,17	

Segment report per geographical market segment

	RBB			CIBW		
South Africa per market segment[1]	**2013 Rm**	2012 Rm	Change %	**2013 Rm**	2012 Rm	Change %
Statement of comprehensive income						
Net interest income	**21 343**	19 982	7	**3 543**	2 973	19
Impairment losses on loans and advances	**(6 058)**	(8 115)	25	**(144)**	(120)	(20)
Non-interest income	**14 329**	13 499	6	**5 216**	5 070	3
Operating expenses	**(19 485)**	(18 250)	(7)	**(4 905)**	(4 529)	(8)
Other	**(357)**	(357)	—	**(74)**	24	>(100)
Operating profit before income tax	**9 772**	6 759	45	**3 636**	3 418	6
Taxation expense	**(2 712)**	(2 129)	(27)	**(838)**	(641)	(31)
Profit for the reporting period	**7 060**	4 630	52	**2 798**	2 777	1
Profit attributable to:						
Ordinary equity holders	**6 691**	4 283	56	**2 693**	2 682	—
Non-controlling interest – ordinary shares	**180**	147	22	**—**	—	—
Non-controlling interest – preference shares	**189**	200	(6)	**105**	95	11
	7 060	4 630	52	**2 798**	2 777	1
Headline earnings	**6 651**	4 668	42	**2 561**	2 682	(5)
Statement of financial position						
Loans and advances to customers	**414 443**	409 107	1	**131 521**	112 146	17
Investment securities	**874**	1 036	(16)	**5 771**	7 919	(27)
Other assets	**214 623**	193 521	11	**355 077**	349 551	2
Total assets	**629 940**	603 664	4	**492 369**	469 616	5
Deposits due to customers	**222 745**	205 993	8	**267 330**	261 737	2
Debt securities in issue	**2 996**	3 636	(18)	**75 674**	82 988	(9)
Other liabilities	**394 933**	387 231	2	**144 207**	119 981	20
Total liabilities	**620 674**	596 860	4	**487 211**	464 706	5

	RBB					CIBW				
Rest of Africa per market segment	**2013 Rm**	2012 Rm	C %[2]	FX %[3]	Change %	**2013 Rm**	2012 Rm	C %	FX %	Change %
Statement of comprehensive income										
Net interest income	**6 259**	4 816	15	15	30	**1 181**	1 130	(11)	16	5
Impairment losses on loans and advances	**(620)**	(581)	4	(11)	(7)	**(156)**	(19)	>(100)	>(100)	>(100)
Non-interest income	**2 037**	1 908	(4)	11	7	**1 708**	1 318	10	20	30
Operating expenses	**(5 194)**	(4 169)	(10)	(15)	(25)	**(1 826)**	(1 676)	3	(12)	(9)
Other	**(42)**	(54)	32	(10)	22	**(10)**	(2)	>(100)	—	>(100)
Operating profit before income tax	**2 440**	1 920	16	11	27	**897**	751	(7)	26	19
Taxation expense	**(814)**	(705)	(8)	(7)	(15)	**(316)**	(196)	(20)	(41)	(61)
Profit for the reporting period	**1 626**	1 215	21	13	34	**581**	555	(17)	22	5
Profit attributable to:										
Ordinary equity holders	**1 354**	995	17	19	36	**457**	464	(23)	21	(2)
Non-controlling interest – ordinary shares	**272**	220	40	(16)	24	**124**	91	11	25	36
	1 626	1 215	21	13	34	**581**	555	(17)	22	5
Headline earnings	**1 348**	1 000	17	18	35	**456**	464	(23)	21	(2)
Statement of financial position										
Loans and advances to customers	**37 884**	30 322	5	20	25	**21 370**	14 047	25	27	52
Investment securities	**6 857**	5 296	4	25	29	**—**	—	—	—	—
Other assets	**67 429**	29 511	91	37	>100	**28 627**	18 750	27	26	53
Total assets	**112 170**	65 129	44	28	72	**49 997**	32 797	26	26	52
Deposits due to customers	**58 416**	47 533	2	21	23	**44 616**	28 030	31	28	59
Debt securities in issue	**481**	24	>100	>100	>100	**—**	—	—	—	—
Other liabilities	**40 773**	7 940	>100	81	>100	**2 732**	1 920	22	20	42
Total liabilities	**99 670**	55 497	50	30	80	**47 348**	29 950	31	27	58

Notes

[1] No constant currency change is disclosed for Absa Bank London since it is deemed immaterial.

[2] C = Percentage change calculated based on constant currency. The applicable criteria on the basis of which the constant currency financial information has been prepared is set out on page 141.

[3] FX = Foreign currency change impact.

Segment report per geographical market segment

Financial Services			Head office, inter-segment eliminations and Other			Total South Africa		
2013 Rm	2012 Rm	Change %	**2013 Rm**	2012 Rm	Change %	**2013 Rm**	2012 Rm	Change %
13	5	>100	**54**	418	(87)	**24 953**	23 378	7
(24)	(24)	—	**15**	4	>100	**(6 211)**	(8 255)	25
4 157	3 894	7	**(578)**	(266)	>(100)	**23 124**	22 197	4
(2 190)	(2 049)	(7)	**238**	546	(56)	**(26 342)**	(24 282)	(8)
(112)	(105)	(6)	**(294)**	(100)	>(100)	**(837)**	(538)	(56)
1 844	1 721	7	**(565)**	602	>(100)	**14 687**	12 500	17
(512)	(491)	(4)	**101**	(153)	>100	**(3 961)**	(3 414)	(16)
1 332	1 230	8	**(464)**	449	>(100)	**10 726**	9 086	18
1 332	1 230	8	**(465)**	448	>(100)	**10 251**	8 643	19
—	—	—	**1**	1	—	**181**	148	22
—	—	—	**—**	—	—	**294**	295	—
1 332	1 230	8	**(464)**	449	>(100)	**10 726**	9 086	18
1 334	1 245	7	**(426)**	462	>(100)	**10 120**	9 057	12
—	296	(100)	**120**	344	(65)	**546 084**	521 893	5
21 247	19 845	7	**(2 874)**	(3 977)	28	**25 018**	24 823	1
10 927	10 162	8	**(364 215)**	(301 666)	(21)	**216 412**	251 568	(14)
32 174	30 303	6	**(366 969)**	(305 299)	(20)	**787 514**	798 284	(1)
—	—	—	**(4 928)**	(1)	—	**485 147**	467 729	4
—	—	—	**18 678**	20 156	(7)	**97 348**	106 780	(9)
27 577	25 774	7	**(429 465)**	(380 326)	(13)	**137 252**	152 660	(10)
27 577	25 774	7	**(415 715)**	(360 171)	(15)	**719 747**	727 169	(1)

Financial Services					Head office, inter-segment eliminations and Other					Total Rest of Africa				
2013 Rm	2012 Rm	C %	FX %	Change %	**2013 Rm**	2012 Rm	C %	FX %	Change %	**2013 Rm**	2012 Rm	C %	FX %	Change %
1	1	—	—	—	**(43)**	(23)	(65)	(22)	(87)	**7 398**	5 924	10	15	25
—	—	—	—	—	**—**	—	—	—	—	**(776)**	(600)	(15)	(14)	(29)
197	131	31	19	50	**(11)**	120	>(100)	(1)	>(100)	**3 931**	3 477	(1)	14	13
(132)	(89)	(33)	(15)	(48)	**74**	(113)	>100	8	>100	**(7 078)**	(6 047)	(3)	(14)	(17)
(13)	(14)	13	(6)	7	**(1)**	1	(100)	—	>(100)	**(66)**	(69)	16	(12)	4
53	29	43	40	83	**19**	(15)	>100	15	>100	**3 409**	2 685	10	17	27
(16)	(11)	(14)	(31)	(45)	**(115)**	(113)	(1)	(1)	(2)	**(1 261)**	(1 025)	(10)	(13)	(23)
37	18	61	45	>100	**(96)**	(128)	27	(2)	25	**2 148**	1 660	10	19	29
37	18	61	45	>100	**(118)**	(121)	4	(2)	2	**1 730**	1 356	5	23	28
—	—	—	—	—	**22**	(7)	>100	39	>100	**418**	304	40	(2)	38
37	18	61	45	>100	**(96)**	(128)	27	(2)	25	**2 148**	1 660	10	19	29
36	20	57	23	80	**(117)**	(122)	5	(1)	4	**1 723**	1 362	5	22	27
—	—	—	—	—	**(1)**	—	(100)	—	(100)	**59 253**	44 369	11	23	34
53	1	>100	—	>100	**1 155**	793	18	28	46	**8 065**	6 090	6	26	32
894	616	28	17	45	**7 817**	751	>100	(13)	>100	**104 767**	49 628	77	34	>100
947	617	35	18	53	**8 971**	1 544	>100	60	>100	**172 085**	100 087	43	29	72
—	—	—	—	—	**(168)**	(191)	29	(17)	12	**102 864**	75 372	13	23	36
—	—	—	—	—	**—**	—	—	—	—	**481**	24	>100	>100	>100
661	448	26	22	48	**7 140**	1 053	>100	92	>100	**51 306**	11 361	>100	69	>100
661	448	26	22	48	**6 972**	862	>100	>100	>100	**154 651**	86 757	48	30	78

RBB
Retail and Business Banking

	Retail Banking South Africa		
	2013	2012	Change %
Statement of comprehensive income (Rm)			
Net interest income	**16 106**	14 705	10
Impairment losses on loans and advances	**(5 162)**	(6 583)	22
Non-interest income	**11 189**	10 746	4
Operating expenses	**(14 565)**	(12 937)	(13)
Other	**(314)**	(298)	(5)
Operating profit before income tax	**7 254**	5 633	29
Taxation expense	**(1 985)**	(1 691)	(17)
Profit for the reporting period	**5 269**	3 942	34
Profit attributable to:			
Ordinary equity holders	**4 957**	3 641	36
Non-controlling interest – ordinary shares	**178**	164	9
Non-controlling interest – preference shares	**134**	137	(2)
	5 269	3 942	34
Headline earnings	**4 941**	3 626	36
Operating performance (%)			
Net interest margin on average interest-bearing assets[1]	**3,41**	3,24	
Impairment losses on loans and advances as % of average loans and advances to customers[1]	**1,48**	1,96	
Non-interest income as % of revenue	**41,0**	42,2	
Revenue growth	**7**	2	
Cost growth	**(13)**	1	
Cost-to-income ratio	**53,4**	50,8	
Statement of financial position (Rm)			
Loans and advances to customers	**352 764**	345 698	2
Investment securities	**—**	—	—
Other assets	**178 753**	170 994	5
Total assets	**531 517**	516 692	3
Deposits due to customers	**134 830**	126 893	6
Debt securities in issue	**2 996**	3 636	(18)
Other liabilities	**386 290**	380 355	2
Total liabilities	**524 116**	510 884	3
Financial performance (%)			
Pro forma return on average risk-weighted assets[1]	**2,46**	2,00	
Return on average assets[1]	**0,98**	0,74	

Note

[1] These ratios are unaudited.

RBB
Retail and Business Banking

Business Banking South Africa			RBB Rest of Africa			Total RBB		
2013	2012	Change %	**2013**	2012	Change %	**2013**	2012	Change %
5 237	5 277	(1)	**6 259**	4 816	30	**27 602**	24 798	11
(896)	(1 532)	42	**(620)**	(581)	(7)	**(6 678)**	(8 696)	23
3 140	2 753	14	**2 037**	1 908	7	**16 366**	15 407	6
(4 920)	(5 313)	7	**(5 194)**	(4 169)	(25)	**(24 679)**	(22 419)	(10)
(43)	(59)	27	**(42)**	(54)	22	**(399)**	(411)	3
2 518	1 126	>100	**2 440**	1 920	27	**12 212**	8 679	41
(727)	(438)	(66)	**(814)**	(705)	(15)	**(3 526)**	(2 834)	(24)
1 791	688	>100	**1 626**	1 215	34	**8 686**	5 845	49
1 734	642	>100	**1 354**	995	36	**8 045**	5 278	52
2	(17)	>100	**272**	220	24	**452**	367	23
55	63	(13)	**—**	—	—	**189**	200	(6)
1 791	688	>100	**1 626**	1 215	34	**8 686**	5 845	49
1 710	1 042	64	**1 348**	1 000	35	**7 999**	5 668	41
6,81	7,20		**10,30**	10,79		**4,52**	4,33	
1,43	2,37		**1,79**	2,45		**1,50**	2,05	
37,5	34,3		**24,6**	28,4		**37,2**	38,3	
4	(1)		**23**	12		**9**	3	
7	(15)		**(25)**	(13)		**(10)**	(5)	
58,7	66,2		**62,6**	62,0		**56,1**	55,8	
61 679	63 409	(3)	**37 884**	30 322	25	**452 327**	439 429	3
874	1 036	(16)	**6 857**	5 296	29	**7 731**	6 332	22
35 870	22 527	59	**67 429**	29 511	>100	**282 052**	223 032	26
98 423	86 972	13	**112 170**	65 129	72	**742 110**	668 793	11
87 915	79 100	11	**58 416**	47 533	23	**281 161**	253 526	11
—	—	—	**481**	24	>100	**3 477**	3 660	(5)
8 643	6 876	26	**40 773**	7 940	>100	**435 706**	395 171	10
96 558	85 976	12	**99 670**	55 497	80	**720 344**	652 357	10
2,34	1,22		**1,83**	1,91		**2,30**	1,72	
1,91	1,19		**1,62**	1,76		**1,19**	0,89	

RBB
Retail Banking South Africa

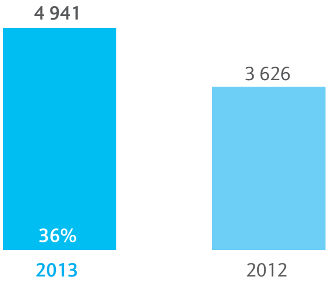
Favourable

- Headline earnings increased by 36% to R4 941 million.
- Credit impairments declined by 22% to R5 162 million and the credit loss ratio from 1,96% to 1,48% due to a significant decrease in credit impairments for the Home Loans portfolio.
- Muted growth in loans and advances to customers despite good growth in credit cards and instalment credit agreements.
- Home Loans recorded a profit of R876 million compared with a R992 million loss for the previous reporting period.
- Successful launch of the Avios card in association with the Avios travel rewards programme.

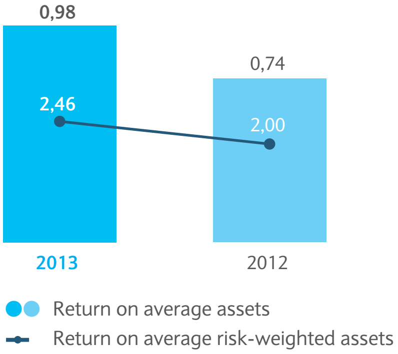
Unfavourable

- Decline in transactional customer numbers from 9,78 million to 8,84[1] million due to the closure of 0,8 million social grant-related accounts, thereby negatively impacting revenue across the transactional franchise.
- Decline in headline earnings for Personal Loans of 34%.

Headline earnings (Rm and change %)



Return on average assets and average risk-weighted assets (%)



Salient features	2013	2012	Change %
Revenue (Rm)	**27 295**	25 451	7
Attributable earnings (Rm)	**4 957**	3 641	36
Headline earnings (Rm)	**4 941**	3 626	36
Credit loss ratio (%)[2]	**1,48**	1,96	
Cost-to-income ratio (%)	**53,4**	50,8	
Return on average risk-weighted assets (%)[2]	**2,46**	2,00	
Return on average assets (%)[2]	**0,98**	0,74	

Notes

[1] Excludes cards in issue for the Edcon portfolio and Woolworths Financial Services of 4,8 million and 0,2 million respectively.

[2] These ratios are unaudited.

RBB
Retail Banking South Africa

Business profile

Retail Banking South Africa[1] offers a comprehensive suite of retail banking products and services to both individual and CAF customers. It provides products and services through an extensive branch and self-service terminal network, electronic and mobile phone channels, relationship managers as well as call centre agents. Retail Banking South Africa caters for the full spectrum of customers, from those needing basic banking services to those requiring sophisticated financial solutions. Retail Banking South Africa's focus is on providing a consistently superior experience across each of its channels matched closely to the needs and expectations of each customer segment.

Key business areas

- **Home Loans** – offers residential property-related finance solutions direct to the customer through personalised services, as well as through a range of electronic channels and intermediaries such as estate agents and originators.
- **Vehicle and Asset Finance ("VAF")** – offers customised vehicle and asset finance products and services through vehicle dealers as well as directly to retail and business customers through face-to-face engagements, call centre agents and digital channels. The VAF product line incorporates vehicle management solutions including fleet card management and associated services.
- **Card** – provides credit cards and merchant acquiring. It includes the Edcon portfolio as well as Woolworths Financial Services, which offers credit cards, personal loans and short-term insurance products.
- **Personal Loans** – offers unsecured instalment loans, including fixed and variable loans through face-to-face engagements, call centre agents as well as electronic and mobile channels.
- **Retail Bank** – offers a full range of transactional banking, savings and investment products and services through a variety of physical and digital channels including branches, ATMs, relationship managers and suites, mobile phone, on-line and call centres.

Organisational structure changes took place during the reporting period that have a bearing on Retail Banking South Africa's reporting structure:

- The CAF and Absa Vehicle Management Solutions businesses, previously reported in the Business Banking South Africa segment, were transferred to Retail Banking South Africa to take advantage of synergies within the existing VAF portfolio and to more closely reflect the management structure.
- The debit card operations, previously reported as part of the Card sub-segment, were transferred to the Retail Bank sub-segment. This ensures better alignment of this business with the products that utilise the operational base.

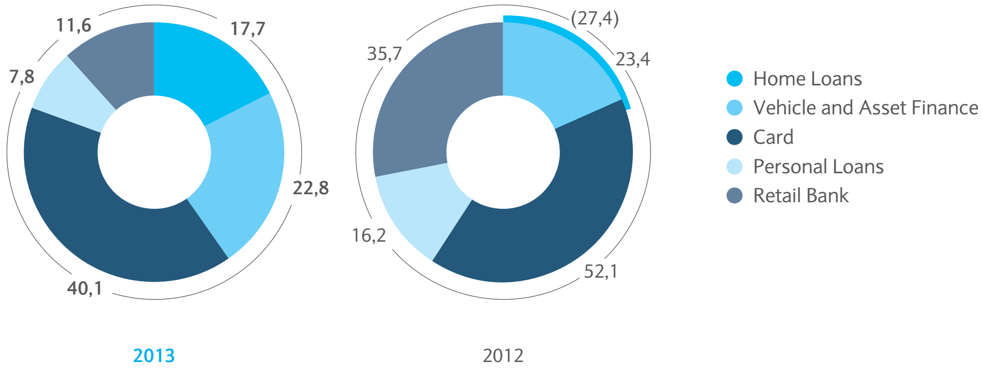
Note

[1] Previously Retail Markets. The name change was undertaken to align with industry naming conventions and does not reflect a change in the Group's operating structure.

RBB
Retail Banking South Africa

	Home Loans			Vehicle and Asset Finance		
	2013	2012	Change %	**2013**	2012	Change %
Statement of comprehensive income (Rm)						
Net interest income	**3 522**	3 954	(11)	**2 588**	2 445	6
Impairment losses on loans and advances	**(1 552)**	(4 461)	65	**(555)**	(669)	17
Non-interest income	**293**	256	14	**618**	610	1
Operating expenses	**(1 014)**	(1 113)	9	**(1 235)**	(1 267)	3
Other	**(19)**	(10)	(90)	**79**	51	55
Operating profit before income tax	**1 230**	(1 374)	>100	**1 495**	1 170	28
Taxation expense	**(354)**	382	>(100)	**(365)**	(312)	(17)
Profit for the reporting period	**876**	(992)	>100	**1 130**	858	32
Profit attributable to:						
Ordinary equity holders	**876**	(992)	>100	**1 130**	850	33
Non-controlling interest – ordinary shares	**—**	—	—	**—**	—	—
Non-controlling interest – preference shares	**—**	—	—	**—**	8	(100)
	876	(992)	>100	**1 130**	858	32
Headline earnings	**876**	(992)	>100	**1 127**	847	33
Operating performance (%)						
Impairment losses on loans and advances as % of average loans and advances to customers[3]	**0,74**	2,09		**0,80**	1,08	
Cost-to-income ratio	**26,6**	26,4		**38,5**	41,5	
Statement of financial position (Rm)						
Loans and advances to customers	**206 689**	210 515	(2)	**74 410**	66 219	12
Other assets	**15 187**	16 623	(9)	**6 180**	6 172	—
Total assets	**221 876**	227 138	(2)	**80 590**	72 391	11
Deposits due to customers	**134**	123	9	**21**	27	(22)
Other liabilities	**220 578**	227 796	(3)	**78 697**	70 823	11
Total liabilities	**220 712**	227 919	(3)	**78 718**	70 850	11
Financial performance (%)						
Return on average risk-weighted assets[3]	**1,47**	(1,74)		**2,26**	1,83	

Headline earnings (%)



Notes

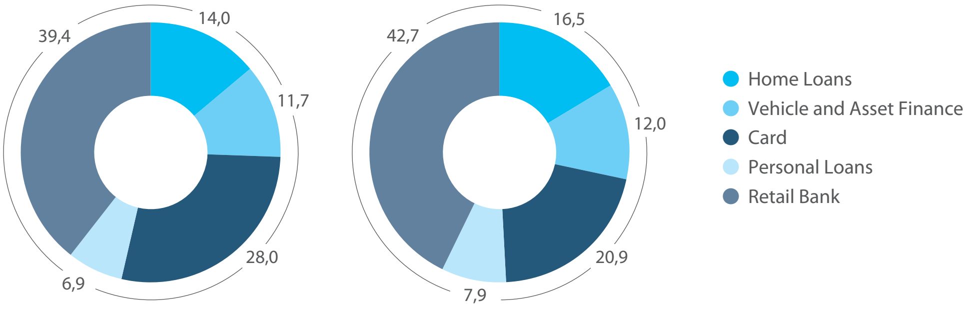
[1] Balances inclusive of Woolworths Financial Services.

[2] The effective date of acquisition was 1 November 2012.

[3] These ratios are unaudited.

Card			Card[1]			Edcon[2] portfolio		
2013	2012	Change %	**2013**	2012	Change %	**2013**	2012	Change %
4 653	2 913	60	**2 857**	2 608	10	**1 796**	305	>100
(1 903)	(475)	>(100)	**(811)**	(403)	>(100)	**(1 092)**	(72)	>(100)
3 003	2 400	25	**2 494**	2 416	3	**509**	(16)	>100
(2 622)	(1 848)	(42)	**(1 774)**	(1 829)	3	**(848)**	(19)	>(100)
(95)	(39)	>(100)	**(61)**	(37)	(65)	**(34)**	(2)	>(100)
3 036	2 951	3	**2 705**	2 755	(2)	**331**	196	69
(860)	(893)	4	**(758)**	(838)	10	**(102)**	(55)	(85)
2 176	2 058	6	**1 947**	1 917	2	**229**	141	62
1 980	1 888	5	**1 751**	1 747	—	**229**	141	62
178	155	15	**178**	155	15	**—**	—	—
18	15	20	**18**	15	20	**—**	—	—
2 176	2 058	6	**1 947**	1 917	2	**229**	141	62
1 980	1 888	5	**1 751**	1 747	—	**229**	141	62
5,63	2,01		**3,29**	1,82		**11,86**	5,03	
34,2	34,8		**33,1**	36,4		**36,8**	6,57	
35 559	32 802	8	**25 703**	23 444	10	**9 856**	9 358	5
11 753	10 857	8	**10 639**	10 190	4	**1 114**	667	67
47 312	43 659	8	**36 342**	33 634	8	**10 970**	10 025	9
1 912	1 936	(1)	**1 912**	1 936	(1)	**—**	—	—
42 587	39 163	9	**31 847**	29 279	9	**10 740**	9 884	9
44 499	41 099	8	**33 759**	31 215	8	**10 740**	9 884	9
4,01	5,61		**4,83**	5,46		**1,74**	8,54	

Revenue (%)



2013

2012

Retail Banking South Africa

Personal Loans			Retail Bank			Total Retail Banking South Africa		
2013	2012	Change %	**2013**	2012	Change %	**2013**	2012	Change %
1 555	1 672	(7)	**3 788**	3 721	2	**16 106**	14 705	10
(782)	(612)	(28)	**(370)**	(366)	(1)	**(5 162)**	(6 583)	22
337	338	—	**6 938**	7 142	(3)	**11 189**	10 746	4
(569)	(576)	1	**(9 125)**	(8 133)	(12)	**(14 565)**	(12 937)	(13)
(6)	(7)	14	**(273)**	(293)	7	**(314)**	(298)	(5)
535	815	(34)	**958**	2 071	(54)	**7 254**	5 633	29
(150)	(228)	34	**(256)**	(640)	60	**(1 985)**	(1 691)	(17)
385	587	(34)	**702**	1 431	(51)	**5 269**	3 942	34
385	587	(34)	**586**	1 308	(55)	**4 957**	3 641	36
—	—	—	**—**	9	(100)	**178**	164	9
—	—	—	**116**	114	2	**134**	137	(2)
385	587	(34)	**702**	1 431	(51)	**5 269**	3 942	34
385	587	(34)	**573**	1 296	(56)	**4 941**	3 626	36
6,23	5,00		**1,51**	1,48		**1,48**	1,96	
30,1	28,7		**85,1**	74,8		**53,4**	50,8	
12 556	12 410	1	**23 550**	23 752	(1)	**352 764**	345 698	2
880	908	(3)	**144 753**	136 434	6	**178 753**	170 994	5
13 436	13 318	1	**168 303**	160 186	5	**531 517**	516 692	3
10	9	11	**132 753**	124 798	6	**134 830**	126 893	6
13 041	12 722	3	**34 383**	33 487	3	**389 286**	383 991	1
13 051	12 731	3	**167 136**	158 285	6	**524 116**	510 884	3
2,43	5,18		**4,47**	2,23		**2,46**	2,00	

Retail Banking South Africa

Financial performance

Headline earnings increased by 36% to R4 941 million (2012: R3 626 million), largely attributable to lower credit impairments.

Revenue increased by 7% to R27 295 million (2012: R25 451 million) as net interest income grew by 10%, while non-interest income reflected moderate growth of 4%.

Revenue, excluding the Edcon portfolio, was largely flat on the previous reporting period following pressure on revenue generating transaction volumes, lower customer numbers and low growth in loans and advances to customers.

Credit impairments declined by 22% to R5 162 million (2012: R6 583 million), mainly due to a significant decrease in credit impairments for the Home Loans portfolio of 65%. The decline in credit impairments for the Home Loans portfolio was somewhat offset by the inclusion of credit impairments of R1 092 million for the Edcon portfolio. Retail Banking South Africa's credit loss ratio improved to 1,48% (2012: 1,96%). Excluding the Edcon portfolio the credit loss ratio declined from 1,94% to 1,20%.

Operating expenses grew by 13% (6% excluding the Edcon portfolio) on the back of investment spend, inflationary pressure and the full-year impact of the Edcon portfolio acquisition. Operating expense growth outweighed revenue growth resulting in a deterioration in the cost-to-income ratio to 53,4% (2012: 50,8%). Excluding the Edcon portfolio, the cost-to-income ratio increased to 54,9% (2012: 51,3%).

Loans and advances to customers increased by 2% to R353 billion (2012: R346 billion), largely through a 10% growth in Card (excluding the Edcon portfolio) and a 12% increase in the VAF book.

Deposits due to customers increased by 6% due to growth in individual deposits, in particular, investment products.

Home Loans and VAF recorded noticeable improvements in headline earnings compared with the previous reporting period. Home Loans recorded headline earnings of R876 million as a result of lower credit impairments while VAF's net interest income benefited from solid balance sheet growth together with lower credit impairments and cost containment.

Card (excluding the Edcon portfolio) headline earnings reflected marginal growth on the back of a 7% revenue growth, partially offset by significantly higher credit impairments.

Headline earnings declined in both Personal Loans and Retail Bank by 34% and 56% respectively following revenue pressure with higher credit impairments in Personal Loans while Retail Bank reflected higher operating expenses.

Operating environment

During the reporting period, household finances remained under pressure, with real disposable income and consumption growth slowing as well as savings levels remaining low. The household debt ratio remained high at 75,5% at the end of the third quarter. A large number of credit-active consumers are struggling with impaired credit records, impacting the accessibility of credit, while consumer confidence dropped to its lowest level since early 2004. Interest rates remained unchanged during the reporting period. Despite the low interest rates, residential property market conditions remained challenging.

RBB
Retail Banking South Africa

Business performance

During the reporting period, Retail Banking South Africa launched a three year programme to deliver a fundamental transformation of all channels in support of the 'Go-To' bank ambition. With a specific focus on step-change customer growth and structural cost efficiencies, the programme aims to build an integrated multi-channel sales and service organisation that delivers superior customer experiences via the most appropriate channels. Headway was made in re-shaping the branch network, with a number of outlets being refurbished and/or relocated, the consolidation of some marginal outlets leading to rental savings, and the opening of new outlets in strategically important locations.

A drive to lift sales and service standards in all branches was accompanied by a strong focus on colleague development. Building digital banking capabilities continued apace, coupled with strategic interventions to support customer self-service take-up including the launch of additional cash accepting devices (currently 1 205) and the development of additional functionalities for both bank and user-owned devices. The call centre operations continued to evolve towards the full service skybranch vision, improving customer experience and support. Pep Stores launched the pilot of the simple bank account product, promising a new level of access and convenience for mass market customers.

The CAF and Absa Vehicle Management Solutions businesses have been successfully incorporated within VAF and benefits are starting to materialise from synergies between the operations.

The introduction of Value Bundle options has driven a decrease in revenue generating volumes following an initial migration to these options.

In spite of a 16% increase in the level of Home Loan registrations, the overall Home Loans portfolio continued to decline. This was attributable to a combination of a lower non-performing portfolio and the high run-off experienced. The risk grades on new book growth are well within Retail Banking South Africa's risk appetite and are appropriately priced.

Home Loans

Home Loans achieved headline earnings of R876 million (2012: R992 million loss) for the reporting period.

Loans and advances to customers decreased marginally by 2%, predominantly due to the decline in NPLs. Performing loans as a percentage of the overall book increased from 91% to 93% with the up-to-date book increasing by 2% year-on-year. Customer margins remained resilient during the reporting period and increased on the previous reporting period as strategies to improve front book margins took hold.

Credit impairments decreased by 65% to R1 552 million (2012: R4 461 million) as a result of improved collection and recovery processes which saw a decline of 28% in NPLs. The NPL coverage ratio declined to 27,5% (2012: 28,9%) due to improved construct outweighing age deterioration and underlying workout performance showing signs of improvement. In line with the forbearance policy this improved workout performance has led to an increase in the performing loan coverage.

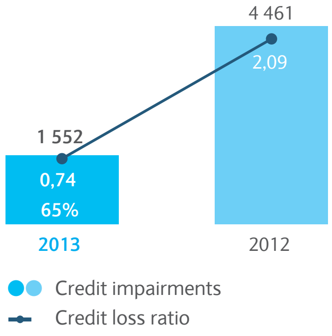
Operating costs remained well controlled with a reduction in operating expenses of 9% from the previous reporting period.

The decision to engage a broader origination channel strategy and improve the process of converting applications to registered loans resulted in a 16% increase in new business production with an increase in front book market share from a low of 16% in 2011 to the current level of 19,4% in 2013.

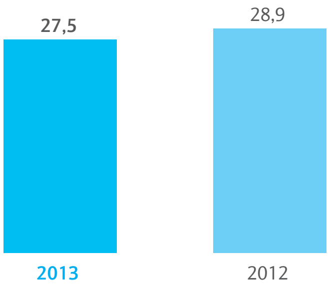
During the reporting period, Home Loans implemented a number of strategic changes to its business which are starting to take hold:

- Redesigned the business model with clearly defined strategic outcomes.
- Introduced a new executive team across the business.
- Governance structures were revised and strengthened and key executional priorities identified.
- The culture of the business was changed to one of co-accountability across the value chain.
- Relationships with key stakeholders (internal and external) were strengthened.

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



Non-performing loans – coverage ratio (%)



Business performance *(continued)*

Vehicle and Asset Finance

VAF's headline earnings increased by 33% to R1 127 million (2012: R847 million), largely due to solid net interest income growth, a decline in credit impairments and contained costs. The decline in credit impairments stems from a slowdown in delinquent accounts in CAF and high identified impairments in the previous reporting period due to the strained economic conditions. This was partly offset by higher credit impairments on retail instalment sales owing to consumer credit strain becoming more prevalent and a more prudent approach to impairment provisioning.

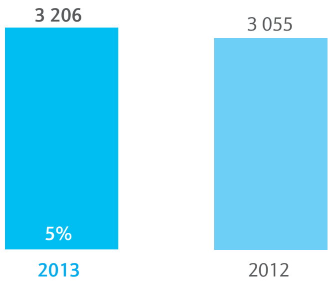
Loans and advances to customers increased by 12% driven by market growth, lower book run-off and business initiatives bearing results. The production value in the retail instalment sales book grew by 5% while production in the commercial vehicle book grew by 21%. The management of the enterprise segment asset financing moved from Retail Bank to CAF in July 2012, partially benefiting the year-on-year production growth for the commercial book.

During the reporting period, early successes of VAF's turnaround strategy were evident:

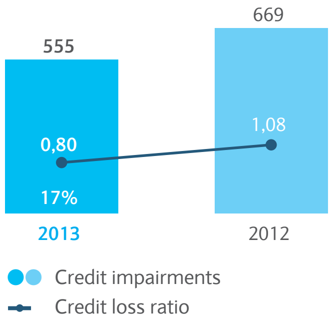
- Solid growth in the flow of new ("NAAMSA") vehicle sales of 8%.
- The long-standing alliance with John Deere achieved a 38% book growth during the reporting period (total book of R1,5 billion), the best growth achieved in this alliance since inception in 2005.
- The Absa/Ford Financial Services joint venture achieved exceptional production growth of 25%, largely due to the release of new vehicle ranges by Ford Motor Company.
- Marked improvement in the quality of the book through an enhancement in the collection process including improved effectiveness.

VAF's overall market share declined marginally year-on-year from 19,3% to 18,9% as at November 2013[1]. The commercial market share remained stable over this period, while the retail instalment sales market share declined to March 2013 and stabilised thereafter. The main focus over the reporting period has been on improving and stabilising the quality of the lending book and on improving service offerings. The overall result for new advances has been positive but slightly below market growth, with continued improvement in the risk profile of new advances.

Revenue (Rm and change %)



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



Card

Headline earnings increased by 5% to R1 980 million (2012: R1 888 million), primarily due to the acquisition of the Edcon portfolio during the latter part of the previous reporting period.

Card (excluding the Edcon portfolio)

Headline earnings increased marginally to R1 751 million (2012: R1 747 million), with growth hampered by a significant increase in credit impairments of more than 100% due to higher delinquencies, as the loss ratio approaches more normalised levels. The credit loss ratio increased from 1,82% to 3,29% and remained within acceptable risk parameters. The NPL coverage ratio has decreased slightly from 66,9% to 65,9% during the reporting period.

The growth in revenue of 7% is attributable to a 10% increase in net interest income and a 3% increase in non-interest income.

The growth in net interest income was driven by underlying book growth and supported by stable yields and margins.

Note

[1] At the date of publishing, the market share information as at 31 December 2013 was not available.

Business performance *(continued)*

Card *(continued)*

Card (excluding the Edcon portfolio) *(continued)*

The increase in non-interest income was a function of improved cardholder spend and an increase in merchant acquiring volumes. Increases in service fees to cardholders were below market increases, with revenue growth generated from growth in the number of customers. The growth in customer numbers, together with the impact of inflation on the underlying basket of consumer purchases, underpinned the growth in cardholder spend driving interchange revenue. Higher payment acceptance volumes were underpinned by expansion in merchant footprint, especially within the corporate retail sector where the Payment Acceptance business holds a significant market share. Healthy growth in the commercial segment of the merchant acquiring market further contributed to higher payment acceptance volumes.

Non-interest income was however adversely impacted by industry issues relating to the processing of dual message card transactions. Significant progress has been made in resolving these issues and it is not expected to impact performance in subsequent periods.

Operating expenses declined by 3% partly due to lower fraud levels.

Loans and advances to customers increased by 10%, mainly attributable to robust growth in new account acquisition and elevated levels of customer spend. The upward trend in new account acquisition resulted from an improvement in consumer appetite for credit and the realisation of the business' multi-channel strategy, with the successful launch of the Avios card in association with the Avios travel rewards programme in South Africa.

Edcon portfolio

The Edcon portfolio was acquired on 1 November 2012, consisting of approximately 4 million active store cards (Edgars, Jet and CNA) with a net book value amounting to approximately R8,7 billion. The Group is responsible for credit management, fraud, risk, finance, legal, compliance and key back office operations, while Edcon manages the front office operations and primary customer interaction including collections.

Net store card loans grew by 4% resulting from the purchase of a second and third tranche of the South African portfolio amounting to R650 million. Underlying growth has been muted due to deteriorating market conditions, higher risk seen from new to credit customers and credit actions taken to improve the portfolio quality.

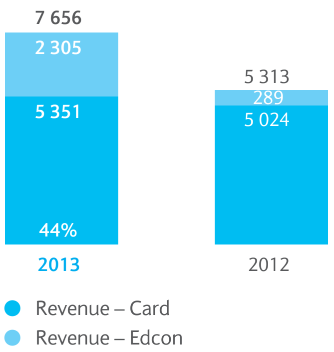
The Edcon portfolio recorded headline earnings of R229 million for the reporting period, compared with headline earnings of R141 million for November and December 2012.

Credit impairments increased to R1 092 million compared with R72 million for November and December 2012, mainly due to the fact that 2013 represented a full reporting period. As at the reporting date the impairment coverage ratio on NPLs was 81% (2012: 0%). Focus on credit quality has been key in managing the portfolio with credit policy and strategic collection changes implemented to improve the underlying portfolio performance.

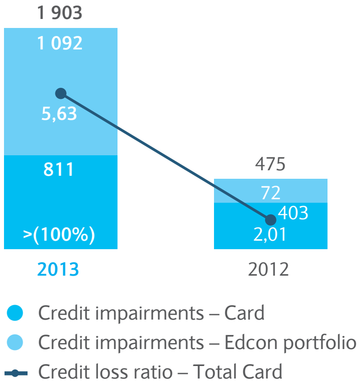
The Group remains committed to the relationship with Edcon and several initiatives and strategic opportunities are being investigated over and above those contractually envisaged. Despite the margin compression, interest rate reductions in 2012, the general pressure on consumers and the increased risk in the market, the Edcon portfolio was able to meet the Group's return hurdle rates.

The acquisition of Edcon's portfolio in foreign jurisdictions with a gross book value of approximately R836 million is likely to be concluded in 2014, subject to the conclusion of regulatory processes.

Revenue – Total Card (Rm and change %)



Credit impairments and credit loss ratio – Total Card (Rm, % and change %)



Business performance *(continued)*

Personal Loans

Headline earnings decreased by 34% to R385 million (2012: R587 million) as a result of a decline in revenue and higher credit impairments.

The decline in revenue of 6% to R1 892 million (2012: R2 010 million) was mainly attributable to the increased prepayment rate in the portfolio combined with margin pressure following an improved portfolio mix to lower risk customers, intense competition and interest rates remaining at record lows.

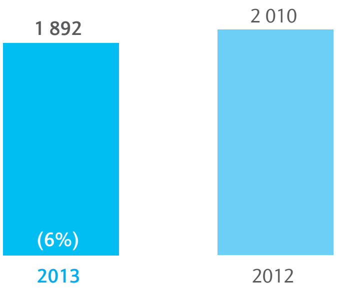
The increase in credit impairments of 28% was underpinned by a more prudent approach to impairment provisioning.

Marginal growth in loans and advances to customers of 1% was achieved, assisted by focused sales efforts and enhanced prospecting strategies. The business remains focused on its strategy to grow this portfolio in a risk-controlled manner. New acquisition and existing customer management campaigns and our continued prudent approach to lending resulted in a 10% increase in new business production.

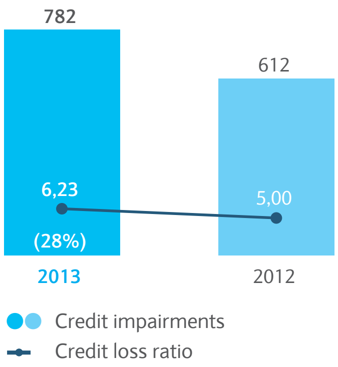
Operating costs remained well controlled and are in line with the previous reporting period.

Improved processes, including a paperless end-to-end application process and reduced turnaround times, also contributed towards the improvement in the overall customer experience.

Revenue (Rm and change %)



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



Retail Bank

Headline earnings declined by 56% to R573 million (2012: R1 296 million), mainly due to continued pressure on revenue and higher operating expenses.

Revenue decreased marginally to R10 726 million (2012: R10 863 million) from the previous reporting period. Net interest income increased by 2%, while non-interest income declined by 3% to R6 938 million, mainly due to the lower number of transactional accounts, the migration of transactions to lower revenue generating channels and a deliberate migration from ‘pay as you transact’ pricing offers to packaged offerings, in particular Value Bundles. The trend in growth is changing to favour new banking customers over migration, particularly in the current account bundle pricing portfolio. It is expected that these trends will lead to increased certainty and predictability of revenues in the future.

The number of transactional customers declined from 9,78 million to 8,84 million. The decline in account numbers is due to system-led closures in the transactional savings account portfolio based on dormancy, particularly in the Sekulula portfolio, where the loss of the South African Social Security Agency tender resulted in 850 000 of these accounts being closed. Transaction volumes decreased following lower transactional savings accounts and increased levels of dormancy in this portfolio. The mix of retail affluent customers has increased as a result of migrations and new customer acquisitions.

Business performance *(continued)*

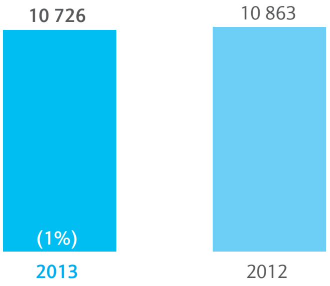
Retail Bank *(continued)*

The Rewards programme assisted in mitigating this decline, with an increase in transaction volumes for Rewards members. The Rewards programme's membership increased by 39% during the reporting period, with membership currently in excess of 1,4 million.

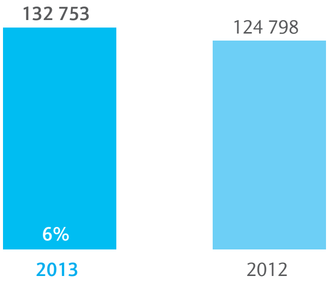
Debit card turnover increased by 9% on 2012 volumes, reflecting sound real growth.

Savings and deposit balances increased by 6% to R133 billion (2012: R125 billion). Two new savings and investment products were launched during the reporting period, namely Depositor Plus and Notice Select. Depositor Plus experienced strong growth with inflows in excess of R12 billion for the reporting period, with Notice Select contributing R0,5 billion.

Revenue (Rm and change %)



Deposits due to customers (Rm and change %)



The AllPay business lost the social grant payment contract early in the previous reporting period.

AllPay appealed the decision of the Supreme Court to uphold the awarding of the social grant payment contract to another party. The Constitutional Court ruled in favour of AllPay, however the Court still needs to finalise an equitable remedy. The nature of this remedy is unknown at this stage.

Looking ahead

The recently launched three year programme has a comprehensive plan and fully mobilised team of significant size to deliver on the 2014 and 2015 transformation objectives. Branch network transformation will continue to unlock both significant efficiencies as well as rejuvenate the branch experience for customers, setting a new standard in South Africa for customer service excellence. The digital strategy will deliver comprehensive self-service banking options to support a fully digital customer experience anytime, anywhere. Parallel investments in infrastructure stability will guarantee always-on service and fast and efficient processing of both sales and service requirements. Retail Banking South Africa's skybranch will reinvent the telephone banking paradigm for South Africans. Branchless banking will continue to expand through retailer/merchant eco-systems. The programme will ensure the ability to seamlessly support both efficient multi-channel and self-service everyday banking as well connecting to customers in times that matter to build true customer relationship value.

Overall, the programme provides for improved service offerings to both existing and new customers, with the focus on a better customer experiences, appropriate levels of credit extension, innovative products and improved access, while shortening processing turnaround times and focusing intently on operational excellence.

Business Banking South Africa

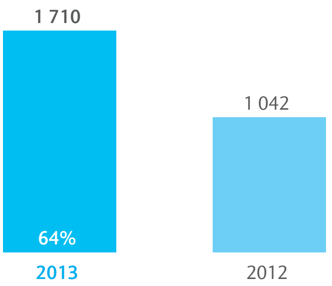
Favourable

- Increase in headline earnings of 64% to R1 710 million.
- Credit impairments declined by 42%.
- Stabilisation of the equity portfolio.
- Increase in deposits due to customers of 11% to R88 billion, mostly driven by refining core investment products and strong contribution from the agriculture sector.
- Strong cost management with a decrease of 7% in operating expenses despite the increased investment in human capital.
- Return on average risk-weighted assets improved from 1,22% to 2,34%.
- Agriculture and term loans grew by 3% and 4% respectively.

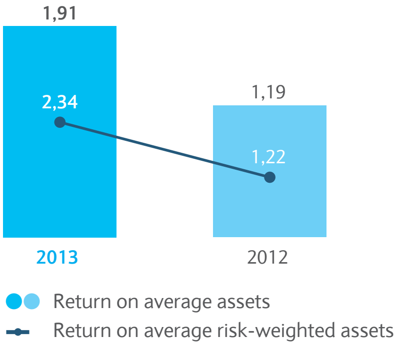
Unfavourable

- Gross loans and advances to customers declined by 3%, largely due to a 4% reduction in the CPF book as well as a 5% reduction in the cheque accounts book.
- Cheque payment volumes continued to decline in line with industry trends.

Headline earnings (Rm and change %)



Return on average assets and average risk-weighted assets (%)



Salient features	2013	2012	Change %
Revenue (Rm)	**8 377**	8 030	4
Attributable earnings (Rm)	**1 734**	642	>100
Headline earnings (Rm)	**1 710**	1 042	64
Credit loss ratio (%)	**1,43**	2,37	
Cost-to-income ratio (%)	**58,7**	66,2	
Return on average risk-weighted assets (%)[1]	**2,34**	1,22	
Return on average assets (%)[1]	**1,91**	1,19	

Note

[1] These ratios are unaudited.

RBB
Business Banking South Africa

Business profile

Business Banking South Africa[1] has a well-defined coverage model based on client value propositions. These value propositions align to customer needs and range from direct interactions via multi-channel interfaces such as electronic banking through to a more relationship-based model.

Customers within the enterprise sub-segment, with an annual turnover of up to R20 million, are serviced using a direct coverage model. Some customers in this segment also benefit from a proactive relationship model through a branch-based service interface.

Customers in the commercial sub-segment, with an annual turnover of between R20 million and R500 million, are serviced using a relationship-based model, where dedicated teams of sales, product and support staff leverage off products and services to provide customised solutions. The relationship-based model includes a sector overlay focusing on the agriculture, local government and retail sectors. Customers are offered a full range of products including transactional, investment and lending products.

Key business areas

Business Banking South Africa offers a diverse range of products based on customers' needs:

- **Debt products** – CPF, term loans, agricultural loans, cheque accounts, technology finance solutions and overnight finance. Fees earned from debt products include upfront, structuring, restructuring, commitment and transactional fees.
- **Investment products** – term, notice, fixed, cheque, savings and call deposits.
- **Transactional products** – including cash, cheque accounts and electronic banking.
- **Equities** – investment portfolio in listed and unlisted equities, property and other equities.

An organisational structure change took place during the reporting period that has a bearing on the reporting structure of Business Banking South Africa:

- The CAF and Absa Vehicle Management Solutions businesses, previously reported in the Business Banking South Africa segment, were transferred to Retail Banking South Africa to take advantage of synergies within the existing VAF portfolio in Retail Banking South Africa.

Note

[1] Previously Business Markets. The name change was undertaken to align with industry naming conventions and does not reflect a change in the Group's operating structure.

RBB
Business Banking South Africa

	Business Banking (excluding Equities)			Business Banking Equities			Total Business Banking South Africa		
	2013	2012	Change %	**2013**	2012	Change %	**2013**	2012	Change %
Statement of comprehensive income (Rm)									
Net interest income	**5 447**	5 623	(3)	**(210)**	(346)	39	**5 237**	5 277	(1)
Impairment losses on loans and advances	**(897)**	(1 528)	41	**1**	(4)	>100	**(896)**	(1 532)	42
Non-interest income	**2 860**	2 793	2	**280**	(40)	>100	**3 140**	2 753	14
Operating expenses	**(4 700)**	(4 582)	(3)	**(220)**	(731)	70	**(4 920)**	(5 313)	7
Other	**(32)**	(28)	(14)	**(11)**	(31)	65	**(43)**	(59)	27
Operating profit before income tax	**2 678**	2 278	18	**(160)**	(1 152)	86	**2 518**	1 126	>100
Taxation expense	**(751)**	(706)	(6)	**24**	268	(91)	**(727)**	(438)	(66)
Profit for the reporting period	**1 927**	1 572	23	**(136)**	(884)	85	**1 791**	688	>100
Profit attributable to:									
Ordinary equity holders	**1 876**	1 509	24	**(142)**	(867)	84	**1 734**	642	>100
Non-controlling interest – ordinary shares	**—**	—	—	**2**	(17)	>100	**2**	(17)	>100
Non-controlling interest – preference shares	**51**	63	(19)	**4**	—	100	**55**	63	(13)
	1 927	1 572	23	**(136)**	(884)	85	**1 791**	688	>100
Headline earnings	**1 875**	1 508	24	**(165)**	(466)	65	**1 710**	1 042	64
Operating performance (%)									
Impairment losses on loans and advances as % of average loans and advances to customers[1]	**1,38**	2,42		**n/a**	n/a		**1,43**	2,37	
Non-interest income as % of revenue[1]	**34,4**	33,2		**>100**	10,4		**37,5**	34,3	
Revenue growth	**(1)**	4		**>100**	>100		**4**	(1)	
Cost growth	**(3)**	(2)		**70**	>(100)		**7**	(15)	
Cost-to-income ratio	**56,6**	54,4		**>100**	>100		**58,7**	66,2	
Statement of financial position (Rm)									
Loans and advances to customers[2]	**61 679**	64 784	(5)	**—**	(1 375)	100	**61 679**	63 409	(3)
Investment securities	**—**	—	—	**874**	1 036	(16)	**874**	1 036	(16)
Other assets	**32 279**	19 017	70	**3 591**	3 510	2	**35 870**	22 527	59
Total assets	**93 958**	83 801	12	**4 465**	3 171	41	**98 423**	86 972	13
Deposits due to customers	**87 903**	79 090	11	**12**	10	20	**87 915**	79 100	11
Debt securities in issue	**—**	—	—	**—**	—	—	**—**	—	—
Other liabilities	**4 001**	3 079	30	**4 642**	3 797	22	**8 643**	6 876	26
Total liabilities	**91 904**	82 169	12	**4 654**	3 807	22	**96 558**	85 976	12
Financial performance (%)									
Return on average risk-weighted assets[1]	**2,86**	1,89		**(2,20)**	(9,00)		**2,34**	1,22	
Return on average assets[1]	**2,09**	1,85		**(4,36)**	(14,88)		**1,91**	1,19	

Notes

[1] These ratios are unaudited.

[2] The movement in loans and advances to customers for Equities from 31 December 2012 to the reporting date is due to structural changes between Equities and Business Banking.

RBB
Business Banking South Africa

Financial performance

Business Banking South Africa's headline earnings increased by 64% to R1 710 million (2012: R1 042 million), mainly due to the stabilisation of the equity portfolio following the valuation writedowns in the previous reporting period and a reduction in credit impairments.

Net fee and commission income increased by 2% to R2 853 million (2012: R2 792 million), mainly as a result of a 6% growth in electronic banking fees and a 3% increase in cash fees.

Credit impairments improved by 42% to R896 million (2012: R1 532 million). The improvement was largely driven by lower defaults, improved book construct for all areas within the segment and the implementation of a more rigorous approach in identifying potential defaults at earlier stages.

Continued cost management and lower property writedowns from Equities resulted in a 7% decrease in operating expenses to R4 920 million (2012: R5 313 million) despite increased investment in human capital.

Gross loans and advances to customers declined by 3%, largely due to a 4% reduction in the CPF book as well as a 5% reduction in the cheque accounts book. Continued focus remains on increasing product sales and converting pipeline transactions into deals with the support of initiatives resulting from a review of Business Banking South Africa's strategy. Despite the overall decline, Business Banking South Africa experienced an increase in loans and advances to customers in the term loan and agriculture businesses of 4% and 3% respectively.

Deposits due to customers increased by 11%, benefiting from an enhanced product offering to attorneys, a refinement of core investment products and the introduction of new term deposit products.

Operating environment

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

Business performance

In line with the 'Go-To' aspiration of the Group a number of initiatives resulted from a robust strategy review process whereby Business Banking South Africa's transformation agenda was mandated.

Business Banking South Africa's focus for the reporting period was to stabilise and enhance its electronic banking solutions. Customer retention, a renewed drive to provide relevant solutions to customers' needs, improved operational efficiency and cost reduction initiatives continue to receive attention.

Debt products

Gross loans and advances to customers declined by 3%. CPF loans and advances declined by 4% (39% of the total book) largely due to significant repayments that occurred during the reporting period. The front book CPF pay-outs increased by 34% compared to the previous reporting period. The CPF book increased marginally in the second half of the reporting period compared to the first half.

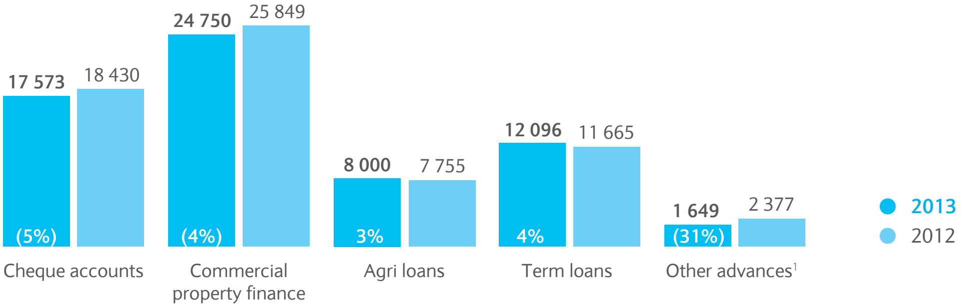
Cheque accounts reduced by 5% mostly due to a customer having settled a significant advance balance by utilising existing deposit funds. The decrease was further impacted by a decline in the agriculture sector, following an exceptional harvest season and favourable exchange rates for export purposes, combined with stronger commodity prices resulting in lower utilisation of overdraft facilities. In addition adverse rainfall patterns at the end of the reporting period caused the agricultural planting season not to coincide with normal seasonal trends.

The focus remains on the implementation of the overdraft pricing and utilisation improvement initiative, which identifies low usage cheque overdrafts and promotes better use and solutions.

Term loans increased by 4% despite the current slow paced economic environment. Cross selling to customers with standalone products, a dedicated sales force to target specific market segments and regions as well as a focus on extending term loans close to maturity contributed to growth during the reporting period.

Agriculture loans increased by 3% compared with the previous reporting period. The increase was mainly due to higher input costs for farmers as a result of food inflation. Business Banking South Africa remains the market leader in this industry.

Gross loans and advances (Rm and change %)



Note

[1] Includes Absa Technology Financial Solutions and foreign currency loans.

Business performance *(continued)*

Investment products

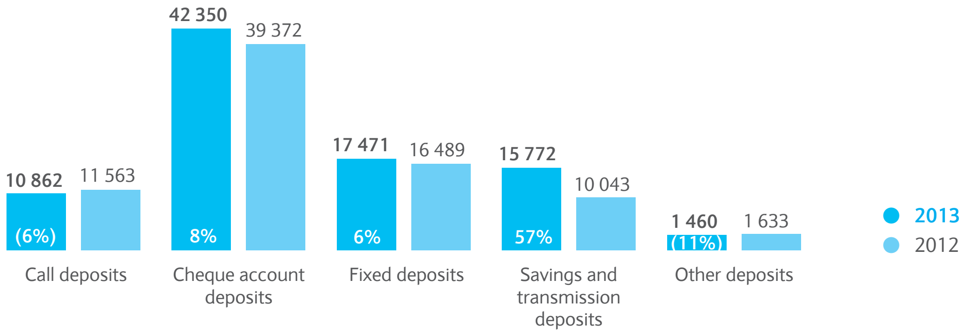
Demand for liquidity remained high in a competitive market that continued to place pressure on volume growth and margins. Continued volatility in international markets and the uncertainty in interest rate movements resulted in customers investing predominantly in short-term products. This is evident from the growth in cheque, fixed, savings and transmission deposits of 8%, 6% and 57% respectively.

Depositor Plus and Notice Select were successfully launched at the start of the current reporting period, reflecting deposit growth of R5 666 million and R61 million respectively as at the reporting date. The largest portion of the balances on these products reflected an inflow of new deposit balances from customers.

Business continued to pursue its strategic imperatives to retain existing customers and promote customised solutions, including assisting customers with cash flow management and yield optimisation. The strategy to improve customised solutions for the enterprise sub-segment resulted in an increase in deposits of 11%.

Agricultural sector deposits increased by 20% compared to the previous reporting period, following an exceptional harvest season and favourable exchange rates for export purposes, combined with stronger commodity prices. The improved targeting of selected market segments (including professional markets, the public sector and Islamic banking customers) and regions further contributed to the growth in deposits.

Deposits (Rm and change %)

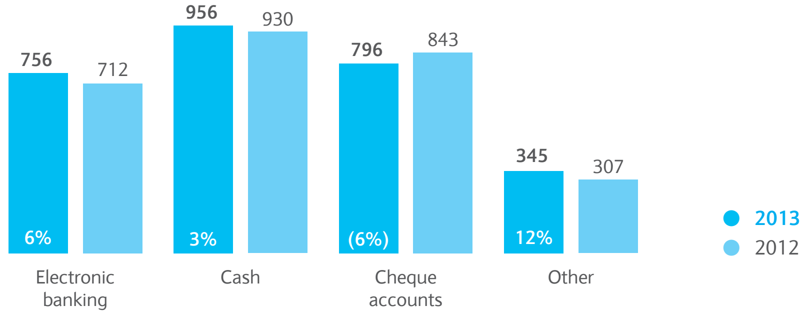


Transactional products

Electronic payment volumes increased by 5% and Business Banking South Africa's unique cash solutions achieved growth of 3%, primarily due to increased pricing. The business continued to focus on delivering competitive solutions and improving pricing to offset the impact of reduced fees on debit orders and a decline in cheque payment volumes in line with industry trends. As a result, net fee and commission income increased marginally by 2% to R2 853 million (2012: R2 792 million).

Focused employee training and awareness of the digital offerings provided to Business Banking South Africa's customers are enhancing customer interactions. New functionalities such as scan and pay, cardless deposits and e-statements have provided customers with alternative access to transact, thereby strengthening the electronic customer value proposition. Additional developments are planned for 2014, which aim to further enhance the digital capability.

Fee income (Rm and change %)



Business performance *(continued)*

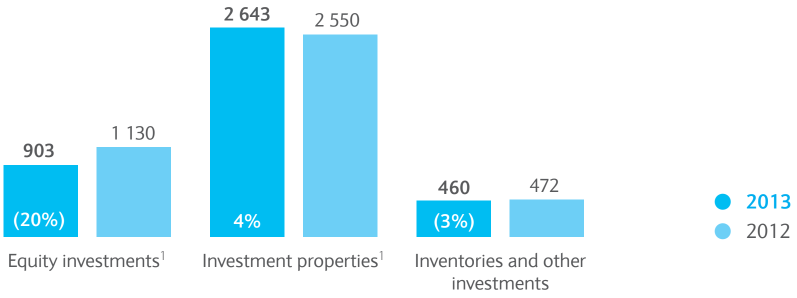
Equities

Consistent with managing the equity portfolio in line with the Group's risk appetite, the portfolio was reduced by R146 million resulting in a 4% reduction of the portfolio size to R4 006 million. Further disposals of investment properties of R1 381 million should become effective in early 2014.

The financial performance of the portfolio improved significantly compared with the previous reporting period. The improvement was as a result of a stable portfolio and consistent proactive management. Marginal negative fair value adjustments were experienced in some sectors but these were partially offset by strong rentals in the property portfolio due to reduced vacancies and an improvement in quality of tenants.

The focus remains on a net reduction strategy, while improving the quality of the book to unlock value.

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



Business Banking South Africa – Equities

Statement of comprehensive income	2013 CPF equities Rm	2013 Other equities Rm	2013 Total equities Rm	2012 CPF equities Rm	2012 Other equities Rm	2012 Total equities Rm	Total change %
Net interest income	**(209)**	**(1)**	**(210)**	(336)	(10)	(346)	39
Impairment losses on loans and advances	**1**	**—**	**1**	(4)	—	(4)	>100
Non-interest income[2]	**319**	**(39)**	**280**	112	(152)	(40)	>100
Operating expenses[3]	**(220)**	**—**	**(220)**	(731)	—	(731)	70
Other	**(11)**	**—**	**(11)**	(31)	—	(31)	65
Operating loss before income tax	**(120)**	**(40)**	**(160)**	(990)	(162)	(1 152)	86

Notes

[1] Certain equity investments **(R29 million)**, investment properties **(R1 590 million)** and inventories and other investments **(R22 million)** have been classified as non-current assets held-for-sale during the reporting period. As at 31 December 2012 certain equity investments (R30 million) and investment properties (R1 375 million) were classified as non-current assets held-for-sale.

[2] Included in non-interest income is positive fair value adjustments relating to investment properties of **R62 million** (2012: Rnil).

[3] A portion of negative fair value adjustments relating to investment properties and inventories to the amount of **R54 million** (2012: R584 million) is included in operating expenses for CPF equities.

Business Banking South Africa

Looking ahead

Business Banking South Africa's ambition is to place world-class banking solutions within the reach of every business in its target markets.

Specific focus areas include:

- Continued investment in human capital.
- Initiatives to improve the customer experience, with a resultant improvement in net promoter scores and customer satisfaction measures.
- Enhanced digital platforms including new platforms to facilitate trade and customer interaction. The digital journey will gradually include virtual marketplaces with various stakeholder applications. Enhanced internal document management processes and workflow solutions will complement procedures and processes for straight-through processing. This will result in improved operational efficiencies.
- Sustainable growth through targeted acquisitions, new customer relationships and a reduction in customer attrition.
- Solutioning to customers will build and expand Business Banking South Africa's transactional franchise with a strong focus on liabilities.

RBB
Rest of Africa

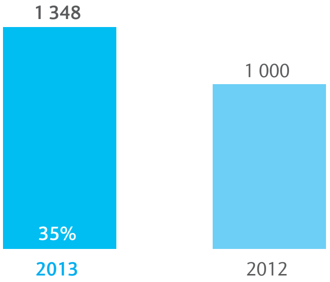
Favourable

- Headline earnings increased by 35% to R1 348 million (2012: R1 000 million).
- Revenue growth of 23%, mainly due to good balance sheet growth.
- Improved credit loss ratio of 1,79% (2012: 2,45%), driven by overall improvement in the quality of the loan book.
- Increase in loans and advances to customers of 25%, with solid growth in personal loan products through strategic focus.
- Deposits due to customers increased by 23% driven by an increase in individual deposits.
- Foreign exchange translations had a 11% favourable impact on operating profits before income tax.

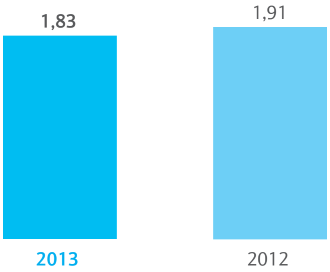
Unfavourable

- Non-interest income (excluding foreign exchange translations) marginally down by 4% on the back of policy changes.
- Increase of 25% in operating expenses to R5 194 million, resulting in a marginally higher cost-to-income ratio of 62,6% (2012: 62,0%).

Headline earnings (Rm and change %)



Pro forma return on average risk-weighted assets (%)[1]



Salient features	2013	2012	C %	FX %	Change %
Revenue (Rm)	**8 296**	6 724	10	13	23
Attributable earnings (Rm)	**1 354**	995	17	19	36
Headline earnings (Rm)	**1 348**	1 000	17	18	35
Credit loss ratio (%)[1]	**1,79**	2,45			
Cost-to-income ratio (%)	**62,6**	62,0			
Pro forma return on average risk-weighted asset (%)[1,2]	**1,83**	1,91			

Business profile

RBB Rest of Africa offers a comprehensive suite of retail and business banking products and services to individual and commercial customers on the African continent outside of South Africa. Products and services are provided through branch and self-service terminal networks, electronic and mobile telephone channels as well as relationship managers. Much of the branding for these operations remains under the Barclays brand as this is entrenched in the markets in which RBB Rest of Africa operates.

Key business areas

An array of products consisting of secured loans, unsecured loans and customer deposits are offered to premier banking, prestige banking, personal banking and business banking customers through the following businesses in the rest of Africa:

- **Barclays Bank of Kenya**
- **Barclays Bank of Botswana**
- **Barclays Bank of Ghana**
- **Barclays Bank Zambia**
- **National Bank of Commerce (Tanzania)**
- **Barclays Bank Mozambique**
- **Barclays Bank Uganda**
- **Barclays Bank Mauritius**
- **Barclays Bank of Tanzania**
- **Barclays Bank Seychelles**

Notes

[1] These ratios are unaudited.

[2] The pro forma historical RWAs have been restated to include the RWAs of Barclays Africa Limited, based on pro forma SARB numbers, as if Barclays Africa Limited had always been part of the Group's RWAs. This does not alter any historical submissions made to the SARB.

RBB Rest of Africa

	Total RBB Rest of Africa				
	2013	2012	C %	FX %	Change %
Statement of comprehensive income (Rm)					
Net interest income	**6 259**	4 816	15	15	30
Impairment losses on loans and advances	**(620)**	(581)	4	(11)	(7)
Non-interest income	**2 037**	1 908	(4)	11	7
Operating expenses	**(5 194)**	(4 169)	(10)	(15)	(25)
Other	**(42)**	(54)	32	(10)	22
Operating profit before income tax	**2 440**	1 920	16	11	27
Taxation expense	**(814)**	(705)	(8)	(7)	(15)
Profit for the reporting period	**1 626**	1 215	21	13	34
Profit attributable to:					
Ordinary equity holders	**1 354**	995	17	19	36
Non-controlling interest – ordinary shares	**272**	220	40	(16)	24
Non-controlling interest – preference shares	**—**	—	—	—	—
	1 626	1 215	21	13	34
Headline earnings	**1 348**	1 000	17	18	35
Operating performance (%)					
Impairment losses on loans and advances as % of average loans and advances to customers[1]	**1,79**	2,45			
Non-interest income as % of revenue	**24,6**	28,4			
Revenue growth	**23**	12			
Cost growth	**(25)**	(13)			
Cost-to-income ratio	**62,6**	62,0			
Statement of financial position (Rm)					
Loans and advances to customers	**37 884**	30 322	5	20	25
Other assets	**74 286**	34 807	>100	56	>100
Total assets	**112 170**	65 129	44	28	72
Deposits due to customers	**58 416**	47 533	2	21	23
Other liabilities	**41 254**	7 964	>100	>100	>100
Total liabilities	**99 670**	55 479	50	30	80
Financial performance (%)					
Pro forma return on average risk-weighted assets[1]	**1,83**	1,91			
Return on average assets[1]	**1,62**	1,76			

Note

[1] These ratios are unaudited.

RBB
Rest of Africa

Operating environment

The operating environment for 2013 remained promising, confirming its healthy resilience to internal and external shocks. The economies we operate in are largely projected to show solid growth in 2014 and to further accelerate in 2015. Regulatory changes, liquidity concerns in some markets, inflationary pressures and tight interest rate environments posed some challenges on generating higher profits.

Financial performance

The segment delivered a sound financial performance. Headline earnings increased by 35% to R1 348 million (2012: R1 000 million) with operating profit before income tax growing by 27% to R2 440 million (2012: R1 920 million). This performance includes a 11% favourable foreign exchange impact. Excluding this impact, headline earnings increased by 17% to R1 168 million.

RBB Rest of Africa recorded solid revenue growth of 23% to R8 296 million (2012: R6 724 million) driven by a 30% increase in net interest income.

The growth in net interest income is mainly as a result of strong balance sheet growth and the ability to grow the unsecured loan portfolios through personal loan products. This growth was achieved through the implementation of various lending campaigns and a revamp of prestige banking in certain markets. Lower demand for secured loan products, somewhat dampened this growth. Commercial loans exhibited resilience in competitive market conditions with successes in key markets through the acquisition of key business banking customers.

Non-interest income recorded growth of 7% to R2 037 million (2012: R1 908 million) driven by the impact of foreign exchange translations. Excluding the impact of foreign exchange translations non-interest income decreased marginally by 4%, mainly due to regulatory changes and the strategic decision on the removal of credit life insurance in certain markets. A change in consumer transaction behaviour also affected non-interest income negatively.

Credit impairments increased by 7% to R620 million (2012: R581 million), resulting in a credit loss ratio of 1,79% (2012: 2,45%). The increase in credit impairments is primarily as a result of foreign exchange translations. Excluding this impact, credit impairments improved by 4% driven by an overall improvement in the quality of the loan book, improved collections and a focus on reducing NPLs.

Operating expenses increased by 25%, largely due to foreign exchange differences and one-off infrastructure costs. Excluding the impact of foreign exchange translations (15%) and the one-off infrastructure costs, operating expenses increased lower than the inflation rates of the underlying markets as a result of benefits realised from initiatives undertaken in previous reporting periods. The cost-to-income ratio increased marginally to 62,6% (2012: 62,0%).

Looking ahead

RBB Rest of Africa's focus lies in making customers lives easier starting with a refresh of our customer value propositions for targeted segments and revamping customer solutions. The strategy for 2014 aims to enhance technology particularly for customer facing processes, develop an integrated digital channel capability, accelerate customer adoption, improve the overall customer experience and reduce service costs. In particular, RBB Rest of Africa is encouraged by the large opportunity that exists in business bank given the segment's low level of current scale and penetration in that market segment.

This strategy will enable RBB Rest of Africa to create a pan-African franchise that drives a superior customer experience and ultimately make us the 'Go-To' bank for RBB customers across Africa.

CIBW

Favourable

- Investment Banking net revenue growth of 37%, driven by solid growth in balance sheet and advisory.
- Strong increase in Corporate net revenue driven by improved performances across all products.
- The NewPlat exchange traded fund was launched in April 2013 and is already the largest platinum exchange traded fund globally and the JSE's second largest exchange traded fund product.
- Successfully concluded the sale of the Custody and Trustee business.
- Reduced Private Equity exposures through the sale of the Group's interest in the Absa Capital Private Equity ("ACPE") Fund 1.

Unfavourable

- Headline earnings adversely impacted by higher effective tax rate.
- An increase of 1% in Markets net revenue due to difficult trading conditions in the second quarter and competitive pressures driving margin compression.
- Private Equity performance impacted by lower revaluations.
- Net revenue for Wealth lower due to reduced referrals to the Markets business for large one-off trades and reduced foreign exchange activity.

Salient features	2013	2012	Change %
Net revenue (Rm)[1]	**11 348**	10 352	10
Headline earnings (Rm)	**3 017**	3 146	(4)
Cost-to-income ratio (%)	**57,8**	59,1	
Return on average assets (%)[2]	**0,57**	0,56	
Pro forma return on average risk-weighted assets (%)[2]	**1,76**	1,97	

Business profile

CIBW structures innovative solutions to meet clients' strategic needs by delivering specialist investment banking, corporate banking, financing, risk management, advisory solutions and wealth management services. CIBW deals with a variety of clients across industry sectors such as corporates, financial institutions, public sector bodies and high net worth individuals. Combining the global product knowledge of Barclays with regional expertise and an extensive, well-established local presence, CIBW's goal is to build not only a sustainable, trustworthy business, but also a business that clients consider as the first choice for solutions in Africa – their 'Go-To' bank.

Key business areas

- **Investment Bank comprising:**
  - **Markets** – engages in trading, sales and research activities across all major asset classes and products in Africa, delivering pricing, hedging and risk management capabilities to both corporate and institutional clients.
  - **Investment Banking** – structures innovative solutions to meet clients' strategic acquisition, financing and risk management requirements across industry sectors in South Africa and Africa.
  - **Private Equity and Infrastructure Investments** – Private Equity acts as a principal by investing in unlisted equity exposures. Infrastructure Investments acts as a principal by investing in equity and mezzanine loan finance to entities focused on infrastructure development in sub-Saharan Africa.
- **Corporate** – provides corporate banking solutions spanning financing and transactional banking requirements, including trade and working capital solutions, as well as a full suite of cash management, payments and liquidity products and solutions. These services are provided across its combined Pan-African institutional and corporate client base.
- **Wealth** – serves high net worth, ultra high net worth and family office clients, providing a full range of holistic local and international products using best-of-breed management solutions, which include investment management, risk management and structured lending.

Notes

[1] Includes net interest income, non-interest income, net of credit impairments.

[2] These ratios are unaudited.

		CIBW South Africa			CIBW Rest of Africa			CIBW Total		
	Note	**2013 Rm**	2012 Rm	Change %	**2013 Rm**	2012 Rm	Change %	**2013 Rm**	2012 Rm	Change %
Statement of comprehensive income										
Net interest income	1	**3 543**	2 973	19	**1 181**	1 130	5	**4 724**	4 103	15
Impairment losses on loans and advances	1	**(144)**	(120)	(20)	**(156)**	(19)	>(100)	**(300)**	(139)	>(100)
Non-interest income	1	**5 216**	5 070	3	**1 708**	1 318	30	**6 924**	6 388	8
Operating expenses		**(4 905)**	(4 529)	(8)	**(1 826)**	(1 676)	(9)	**(6 731)**	(6 205)	(8)
Other		**(74)**	24	>(100)	**(10)**	(2)	>(100)	**(84)**	22	>(100)
Operating profit before income tax		**3 636**	3 418	6	**897**	751	19	**4 533**	4 169	9
Taxation expense		**(838)**	(641)	(31)	**(316)**	(196)	(61)	**(1 154)**	(837)	(38)
Profit for the reporting period		**2 798**	2 777	1	**581**	555	5	**3 379**	3 332	1
Profit attributable to:										
Ordinary equity holders		**2 693**	2 682	—	**457**	464	(2)	**3 150**	3 146	—
Non-controlling interest – ordinary shares		**—**	—	—	**124**	91	36	**124**	91	36
Non-controlling interest – preference shares		**105**	95	11	**—**	—	—	**105**	95	11
		2 798	2 777	1	**581**	555	5	**3 379**	3 332	1
Headline earnings		**2 561**	2 682	(5)	**456**	464	(2)	**3 017**	3 146	(4)
Notes										
1. Net revenue contribution[1]										
Investment Bank										
Markets		**3 212**	3 281	(2)	**923**	818	13	**4 135**	4 099	1
Investment Banking		**1 551**	1 134	37	**7**	5	40	**1 558**	1 139	37
Private Equity and Infrastructure Investments		**292**	414	(29)	**—**	—	—	**292**	414	(29)
Other		**(31)**	39	>(100)	**—**	—	—	**(31)**	39	>(100)
Corporate		**3 168**	2 610	21	**1 803**	1 606	12	**4 971**	4 216	18
Wealth		**423**	445	(5)	**—**	—	—	**423**	445	(5)
		8 615	7 923	9	**2 733**	2 429	13	**11 348**	10 352	10
2. Gains and losses from banking and trading activities										
Net gains on investments		**380**	418	(9)	**—**	—	—	**380**	418	(9)
Debt instruments		**152**	179	(15)	**—**	—	—	**152**	179	(15)
Equity instruments		**228**	239	(5)	**—**	—	—	**228**	239	(5)
Net trading results		**3 119**	3 410	(9)	**874**	717	22	**3 993**	4 127	(3)
Net trading income excluding the impact of hedge accounting		**3 149**	3 427	(8)	**874**	717	22	**4 023**	4 144	(3)
Ineffective portion of hedges		**(30)**	(17)	(76)	**—**	—	—	**(30)**	(17)	(76)
Cash flow hedges		**(28)**	—	(100)	**—**	—	—	**(28)**	—	(100)
Fair value hedges		**(2)**	(17)	88	**—**	—	—	**(2)**	(17)	88
Other		**24**	(18)	>100	**150**	187	(20)	**174**	169	3
		3 523	3 810	(8)	**1 024**	904	13	**4 547**	4 714	(4)

Note

[1] Includes net interest income and non-interest income, net of credit impairments.

CIBW

Financial performance

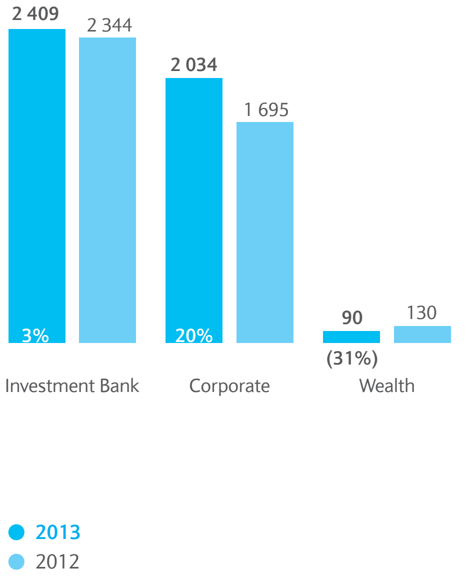
Headline earnings decreased by 4%, however CIBW reported a 9% growth in profit before income tax of R4 533 million (2012: R4 169 million). This performance was driven by solid net revenue growth in Corporate and Investment Banking and business as usual cost containment within inflation.

Net revenue increased by 10% to R11 348 million (2012: R10 352 million), which was mainly attributable to strong performances in Investment Banking and Corporate and the strengthening of African currencies against the rand. Investment Banking net revenue increased by 37% to R1 558 million (2012: R1 139 million), due to higher average loans and advances in target sectors and increased client execution and advisory roll outs. Corporate net revenue increased by 18% to R4 971 million (2012: R4 216 million), which can be attributed to strong growth in term debt and trade products and the sale of the Custody and Trustee business. Markets net revenue remained in line with the previous reporting period at R4 135 million (2012: R4 099 million), adversely impacted by difficult trading conditions in South Africa in the second quarter and margin pressures across South Africa and rest of Africa. However, this was off a high base as net revenue increased by 14% in the previous reporting period. Net revenue from Wealth declined by 5% to R423 million (2012: R445 million), driven by reduced referrals to the Markets business for large one-off trades and reduced foreign exchange activity.

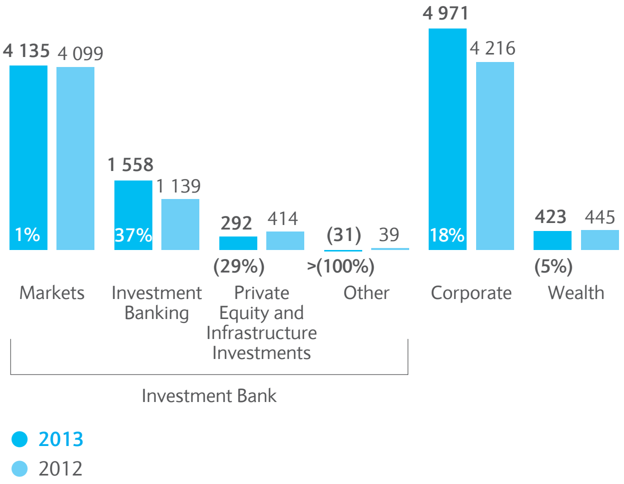
Operating expenses increased by 8% to R6 731 million (2012: R6 205 million). This was driven by a 138% increase in strategic investment spend in key growth areas, mainly relating to Barclays.Net (a Pan-African corporate online banking solution), the new client service centre and the launch of regional trading systems in Africa. Business as usual cost growth was contained within inflation.

Lower headline earnings and increased RWAs resulted in a marginal decline in the pro forma RoRWAs to 1,76% (2012: 1,97%). The increase in average RWAs was due to the implementation of Basel III, new term loans and volatile markets. However, from 2014 CIBW will benefit from a reduction in RWAs as a result of the sale of the interest in ACPE Fund 1.

Profit before income tax (Rm and change %)



Net revenue mix (Rm and change %)[1]



Note

[1] Includes net interest income and non-interest income, net of credit impairments.

CIBW

Operating environment

The global economy continued to recover; however, it entered yet another transition during the reporting period. For the first time since the global recession, advanced economies are supporting global growth while emerging market economies' growth is slowing. Emerging markets face the challenges of responding to lower growth as a result of lower domestic demand, lower commodity prices and tighter financial market conditions. Global monetary policy continued to be accommodative as inflationary pressures remained contained. South Africa's economic growth remained tepid and uneven, affected largely by subdued global demand and protracted industrial action in key sectors. Household consumption growth slowed further in 2013, reflective of deteriorating household balance sheets, a lacklustre job market, subdued confidence, rising inflation and moderating real wage growth. Consumer appetite for credit waned as credit extension to households slowed from 10,0% year-on-year in January to 5,9% year-on-year in November. The rand exchange rate against the US dollar depreciated throughout the reporting period, reaching a low of R10,53 in December after starting the year at R8,56. This was reflective of South African issues and a market expectation of the US Federal Reserve slowing its asset purchase programme. In the Barclays Africa presence markets, growth remained resilient at 5,0% in 2013 similar to the previous reporting period. The economies were affected by a more adverse external environment on the back of rising financing costs, slow growth in emerging markets, and less favourable commodity prices. In spite of continued resilient economic growth in a number of countries, fiscal pressures continued to build in a number of key markets and rating agencies reacted with a mix of outlook and/or rating downgrades.

Business performance

A number of milestones were achieved during the reporting period. These included the successful integration of the Barclays Africa Limited operations into the CIBW business framework, the listing of NewPlat, which is the largest platinum exchange traded fund globally, the sale of the Custody and Trustee business and the interest in ACPE Fund 1.

In addition, a number of key technology initiatives were implemented, such as the piloting of Barclays.Net and the launch of a regional trading system in several African countries including Zambia, Mauritius, Ghana and Botswana.

CIBW continues to be recognised by clients and the wider investor community with the following achievements:

- Awarded the Best Debt House in Africa at the 2013 Euromoney Awards.
- Rated the best overall bank in the 2013 Risk South Africa Rankings for the fourth consecutive year.
- Awarded Best Bond House and Best Foreign Exchange House in the 2013 annual Spire Awards.
- Awarded Best Foreign Investment Bank in South Africa, Kenya, Ghana, Egypt and Namibia by EMEA Finance in 2013.
- Awarded African Renewable Energy Deal of the Year for 2013 by Project Finance International Magazine.
- Awarded Africa Power Deal of the Year for 2013 by Project Finance Magazine.

These awards bear testament that CIBW's client-centric approach, innovative product offering and unique fully local, fully global business model, in partnership with Barclays, remains a compelling and relevant value proposition.

Business performance *(continued)*

Investment Bank

Markets

Markets net revenue remained in line with the previous reporting period at R4 135 million (2012: R4 099 million) largely affected by difficult trading conditions in the second quarter impacting South Africa, continued margin compression across fixed income and currencies and constrained liquidity.

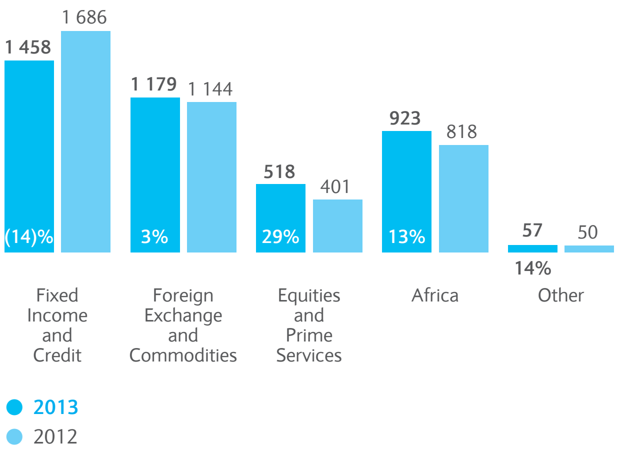
The mix of Markets net revenue has changed with the build out of Cash Equities and Prime Services businesses, the successful listing of NewPlat exchange traded fund and the launch of bond trading and risk management products in operations in the rest of Africa. The diversification of product revenues and continued introduction of fresh revenue streams enables Markets to withstand difficult trading conditions and competition that affect existing revenue streams.

Fixed Income and Credit recorded a decline in revenue of 14% to R1 458 million (2012: R1 686 million). Fixed Income's performance was negatively affected by volatile interest rate markets and reduced client revenues. The weaker performance was partially offset by sales in higher yielding products in Credit. Bond trading was launched for operations in the rest of Africa and is gaining momentum through participation in primary auctions for clients.

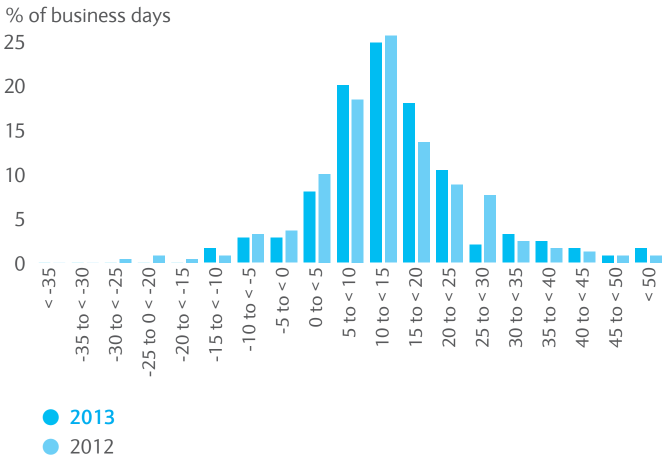
Foreign Exchange and Commodities experienced moderate growth of 3% to R1 179 million (2012: R1 144 million). Muted performance in Foreign Exchange was largely due to continually increasing competitive pressures influencing margins in South Africa and the rest of Africa. The muted performance was partially offset by strong revenue growth in Commodities benefiting from continued demand from institutions for NewPlat and NewGold exchange traded funds. The Group continues to lead the South African market in electronic trading capability and has initiated the launch of BARX, the multi-asset e-trading solution from Barclays, in the rest of Africa.

Net revenue from Equities and Prime Services has increased by 29% due to key hires in the Cash Equities business, a strong research team that improved rankings and commissions and client-driven activity in Prime Broking.

Markets net revenue split (Rm and change %)



Daily Markets revenue distribution South Africa (Rm)



Investment Banking

Investment Banking net revenue increased 37% to R1 558 million (2012: R1 139 million).

The business continued to benefit from its focus on key clients and enhancements around coverage and execution capabilities. The growth in the margin business was driven by strong balance sheet growth in target sectors for key clients with an increase in average loans and advances of 36%. Advisory fees continued to gain traction for both rand and other currency-related mandates. The integration of the business globally and across Africa resulted in the successful conversion of new mandates. A key milestone was the formation of in-country, regional Africa coverage teams, based in Lagos, Nairobi and Maputo respectively. CIBW senior bankers are building on recent successful sovereign bond mandates, to connect the segment's global corporate clients with strategic opportunities and financing solutions on the ground. The success of the advisory franchise was driven by enhanced execution strength, with key hires to support a strengthened transaction pipeline, particularly in relation to cross-border transactions. Dealogic ranked the mergers and acquisitions team third by volume in South Africa with Debt Capital Markets ranked second on the same basis.

Business performance *(continued)*

Investment Banking *(continued)*

Salient features	**2013**	2012	Change %
Margin business (Rm)	**1 217**	896	36
Fee business (Rm)	**341**	243	40
Net revenue (Rm)	**1 558**	1 139	37
Average loans and advances (Rbn)	**58,9**	43,2	36

Private Equity and Infrastructure Investments

Private Equity and Infrastructure Investments reported net revenue of R292 million (2012: R414 million). Net revenue was mainly impacted by lower revaluations of investments, which was partially offset by disposals of certain debt and equity instruments. Despite challenging market conditions, net revaluations across the portfolio remained positive. In the fourth quarter, the Group disposed of its 73,37% limited partnership interest in the ACPE Fund 1 to a syndicate led by HarbourVest Partners L.P. The decrease in the portfolio size is mainly attributable to this transaction.

Salient features	**2013**	2012	Change %
Revaluations (Rm)	**101**	318	(68)
Debt instruments	**94**	165	(43)
Equity instruments	**7**	153	(95)
Realisations, dividends, interest and fees (Rm)	**277**	179	55
Funding (Rm)	**(86)**	(83)	(4)
Net revenue (Rm)	**292**	414	(29)
Total portfolio size (Rbn)	**3,3**	5,7	(42)

Corporate

Corporate net revenue increased 18% to R4 971 million (2012: R4 216 million) underpinned by strong growth across all products, the strengthening of the African currencies against the rand and the sale of the Custody and Trustee business. Excluding the sale, net revenue increased by 14%. The solid performance was partially offset by an increase in credit impairments for operations in the rest of Africa.

The increase in net interest income was driven by higher average loans and advances in term debt, trade finance and overdrafts and a stable margin across the asset portfolio. However deposit margins are slightly down on the back of client demand for increased yield. Non-interest income growth was largely due to the sale of the Custody and Trustee business and improved volumes and profitability in trade products specifically from guarantees and letters of credits. Electronic banking fees increased by 8% mainly due to domestic collections which increased by 12% on the previous reporting period.

The Corporate franchise has grown during the reporting period and is testament to new product developments and cross-sell opportunities across the Group.

The rest of Africa operating model is making traction and this year has shown successes with key deals being won in country. In addition, the Uganda business won the Deloitte Global Cash award.

Business performance *(continued)*

Corporate *(continued)*

Salient features	2013 South Africa	2013 Rest of Africa	2013 Total	2012 South Africa	2012 Rest of Africa	2012 Total	Change %
Gross revenue (Rm)	**3 209**	**1 958**	**5 167**	2 662	1 625	4 287	21
Net interest income	**1 931**	**1 191**	**3 122**	1 794	1 044	2 838	10
Non-interest income	**1 278**	**767**	**2 045**	868	581	1 449	41
Credit impairments (Rm)	**(41)**	**(155)**	**(196)**	(52)	(19)	(71)	>(100)
Net revenue (Rm)	**3 168**	**1 803**	**4 971**	2 610	1 606	4 216	18
Average loans and advances to customers (Rbn)	**36,1**	**16,1**	**52,2**	35,8	11,8	47,6	10
Average deposits due to customers (Rbn)	**113,6**	**31,8**	**145,4**	107,8	22,9	130,7	11

Wealth

Wealth net revenue decreased by 5% to R423 million (2012: R445 million), driven by reduced referrals to the Markets business for large one-off trades and reduced foreign exchange activity. Wealth's strategy is to focus on growing annuity-based income relating to investment management and advice business. To date the successful implementation of this strategy resulted in a 12% increase in investment fees with a corresponding 11% increase in client assets, including assets under management and client savings balances. Credit remains a key part of the client value proposition and the business benefited from a 22% increase in credit fees, mostly related to increased activity for shorter term facilities. Credit impairments remained flat on the previous reporting period underpinned by a significant improvement in specific impairments partially offset by increased unidentified credit impairments as a result of the implementation of an enhanced credit model.

Salient features	2013	2012	Change %
Gross revenue (Rm)	**482**	504	(4)
Net interest income	**333**	346	(4)
Non-interest income	**149**	158	(6)
Credit impairments (Rm)	**(59)**	(59)	—
Net revenue (Rm)	**423**	445	(5)
Average loans and advances to customers (Rbn)	**11,0**	10,9	1
Client assets (Rbn)	**16,7**	15,0	11

Looking ahead

Through collaboration with the Barclays global businesses, there is a significant opportunity to build a strong wholesale offering for our African clients. CIBW's strategy aims to deliver to clients the benefits of the entire local and global operating model in line with the value proposition of client-centricity and the 'Go-To' CIBW offering in Africa. Corporate is a critical driver for revenue growth along with establishing an investment banking presence in the rest of Africa.

Financial Services

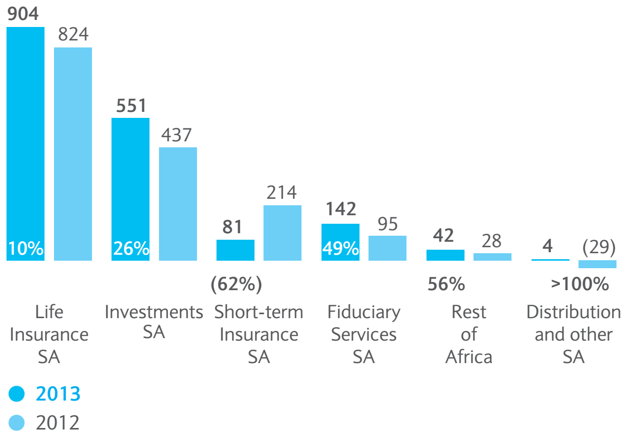
Favourable

- Net operating income growth of 10%.
- Strong earnings growth from Investments (26%) and Fiduciary Services SA (49%).
- Successful expansion into the rest of Africa.
- Embedded value of new business in Life Insurance grew 18%.
- New distribution model delivering results.
- Return on average equity improved from 27,2% to 28,6%.
- Turnaround of Employee benefits business.

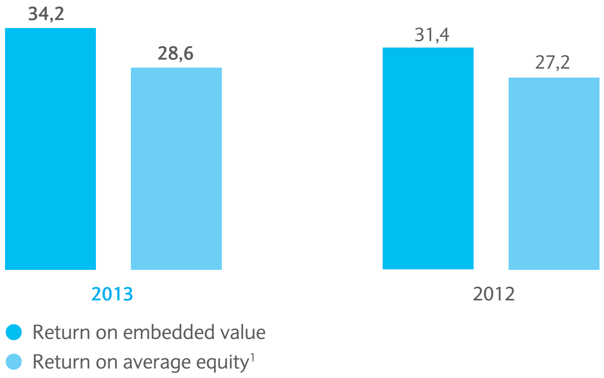
Unfavourable

- High volumes of Short-term Insurance claims experienced in South Africa.
- Decline in assets under management and administration.

Net operating income per business unit (Rm and change %)



Return on embedded value and average equity (%)



Salient features	2013	2012	Change %
Net operating income (Rm)	1 724	1 569	10
Headline earnings (Rm)	1 370	1 265	8
Cost-efficiency ratio (%)[1]	24,1	24,2	
Combined ratio (%)	98,6	94,9	
Assets under management and administration (Rbn) – Investments	176	192	(8)
Embedded value of new business (Rm)	427	362	18

Note

[1] These ratios are unaudited.

Financial Services

Business profile

Financial Services provides insurance, fiduciary and non-banking-related investment products and services to retail, commercial and corporate clients. A well-established and unique financial services operating model determines how these products and services are offered. This model combines the strengths of a traditional banking services model with those of a pure distribution channel model and enables the provision of financial services to all market segments in sub-Saharan Africa.

Key business areas

➜ **Life Insurance** – offers life insurance, covering death, disability and retrenchment, as well as funeral and investment products.

➜ **Investments** – consists of six business units, which operate on a collaborative basis to offer individual and institutional clients access to high-quality investment products and services. These include asset management, private client asset management, multi-management, unit trusts, stock broking, participation bonds and linked investments.

➜ **Short-term Insurance** – provides short-term insurance solutions to the retail and commercial market segments. A direct-to-client short-term solution, Absa *idirect*, is also available to the retail market.

➜ **Fiduciary Services** – consists of estate administration and employee benefits businesses, offering retirement fund administration, consulting and actuarial services, health care services and Absa Trust, which administers deceased estates and provides trustee services for personal, family, charitable and employee benefit trusts.

➜ **Distribution** – one of the largest financial, investment and risk advisory companies in South Africa. It provides the full spectrum of financial advisory services and acts as an intermediary between the Group's customers, clients and various other product providers.

➜ **Other** – includes Financial Services' head office and holding companies as well as allocated shareholder expenses.

Financial performance

Financial Services achieved a growth of 10% in net operating income to R1 724 million (2012: R1 569 million). Headline and attributable earnings increased by 8% and 10% respectively.

All the business units performed strongly and achieved double digit headline earnings growth, but severe weather conditions resulted in a 62% decline in net operating income for the South African Short-term Insurance operations. Net operating income, excluding Short-term Insurance, increased by 21%. Highlights for the reporting period includes growth in net operating income from the rest of Africa of 50%, 26% from Investments, 97% from Distribution and a growth of 235% from Employee benefit businesses within Fiduciary Services.

In spite of strong retail inflows, total assets under management and administration in Investments declined due to the closure of Absa Mortgage Fund Managers (R2 billion) and the strategic decision to discontinue the administration of the pension fund business (R26 billion). However due to the change in the composition of business which increased in margins from 49,7 basis points to 55,8 basis points, Investments delivered revenue growth of 14%.

Life Insurance experienced a solid growth in the embedded value of new business of 18% to R427 million (2012: R362 million).

Total gross insurance premium income increased by 8%, while net insurance premium income remained relatively unchanged from the previous reporting period. Net insurance premiums for Life Insurance in South Africa increased by 5% and decreased by 6% for the South African Short-term Insurance operations. Operations in the rest of Africa achieved a 34% growth in net insurance premiums.

Short-term Insurance achieved particularly strong underwriting results for the second and third quarters of the reporting period, however significant weather-related claims for crop cover during the first quarter and heavy rains and hail experienced in the fourth quarter resulted in a significantly higher number of claims. The South African Short-term Insurance business delivered an underwriting surplus of R330 million compared to R431 million for the previous reporting period.

Distribution achieved an increase of 10% in net commissions earned.

Operating expenses increased by 9% to R2 216 million (2012: R2 037 million). Operating expenses for South African operations were well-managed and increased by 7%, supported by various efficiency initiatives containing growth in staff costs to 4%, but largely offset by increased investments in IT systems and client services. Operations in the rest of Africa recorded an increase of 48% in operating expenses, compared to a growth of 50% in net operating income.

Financial Services

	Life Insurance			Investments		
	2013 Rm	2012 Rm	Change %	**2013 Rm**	2012 Rm	Change %
Statement of comprehensive income						
Net insurance premium income	**2 466**	2 312	7	**—**	—	—
Net insurance claims and benefits paid	**(720)**	(577)	(25)	**—**	—	—
Investment income						
Policyholder investment contracts	**2 278**	1 397	63	**—**	—	—
Policyholder insurance contracts	**287**	277	4	**—**	—	—
Changes in investment and insurance contract liabilities						
Policyholder investment contracts	**(2 177)**	(1 303)	(67)	**—**	—	—
Policyholder insurance contracts	**(183)**	(344)	47	**—**	—	—
Other income[1]	**(53)**	(43)	(26)	**997**	871	14
Gross operating income	**1 898**	1 719	10	**997**	871	14
Net commission paid by insurance companies[2]	**(487)**	(490)	1	**—**	—	—
Operating expenses	**(379)**	(305)	(24)	**(442)**	(422)	(5)
Other	**(98)**	(87)	(13)	**(4)**	(12)	67
Net operating income	**934**	837	12	**551**	437	26
Investment income on shareholder funds	**111**	103	8	**23**	26	(12)
Shareholder expenses[3]	**—**	—	—	**—**	—	—
Taxation expense	**(285)**	(266)	(7)	**(162)**	(133)	(22)
Profit for the reporting period	**760**	674	13	**412**	330	25
Headline earnings	**760**	676	12	**412**	334	23

Note

1. Investment income

	Life Insurance			Investments		
	2013 Rm	2012 Rm	Change %	**2013 Rm**	2012 Rm	Change %
Policyholder investment contracts	**2 278**	1 397	63	**—**	—	—
Net interest income	**445**	523	(15)	**—**	—	—
Dividend income	**172**	145	19	**—**	—	—
Fair value gains	**1 661**	729	>100	**—**	—	—
Policyholder insurance contracts	**287**	277	4	**—**	—	—
Net interest income	**69**	60	15	**—**	—	—
Dividend income	**13**	15	(13)	**—**	—	—
Fair value gains	**205**	202	1	**—**	—	—
Shareholder funds	**111**	103	8	**23**	26	(12)
Net interest income	**35**	35	—	**23**	26	(12)
Dividend income	**9**	10	(10)	**—**	—	—
Fair value gains/(losses)	**67**	58	16	**—**	—	—
Total	**2 676**	1 777	51	**23**	26	(12)
Net interest income	**549**	618	(11)	**23**	26	(12)
Dividend income	**194**	170	14	**—**	—	—
Fair value gains/(losses)	**1 933**	989	95	**—**	—	—

Net fee and commission income	**2013 Rm**	2012 Rm	Change %
Employee benefit-related fees	**342**	320	7
Investment management and related fees	**981**	866	13
Net commission from distribution business	**447**	407	10
Net commission paid by insurance companies[2]	**(951)**	(959)	1
Trust and estate income	**274**	266	3
Other	**15**	(36)	>100
Total	**1 108**	864	28

Notes

[1] Includes impairment losses on loans and advances.

[2] Includes internal commission, eliminated on consolidation of the Group's results.

[3] Shareholder expenses previously retained at a Group level now charged to the business.

Financial Services

Short-term Insurance			Fiduciary Services			Other			Total Financial Services		
2013 Rm	2012 Rm	Change %	2013 Rm	2012 Rm	Change %	2013 Rm	2012 Rm	Change %	2013 Rm	2012 Rm	Change %
2 983	3 108	(4)	8	3	>100	—	—	—	5 457	5 423	1
(2 094)	(2 138)	2	(2)	(1)	>(100)	—	—	—	(2 816)	(2 716)	(4)
—	—	—	—	—	—	97	88	10	2 375	1 485	60
51	52	(2)	—	—	—	—	—	—	338	329	3
—	—	—	—	—	—	(97)	(60)	(62)	(2 274)	(1 363)	(67)
—	—	—	—	—	—	—	—	—	(183)	(344)	47
33	29	14	672	589	14	469	424	11	2 118	1 870	13
973	1 051	(7)	678	591	15	469	452	4	5 015	4 684	7
(463)	(468)	1	(1)	(1)	—	—	—	—	(951)	(959)	1
(383)	(344)	(11)	(520)	(486)	(7)	(492)	(480)	(3)	(2 216)	(2 037)	(9)
(3)	7	>(100)	(10)	(4)	>(100)	(9)	(23)	61	(124)	(119)	(4)
124	246	(50)	147	100	47	(32)	(51)	37	1 724	1 569	10
95	102	(7)	9	8	13	41	43	(5)	279	282	(1)
—	—	—	—	—	—	(106)	(101)	(5)	(106)	(101)	(5)
(64)	(94)	32	(41)	(32)	(28)	24	23	4	(528)	(502)	(5)
155	254	(39)	115	76	51	(73)	(86)	15	1 369	1 248	10
155	255	(39)	116	76	53	(73)	(76)	4	1 370	1 265	8
—	—	—	—	—	—	97	88	10	2 375	1 485	60
—	—	—	—	—	—	(30)	1	>(100)	415	524	(21)
—	—	—	—	—	—	22	22	—	194	167	16
—	—	—	—	—	—	105	65	62	1 766	794	>100
51	52	(2)	—	—	—	—	—	—	338	329	3
51	52	(2)	—	—	—	—	—	—	120	112	7
—	—	—	—	—	—	—	—	—	13	15	(13)
—	—	—	—	—	—	—	—	—	205	202	1
95	102	(7)	9	8	13	41	43	(5)	279	282	(1)
91	94	(3)	—	—	—	7	6	17	156	161	(3)
7	8	(13)	—	—	—	—	—	—	16	18	(11)
(3)	—	(100)	9	8	13	34	37	(8)	107	103	4
146	154	(5)	9	8	13	138	131	5	2 992	2 096	43
142	146	(3)	—	—	—	(23)	7	>(100)	691	797	(13)
7	8	(13)	—	—	—	22	22	—	223	200	12
(3)	—	(100)	9	8	13	139	102	36	2 078	1 099	89

	South Africa			Rest of Africa			Total		
Segment report per geographical segment	2013 Rm	2012 Rm	Change %	2013 Rm	2012 Rm	Change %	2013 Rm	2012 Rm	Change %
Net insurance premium income	4 962	5 054	(2)	495	369	34	5 457	5 423	1
Net insurance claims and benefits paid	(2 638)	(2 622)	(1)	(178)	(94)	(89)	(2 816)	(2 716)	(4)
Gross operating income	4 713	4 451	6	302	233	30	5 015	4 684	7
Operating expenses	(2 084)	(1 948)	(7)	(132)	(89)	(48)	(2 216)	(2 037)	(9)
Net operating income	1 682	1 541	9	42	28	50	1 724	1 569	10
Profit for the reporting period	1 332	1 230	8	37	18	>100	1 369	1 248	10

Financial Services

	2013 Rm	2012 Rm	Change %
Statement of financial position			
Assets			
Cash balances and loans and advances to banks[1]	**1 561**	1 236	26
Non-current assets held for sale[2]	**2 872**	2 548	13
Investment securities[1]	**172**	57	>100
Financial assets backing investment and insurance liabilities			
Policyholder			
Investment contracts	**19 796**	18 784	5
Cash balances and loans and advances to banks	**493**	422	17
Investment securities	**19 146**	17 911	7
Reinsurance assets	**157**	451	(65)
Insurance contracts	**2 782**	2 773	0
Cash balances and loans and advances to banks	**1 310**	1 522	(14)
Investment securities	**757**	685	11
Reinsurance assets	**715**	566	26
Shareholder	**2 631**	2 442	8
Cash balances and loans and advances to banks	**1 406**	1 250	12
Investment securities	**1 225**	1 192	3
Other assets	**3 190**	2 963	8
Other assets relating to investment contracts	**1**	1	—
Other assets[3]	**3 189**	2 962	8
Property and equipment	**117**	117	—
Total assets	**33 121**	30 920	7
Liabilities			
Non-current liabilities held for sale	**1 476**	1 303	13
Liabilities under investment contracts	**19 773**	18 768	5
Policyholder liabilities under insurance contracts[4]	**3 930**	3 551	11
Other liabilities	**3 007**	2 550	18
Other liabilities[3]	**2 983**	2 533	18
Other liabilities relating to investment contracts	**24**	17	41
Deferred tax liabilities	**52**	50	4
Total liabilities	**28 238**	26 222	8
Equity			
Capital and reserves	**4 883**	4 698	4
Total equity	**4 883**	4 698	4
Total liabilities and equity	**33 121**	30 920	7

Notes

[1] Non-insurance-related balances.

[2] Included in non-current assets held for sale are net assets and liabilities of **R959 million** (2012: R956 million) backing policyholder liabilities under insurance contracts.

[3] Other assets and liabilities include settlement account balances in Absa Stockbrokers Proprietary Limited.

[4] In managing the policyholder liability, certain assets have been allocated specifically for the purpose of backing this liability.

Reconciliation with Group	2013 Financial Services Rm	Inter-segment eliminations Rm	Other[1] Rm	Group Rm
Statement of financial position[2]				
Investment securities				
Investments linked to investment contracts	19 146	(3 012)	—	16 134
Policyholder liabilities under insurance contracts	(3 930)	12	(40)	(3 958)
Statement of comprehensive income[2]				
Net insurance premium income	5 457	—	229	5 686
Net insurance claims and benefits paid	(2 816)	(34)	31	(2 819)
Gains and losses from investment activities – net gains on investments from insurance activities – policyholder investment contracts	2 375	(194)	—	2 181

Reconciliation with Group	2012 Financial Services Rm	Inter-segment eliminations Rm	Other[1] Rm	Group Rm
Statement of financial position[2]				
Investment securities				
Investments linked to investment contracts	17 911	(4 100)	—	13 811
Policyholder liabilities under insurance contracts	(3 551)	69	(68)	(3 550)
Statement of comprehensive income[2]				
Net insurance premium income	5 423	(13)	208	5 618
Net insurance claims and benefits paid	(2 716)	—	(3)	(2 719)
Gains and losses from investment activities – net gains on investments from insurance activities – policyholder investment contracts	1 485	(399)	—	1 086

Notes

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

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

Operating environment

The global and domestic economies, as well as the disposable income of consumers, remained under pressure throughout the reporting period. In addition, property prices remained stagnant in real terms. This impacted the affordability of and appetite for credit, as well as the liquidity and values of estates. The low interest rate environment negatively impacted the income earned on shareholder funds and the low exposure to equity markets resulted in limited upside from the strong equity market performance. Clients benefited from growth in equity values through the strong performance of asset managers, as did these investment businesses from fees earned on higher asset values.

Business performance

Life Insurance experienced 16,4% growth in new business volumes during the reporting period. The short-term insurance industry was characterised by high claims levels following significant hail and heavy rains. Operations in the rest of Africa delivered strong growth with a 34% increase in net premiums.

Life Insurance

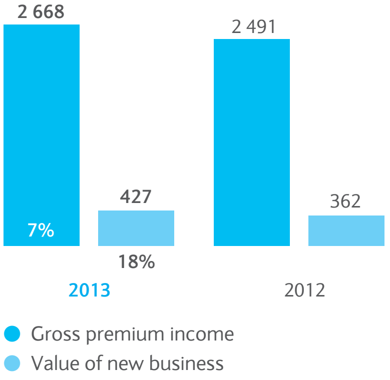
Net premium income increased by 7% to R2 466 million (2012: R2 312 million). Operations in the rest of Africa performed strongly with an increase in net premium income of 28% to R257 million and net operating income growth of 114% to R31 million.

Life Insurance experienced strong growth in the embedded value of new business of 18%. Increased new business volumes in 2013 and favourable experience compared to basis assumptions, resulted in the value of business in force increasing from R2 364 million as at 31 December 2012 to R2 591 million.

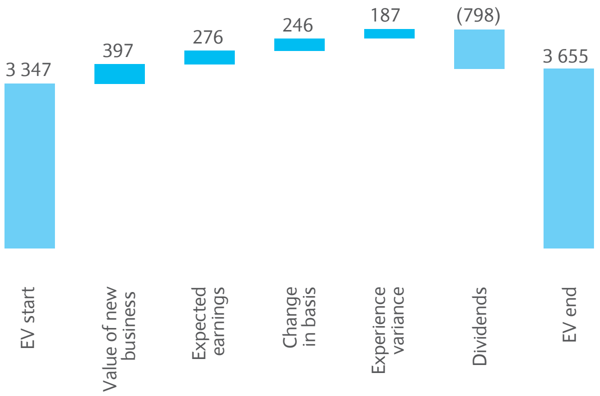
The valuation of policyholder liabilities was impacted by revised economic basis assumptions (R74,4 million) and a number of demographic assumption and experience adjustments (R21 million).

Operating expenses increased by 24% to R379 million, due to the expansion into the rest of Africa as well as increased IT and amortisation spend in South Africa resulting from an operating system replacement.

Gross premium income and value of new business (Rm and change %)



Embedded value (Absa Life South Africa) (Rm)



Salient features	2013	2012	Change %
Shareholders' net assets (Rm)	**1 467**	1 488	(1)
Cost of solvency capital (Rm)	**(308)**	(467)	(34)
Value of business in force (Rm)	**2 591**	2 364	10
Embedded value (Rm)	**3 750**	3 385	11
Embedded value earnings (Rm)	**1 157**	965	20
Return on embedded value (%)	**34,2**	31,4	
Embedded value of new business (Rm)	**427**	362	18
Value of new business as a % of the present value of future premiums (%) (Net)	**8,0**	9,3	
Value of new business as a % of the present value of future premiums (%) (Gross)	**7,6**	8,6	

Business performance *(continued)*

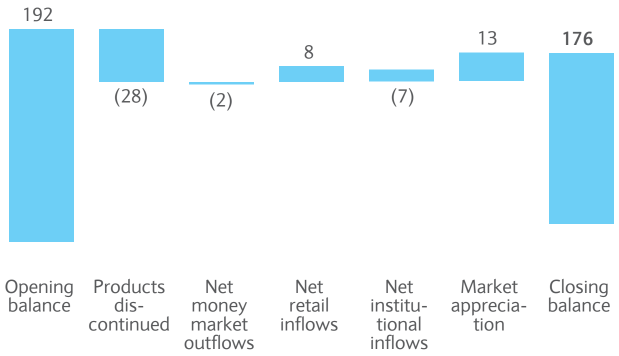
Investments

Investments achieved strong results with net operating income and profit after income tax increasing by 26% and 25% respectively. Revenue grew by 14% to R1 032 million (2012: R885 million), driven by the change in the composition of business which increased margins from 49,7 basis points to 55,8 basis points.

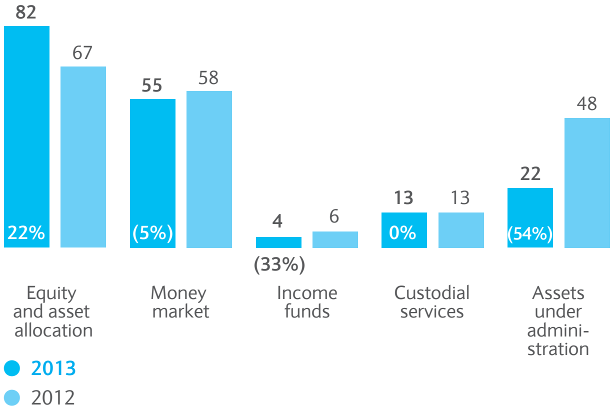
As at the reporting date assets under management and administration amounted to R176 billion (2012: R192 billion), a reduction of R16 billion. Outflows to the amount of R28 billion resulted from management decisions for the closure of Absa Mortgage Fund Managers (R2 billion) and the repositioning of the Multi Manager offering (R26 billion), resulting in low margin pension fund asset administration services being outsourced to a third party. Fund inflows of R16 billion was achieved with retail flows into unit trust products remaining strong.

The money market funds declined by R3 billion to R55 billion in line with expectations given the low interest rate environment. Segregated institutional mandates increased marginally to R27 billion, with the strong inflows during the first half of the reporting period being offset by institutional outflows in the latter part of the reporting period. Margins increased from 49,7 basis points to 55,8 basis points due to the strong retail fund inflows as well as growth in balanced and equity mandates relative to money market funds.

Movement in assets under management and administration (Rbn)



Assets under management and administration (Rbn and change %)



Salient features	**2013**	2012	Change %
Headline earnings (Rm)	**412**	334	23
Gross margin (bps)	**55,8**	49,7	
Net flows (Rbn)[1]	**(0,4)**	4,8	>(100)
Money market	**(2,3)**	(2,5)	8
Non-money market – retail	**6,2**	2,6	>100
Non-money market – institutional	**(4,3)**	4,7	>(100)
Net assets under management and administration (Rbn)	**176**	192	(8)

Note

[1] Net flows exclude market appreciation/depreciation and outflows to the amount of R28 billion resulting from management decisions.

Business performance *(continued)*

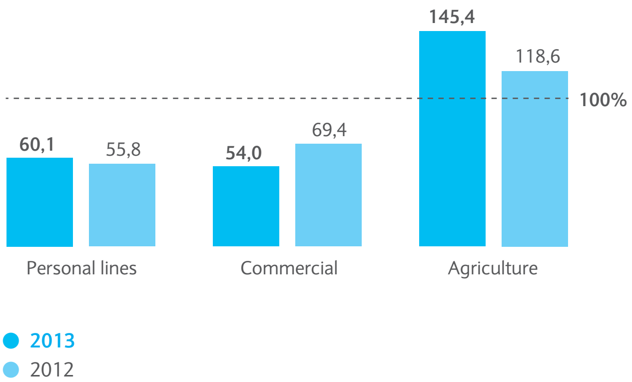
Short-term Insurance

Short-term Insurance achieved headlines earnings of R155 million (2012: R255 million), a decline of 39% on the previous reporting period.

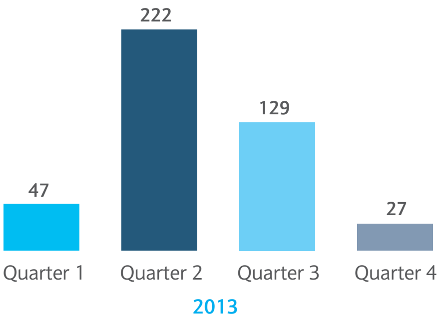
Net insurance premium income reduced by 4% to R2 983 million, mainly due to reduced appetite for crop insurance cover in the second half of the reporting period and the discontinuation of various non-core product lines.

An underwriting profit of 1,4% was achieved, compared to 5,1% in 2012. In the South African business, crop insurance was the main driver of the underwriting loss of 6,2% for the first quarter, followed by very good underwriting margins of 9,3% and 10,3% in the second and third quarters respectively. A number of significant weather events in South Africa in the fourth quarter negatively impacted the personal lines and crop product lines and a loss of 11,6% was incurred. Crop insurance reported a claims ratio of 145,4% for the reporting period, resulting in underwriting losses of R49,6 million (before allocation of expenditure). The underwriting surplus of personal lines decreased from 29,3% in 2012 to 23,0% for the reporting period. Actions taken to improve the performance of the commercial product lines resulted in the underwriting margin improving to 29,3%. The claims ratio for the reporting period was 70,3%, compared to the 68,8% in 2012. Operations in the rest of Africa performed strongly with an increase in net premium income of 39% to R230 million (2012: R166 million) and net operating income of 34% to R43 million (2012: R32 million).

Loss ratio (%)[1]



Underwriting surplus (pre-expenses Rm)



Salient features	2013	2012	Change %
Gross premiums (Rm)	**4 831**	4 474	8
Underwriting surplus (Rm)	**425**	502	(15)
Headline earnings (Rm)	**155**	255	(39)
Underwriting margin (%)	**1,4**	5,1	
Loss ratio (%)[1]	**70,3**	68,8	
Solvency margin (%)	**58,8**	60,8	
Net asset value (Rm)	**1 798**	1 809	(1)

Note

[1] The loss ratio represents net insurance claims and benefits paid as a % of net premium income.

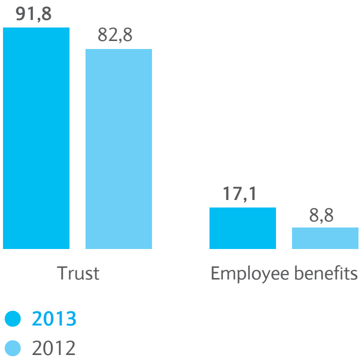
Business performance *(continued)*

Fiduciary Services

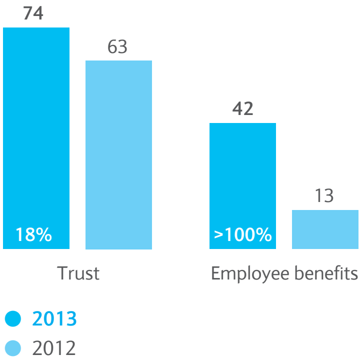
Headline earnings increased by 53% to R116 million (2012: R76 million). Absa Trust continued to generate solid cash flows and reported an 18% increase in headline earnings to R74 million (2012: R63 million) and a return on average equity of 92%. This was achieved despite continued cash shortfalls experienced in estates. The business continued to show strong growth in new wills written in the high net worth segment.

The revenue of the Employee benefits business increased during the reporting period and restructuring changes undertaken during previous reporting periods have produced positive results. Employee benefits' headline earnings increased by 230% to R42 million (2012: R13 million).

Return on average equity (%)



Headline earnings (Rm and change %)



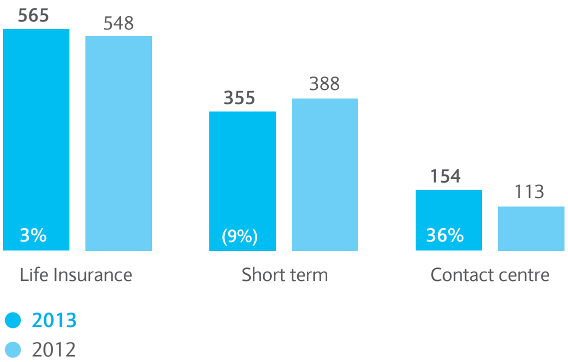
Salient features	2013	2012	Change %
Headline earnings (Rm)	**116**	76	53
Average value of estates distributed (R'000)	**1 031**	926	11
Net assets under management (Rbn)	**11,6**	9,6	21
Third party	**7,0**	5,7	23
Investments	**4,6**	3,9	18

Business performance *(continued)*

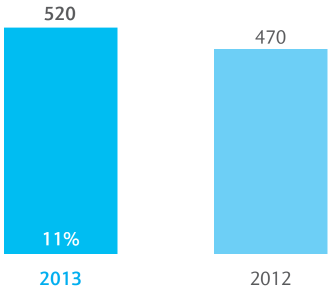
Distribution

Distribution achieved revenue of R520 million, an increase of 11% from the R470 million reported for the previous reporting period. The new operating model for long-term insurance and investment advisors achieved strong results and contributed to improved flows and higher support for the Group's products. Since the second quarter of the reporting period, this business has steadily improved its bottom line and has achieved its objective of breakeven for the reporting period.

Distribution force (number and change %)



Revenue (Rm and change %)



Looking ahead

The strategy of Financial Services remains largely unchanged for 2014, but the integration of the Wealth and Investment businesses creates exciting new opportunities to improve our client offering and becoming the 'Go-To' financial services provider for our clients. Total assets under management and administration as at 31 December 2013 for the integrated Wealth and Investment business are R225 billion. Other focus areas include the continued expansion into the rest of Africa, improving and expanding our multi-channel distribution capabilities and continued improved penetration into the Group's customer and client base. Improving process efficiency and product/client profitability remains key. The profitability of the short-term insurance industry is an area of focus. The increased weather-related claims over the last few seasons indicate the need for consideration of appropriate strategic operational responses. Financial Services will pursue business and industry solutions to ensure improved performance from the business without compromising the needs of our clients.

Risk management

Contents

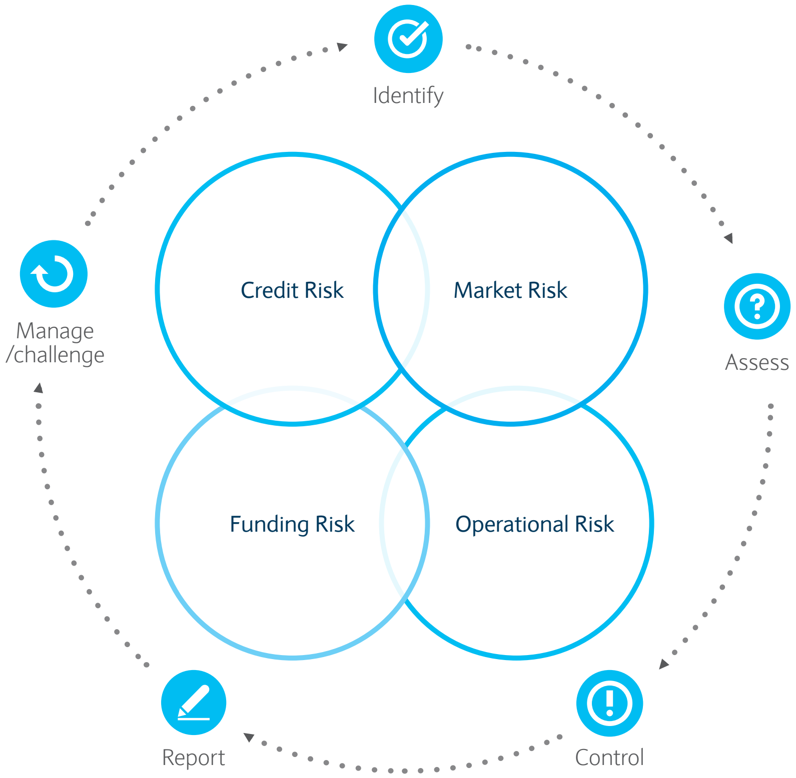
Risk management overview

for the reporting period ended 31 December

> Effective risk management and control that is consistent with Barclays Bank PLC strategy is essential for sustainable and profitable growth.

The role of risk management is to evaluate, respond to and monitor risks that arise in the execution of the Group's strategy to become the 'Go-To' bank in Africa. It is essential that business growth plans are properly supported by an effective risk management infrastructure. The Group's risk culture is based on close alignment with the business to ensure trust and understanding, together with clear independence to ensure analytical and objective decision-making at every level.

Principal risks that the Group faces are:



The Group has clear risk management objectives and a well-established risk strategy, delivered through core risk management processes. The Group's approach to managing risk is outlined in the Enterprise Risk Management ("ERM") framework. It defines the 'Go-To' risk management process and sets out the activities, tools, techniques and organisational arrangements to ensure that all material risks facing the bank are identified and understood. Principal risks and the key roles and responsibilities of principal and key risk owners and governance requirements are also outlined in the ERM framework. Further, for each key risk a control framework with supporting policies and standards outlines risk, control and governance requirements for the management of risk within the Group.

Risk management overview
for the reporting period ended 31 December

Review of 2013

Against the backdrop of a continuing challenge in the macro-economic environment, overall performance continued to improve. Risk and capital measures remained within board-approved risk appetite levels. Some of the risk highlights for the reporting period include:

- Loans and advances increased, driven by growth in VAF, Absa Card, CIB, Kenya and Mauritius partially offset by a reduction in NPL in Home Loans.
- Credit performance continued to improve across the retail and wholesale portfolios. Both impairment charges and the impairment losses ratio reduced year-on-year while the Group continued to increase coverage on NPLs.
- Market risk exposures were managed within risk appetite, despite volatility in interest rate markets, emerging market exchange rates and market liquidity.
- Operational risk losses were lower than the previous reporting period. Fraud and transactional operations were the primary drivers of losses.
- The Group remains well capitalised above the minimum regulatory requirements and board-approved target capital ranges after the successful implementation of Basel III in January 2013, the declaration of a special dividend of 708 cents per share in July 2013, and the completion of the combination of Barclays Africa Limited operations with Absa Group on 31 July 2013.
- The Group's liquidity position remains healthy and well managed within key limits and metrics.
- A recovery plan was developed and presented to the SARB. Its scope was based on the South African entities of Barclays Africa Group Limited.

Looking ahead

The Group will continue to focus on delivery of effective and efficient risk management, while meeting its regulatory requirements. The Group will continue to keep its customers and clients at the centre of what it does and strive to deliver sustainable returns above the cost of equity. The Group's specific risk management priorities for 2014 include:

- Complete integration of the acquired Barclays Africa Group Limited operations to ensure a uniform approach to managing risk across Africa.
- Implement and embed the ERM framework and the 'Go-To' target operating model for risk.
- Further improve risk-adjusted returns whilst reducing volatility in performance.
- Ensure performance is in line with risk appetite for all risk types. Refine risk-appetite approach for Insurance risk.
- Continue to strengthen infrastructure and control with particular emphasis on fraud, transactional operations, technology and regulatory risk.
- Continue to build on the recovery plan and align the new Barclays Africa Group Limited structure with it.
- Further develop an approach for the management of conduct risk which is defined as 'detriment caused to the Group's customers and clients, counterparties or the Bank as a result of inappropriate execution of business activities'.

Credit risk

Credit risk is the risk of financial loss should the Group's customers, clients or market counterparties fail to fulfil their contractual obligations to the Group. The Group actively seeks to originate and manage credit risk in such a way as to achieve sustainable asset growth and risk-adjusted returns in line with board-approved risk appetite.

Factors that influence these risks

Specific areas and scenarios which could have an impact on credit risk in both the retail and wholesale portfolios include:

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

Credit risk *(continued)*

How the Group manages Credit risk

- Define clear risk appetite thresholds and triggers
- Understand the Group's customer target market
- Establish risk acceptance criteria
- Undertake sound credit approval, monitoring and account management
- Ensure appropriate risk infrastructure and controls

Wholesale Credit risk

2013 in review

	2013 **%**	2012 %
Pro forma growth in loans and advances	**13,6**	6,8
Risk weighted assets as a percentage of gross credit extended[1,2]	**29,60**	26,21
Non-performing loans as a percentage of gross loans and advances to customers	**3,2**	4,2
Non-performing loans coverage ratio	**42,4**	40,6
Impairment losses ratio	**0,5**	0,8

- Growth: The portfolio experienced modest growth in 2013, above South African GDP growth rates and within risk appetite levels. Renewed interest by South African large corporate and multinational corporate clients in infrastructure and other project finance ventures resulted in a noticeable increase in the investment bank's term lending portfolio (26,5% increase). The Markets business increased 23% underpinned by increased demand for currency hedging from corporate clients and financial institutions. Outside South Africa, the wholesale portfolio grew by 13%, with Mauritius on-shore and off-shore strategies showing particularly strong results (30% portfolio growth).

- Portfolio performance: Performance was in line with expectations. In particular, arrears within Business Banking have reduced. Average probability of default ("PD") measures improved across the wholesale client base. The exposure in early warning list ("EWL") reduced significantly over the reporting period as a consequence of heightened management attention and active client engagement. The SARB review of the Group's advanced internal ratings-based ("AIRB") approach to risk models and reporting confirmed the appropriateness of the Group's risk modelling approach within wholesale credit.

- Impairments: Impairments reduced significantly from previous reporting period, primarily in CPF and CAF due to significant reduction in exposure to customers in legal status resulting from increased risk management intervention. The NPL Coverage ratio increased across major portfolios.

Looking ahead

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

Retail Credit risk

2013 in review

	2013 **%**	2012 %
Growth in loans and advances	**3,1**	3,4
Risk weighted assets as a percentage of gross credit extended[1,2]	**34,88**	32,38
Non-performing loans as a percentage of gross loans and advances to customers	**5,6**	6,6
Non-performing loans coverage ratio	**41,6**	37,3
Impairment losses ratio	**1,5**	1,9

Note

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

[2] The percentages only include portfolio's subject to the IRB approaches.

Credit risk *(continued)*

Retail Credit risk *(continued)*

2013 in review (continued)

- Growth: Overall South African loans and advances remained flat driven by growth in VAF, the acquisition of Edcon, and a modest increase in unsecured lending, offset by a continuing reduction in the Home Loans legal recovery book. Outside South Africa, the portfolio has grown by 11% and contributes 8% of the total retail portfolio. This growth is primarily driven by unsecured loans, with Kenya and Mauritius being the main contributors.
- Portfolio performance: New business quality within South Africa continued to improve across major portfolios due to improvements in credit policy, customer segmentation, and a prudent approach to unsecured lending. In Ghana, Mozambique and Tanzania actions were implemented to address new business performance concerns caused by operational issues. Overall Retail portfolio performance has continued to improve with NPLs reducing from 6,6% to 5,6%, primarily due to reduction in South Africa Home Loans where NPLs reduced by R5,2 billion, from 8,0% as a percentage of loans and advances to 5,9%.
- Impairment: South African Home Loans impairment losses ratio reduced from 2,0% to 0,7% driven by non-recurrence of 2012 charges taken to increase coverage, and reduced inflow into NPLs due to strong performance of new business and improved collection capabilities. The impairment losses ratio in South African, unsecured loans, cards, and vehicle and asset finance increased from previous year returning to more normal levels, and are reflective of the current economic environment. The impairment loss ratio for retail portfolios outside South Africa increased from 1,8% in 2012 to 2,4% in 2013, primarily in Ghana and Botswana. The overall NPL coverage ratio increased as balances decreased.

Looking ahead

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

Market risk

Market risk is the risk that the Group's earnings, capital or business objectives will be adversely impacted by changes in the level or volatility of market rates or prices such as interest rates, foreign exchange rates, equity prices, commodity prices and credit spreads. It consists of:

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

Factors that influence these risks

Specific areas and scenarios where market risk could result in significantly lower revenues and adversely affect the Group's results in future years include:

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

Market risk *(continued)*

How the Group manages Market risk

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

2013 in review

	2013	2012
Average traded market risk – daily value at risk (DVaR) (Rm)[1]	**24,70**	21,25
Traded market risk regulatory capital (RC) (at 9,5% of RWAs) (Rm)	**1,630**	1,331
Banking book AEaR for a 2% interest rate shock (% of Group net interest income)	**<7%**	<7%
Short-term loss ratio	**72,2**	69,9
Life new business margin	**7,6**	8,6

- Traded market risk: Barclays Africa Limited operations were combined with Absa Group on 31 July 2013. The risk management and integration of these entities was a key focus in 2013. Trading exposures were carefully managed during the reporting period to ensure efficient use of trading capital with returns above return hurdles. All exposures were managed within risk appetite. Trading revenues in South Africa were underpinned by a strong client franchise despite challenging market conditions. The trading business continued to focus on sustainable client flow and facilitation and careful management of risk within a difficult trading environment.
- Non-traded market risk: The structural interest rate hedge programme remained in place and continued to be efficiently managed. The Group remained exposed to prime-JIBAR basis risk arising from the funding of the difference between predominantly prime-linked assets with liabilities that are primarily JIBAR-linked after hedging.
- Insurance risk: The Group's insurance risk management objectives for 2013 focused on pursuing profitable growth opportunities, balancing exposure between life and short-term insurance to allow for better diversification and growing risk exposures outside South Africa.
- Pension risk: The Group took on the employer responsibility for the pension schemes in seven countries with the acquisition of the Barclays Africa Limited subsidiaries. The Absa Group Pension fund remained the largest fund.

Looking ahead

- Continue to focus on deterioration in traded market liquidity, sensitivity to traded market volatility, and backtesting of the value-at-risk model.
- Respond to regulatory and capital change, specifically Basel IV and the Dodd-Frank regulation, while continuing to make efficient use of capital. The efficient maintenance of the Group's structural hedge programme will remain a key area of attention.
- Submit results of the third and final capital requirements quantitative impact study to the regulator for the South African insurance entities.
- Embed the principles of Own Risk and Solvency Assessment ("ORSA") into the operations and governance of the insurance entities to improve the Group's risk management policies, controls and processes.

Note

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

Funding risk

Funding risk is the risk that the Group is unable to achieve its business plans as a result of:

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

The Group manages funding risk by adhering to its internal funding risk appetite and by maximising shareholder value through optimisation of the capital, funding and structural components.

Factors that influence these risks

Regulatory change and structural reform of the financial sector is under development internationally. The Group expects these changes to impact not only funding risk but business overall.

Exchange rate and interest rate volatility over the reporting period re-emphasised the importance of structural risk management. After the combination of Barclays Africa, additional risk was introduced through exposure to the rest of Africa.

Capital risk

How the Group manages Capital risk

Effective capital planning and management ensures that the Group has sufficient and appropriate capital structures to support its risk appetite, business activities, credit rating and regulatory requirements.

The capital management process includes:

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

2013 in review

	2013 **%**	2012 %
Common Equity Tier 1 capital adequacy ratio	**11,9**	13,0
Pro forma return on average risk weighted assets	**2,18**	2,09
Return on average economic capital	**21,0**	20,8
Return on equity	**15,5**	14,1

The Group's cost of equity decreased from 13,5% to 13,0%. The Group continues to be capitalised above the minimum regulatory and board-approved capital target ranges. This is after:

- The successful implementation of Basel III in January 2013.
- The declaration of a special dividend of 708 cents per share in July 2013.
- The completion of the combination of Barclays' African operations with Absa Group on 31 July 2013.
- Subordinated debt of R1,9 billion, qualifying as Tier 2 capital was called at the first optional redemption date in March 2013.

RWA optimisation has allowed the Group to allocate capital more efficiently. RWA efficiencies have been achieved by asset sales, collateral management and process improvement.

Capital risk *(continued)*

Looking ahead

- Ensure the Group and its subsidiaries remain adequately capitalised above the minimum regulatory requirements, board-approved target capital ranges and in line with board-approved risk appetite.
- Optimise the quality of the capital mix.
- Enhance RC and EC management and capital allocation.
- Maintain Basel III requirements and consider capital issuances out of the Group as well as its subsidiaries.
- Keep abreast of regulatory and capital change (Basel IV).
- Continued optimisation of RWA's.

Liquidity risk

How the Group manages Liquidity risk

Liquidity risk is managed by ensuring that the bank has sufficient high quality liquid assets to survive three pre-determined stress scenarios in line with the board-approved liquidity risk appetite.

The liquidity risk management process includes:

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

2013 in review

	2013 %	2012 %
Long-term funding ratio	**24,3**	26,5
Loans-to-deposits ratio	**88,3**	87,1

The Group's liquidity risk position remains healthy and well managed within key limits and metrics.

The combination of Barclays' African operations with Absa Group enhanced the Group's overall liquidity position. A large portion of these entities are deposit-led with large funding surpluses in both local and hard currency.

Looking ahead

- Ensure that the Group's funding position continues to be managed in line with the board-approved liquidity risk appetite.
- Maintain adequate liquidity buffers to ensure that the Group is able to meet the liquidity coverage ratio ("LCR") requirements in the required time frame.
- Continue to grow and diversify the funding base.
- Balance the above against the long-term impact on the cost of funding for the Group.

Operational risk

Operational risk arises when there is direct and indirect loss resulting from human factors, inadequate or failed internal processes systems or external events. The Group actively seeks to minimise the impact of losses suffered, both in the normal course of business (expected losses) and in extreme events (unexpected losses), improve effective management of the Group and strengthen its brand and external reputation.

Factors that influence these risks

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

How the Group manages Operational risk

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

2013 in review

	2013	2012
Total losses as a % of gross income	**1,1**	1,2

Total operational risk losses for the reporting period were within the Group's appetite, and lower than for the previous reporting period. Fraud and transaction processing-related incidents remained the largest contributors, accounting for 55% and 21% of total losses respectively.

- Risk and control reviews: Reviews were conducted of significant loss events, including a R56 million loss in our structured notes and deposits desk within CIBW related to the financial control and reporting process, which was its largest individual loss for the reporting period. Remedial actions are complete. In addition, deep dives were performed on a number of operations outside South Africa.

- Fraud risk: Fraud losses increased from previous reporting period by 55%, primarily due to the acquisition of the Edcon portfolio. Fraud losses in South Africa were 88% of the total Group losses, with the majority of the losses in cards. Outside of South Africa, counterfeit card fraud was the primary driver of losses.

- Transaction operations risk: Transactional losses decreased from previous reporting period, although the number of loss events increased. Initiatives to improve customer experience and strengthen control were undertaken in customer on-boarding, collections and recoveries, home loans and instalment finance processing, customer complaints management and payment processing.

- Regulatory risk: There was increased focus by the Group, including investments made to improve overall regulatory controls, particularly those related to know your client, anti-money laundering, and the National Credit Act.

- Technology and Information risk: Key risks include cyclical ageing of technology and infrastructure, information technology security, logical access and system stability. These risks are being addressed by transformation programmes, overseen by the Information Technology Committee.

Looking ahead

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

Capital management

for the reporting period ended 31 December

Favourable

- The Group maintained its strong capital adequacy position above the board-approved target range after the successful implementation of Basel III on 1 January 2013.
- Strong focus on RWA management.
- Completion of the combination of the Barclays African operations with Absa Group Limited on 31 July 2013.
- Declaration of a special dividend of 708 cents per share.
- R1,9 billion call of the ABCPI1 bond on 31 March 2013.
- Absa's National Long-term rating (AAA) and Local Currency Long-term rating (A-) remain the highest amongst peers.
- Recovery plan in place detailing potential options available to restore capital, liquidity and balance sheet positions during times of stress.

Key performance indicators

Group[1,2]	**2013** **%**	2012 %
Common Equity Tier 1 capital adequacy ratio[3,4]	**11,9**	13,0
Pro forma return on average risk-weighted assets[5]	**2,18**	2,09
Return on average economic capital	**21,0**	20,8
Cost of equity[6]	**13,0**	13,5

Absa Bank Limited	**2013** **%**	2012 %
Common Equity Tier 1 capital adequacy ratio[3]	**11,0**	12,5
Return on average risk-weighted assets	**1,98**	1,90

Strategy

The Group's capital management objectives are to:

- Maximise shareholder value by optimising the level and mix of capital resources and the utilisation of those resources.
- Meet capital ratios required by regulators and the target ranges approved by the board.
- Maintain an adequate level of capital resources for both regulatory capital and economic capital requirements.
- Deliver RWA efficiencies.
- Proactively assess, manage and efficiently implement regulatory changes to optimise capital usage.
- Maintain a strong credit rating.

Notes

[1] The 31 December 2012 comparatives are based on Absa Group and 31 December 2013 disclosures are based on Barclays Africa Group Limited ("BAGL").

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

[3] Reported ratios include unappropriated profits.

[4] For comparative purposes, the Dec 2012 Common Equity Tier 1 capital would have been 11,6% post a R6 billion special dividend.

[5] The pro forma historical risk-weighted assets of the Group are restated for purpose of RoRWAs of Barclays Africa Limited as if they had always been a part of the Group's RWAs. This does not alter any submissions made to the SARB.

[6] The average CoE is based on the capital asset pricing model ("CAPM").

Internal capital adequacy assessment process ("ICAAP")

The efficient use of capital is fundamental to ensure a clear focus on enhancing shareholder value through the careful deployment of capital resources.

The board-approved ICAAP process assesses the level of capital required to be held against identified material risks that the Group is, or may be, exposed to. Expected capital supply on both a regulatory and economic basis is compared to current and future capital needs. The ICAAP and its underlying components form an integral part of decision-making and business processes. The Group has embedded risk and capital management tools, processes and activities across clusters to actively align management behaviour to strategy.

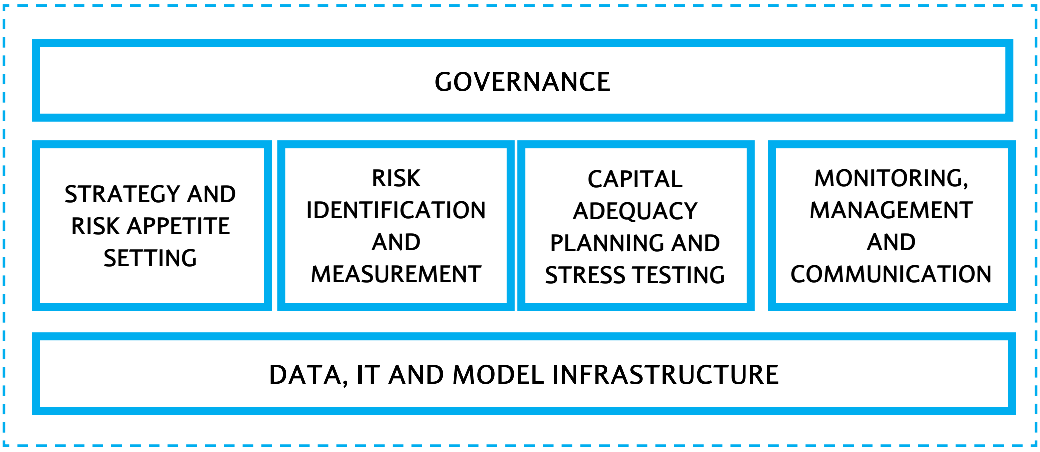
The ICAAP articulates the Group strategy and is used to ensure that the minimum capital ratios and board-approved target ranges can be maintained over the period of the medium-term plan, having been subjected to stress and scenario analysis. Stress testing is conducted annually to identify market condition changes that could adversely impact the Group. Management actions are identified to mitigate risks on a timely basis.

Furthermore, ICAAP framework ensures that internal systems, controls and management information are in place to enable the board and senior management to track changes in the economic environment, which may require adjustments to the business strategy to remain within the risk appetite on an ongoing basis.

The Group has adopted a building block approach to achieve a robust and integrated capital management framework.

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

The building blocks of the Group's ICAAP are as follows:



These processes are conducted in an environment with established governance practices and oversight and are supported by adequate data, technology expertise and model infrastructure.

From an ICAAP perspective, stress testing represents the link between risk management and capital management. As a result of better risk management practices and global events, stress testing has become fundamental in assessing appropriate levels of capital to ensure that the Group can absorb stress events in order to protect the Group's depositors and other stakeholders.

Recovery plan

The Group has a recovery plan in place which was approved by the Group risk and Capital Management Committee (GRCMC) and ratified by the board and was developed in line with the SARB guidance to ensure that regulatory requirements are met. The Group Recovery Plan has a formalised process in place for the implementation of the plan and the approvals and notifications required if invoked during times of stress.

Capital transferability

The Group's capital policy stipulates that capital held in Group entities in excess of board-approved target levels/ranges should be repatriated to the Group in the form of dividends and/or capital repatriation, subject to local regulatory requirements, exchange controls and strategic management decisions.

Apart from the aforesaid, we are not aware of any material impediments to the prompt transfer of capital resources or repayment of intra-group liabilities when due.

Looking ahead

The Group's strategic focus is to maintain an optimal mix of high quality capital, while continuing to generate sufficient capital to support economically profitable asset growth and the active management of the business portfolio. As in the current reporting period, RWA management and capital allocation remain key focus areas of the Group.

Statutory capital adequacy

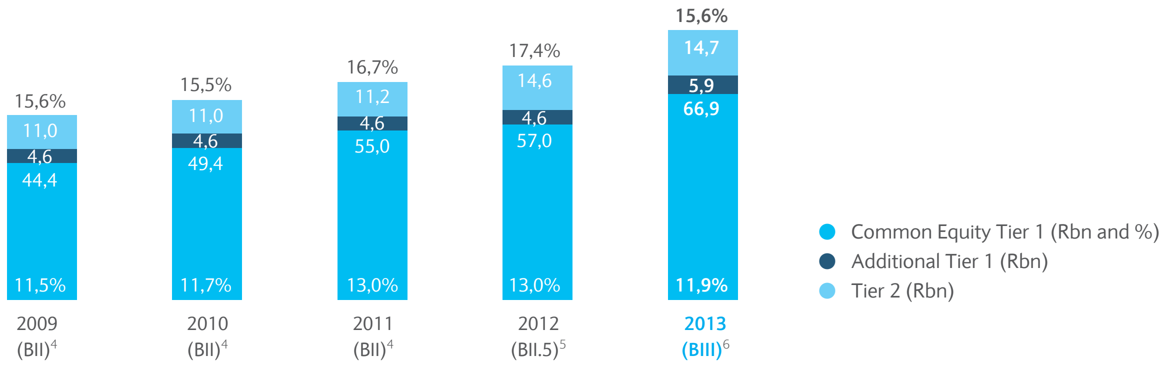
The board sets Group and Bank target capital ranges. The Group and its regulated entities (including insurance entities) remain adequately capitalised above minimum capital requirements as at the reporting date.

Target capital ratios of the Group for the current reporting period were set by considering the following:

- risk appetite;
- the preference of rating agencies for permanent capital;
- stressed scenarios;
- Basel III amendments including capital conservation buffer; and
- peer analysis.

Group[1]	**2013 (BIII)**	2012 (BII.5)	**2013 Minimum regulatory capital requirements %**	**Board target ranges %**
Capital adequacy ratios (%)[2]				
Common Equity Tier 1	**11,9**	13,0	**4,5**	**9,5 – 11,0**
Tier 1	**13,0**	14,0	**6,0**	
Total	**15,6**	17,4	**9,5**	**12,5 – 14,0**
Capital supply and demand for the reporting period (Rm)				
Net generated equity[3]	**(1 901)**	1 082		
Qualifying capital	**87 571**	76 298		
Total RWA	**560 865**	438 216		

Group capital adequacy (Rbn and %)[1,2]



Notes

[1] The 31 December 2012 comparatives are based on Absa Group and 31 December 2013 disclosures are based on BAGL.

[2] Reported ratios include unappropriated profits.

[3] Net generated equity is adjusted for ordinary dividends paid, the special dividend, growth in RWA as well as for the increase in equity under the Barclays Africa acquisition.

[4] BII: Basel II.

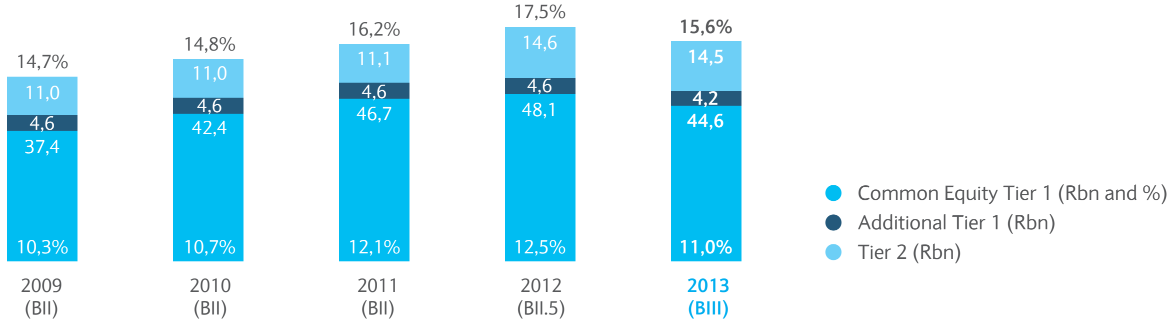
[5] BII.5: Basel II.5.

[6] BIII: Basel III.

Statutory capital adequacy *(continued)*

Absa Bank Limited	**2013 (BIII)**	2012 (BII.5)	**2013 Minimum regulatory capital requirements %**	**2013 Board target ranges %**
Capital adequacy ratio (%)				
Common Equity Tier 1	**11,0**	12,5	**4,5**	**9,0 – 10,5**
Tier 1	**12,0**	13,7	**6,0**	
Total	**15,6**	17,5	**9,5**	**12,0 – 13,5**
Capital supply and demand for the reporting period (Rm)				
Net generated equity	**(3 825)**	2 930		
Qualifying capital	**63 289**	67 349		
Total RWA	**405 942**	385 855		

Absa Bank Limited capital adequacy (Rbn and %)



Capital management

for the reporting period ended 31 December

		2013			2012			2013 Capital adequacy ratio	
	Regulator	Total qualifying capital Rm	Tier 1 ratio %	Total capital adequacy %	Total qualifying capital Rm	Tier 1 ratio %	Total capital adequacy %	Regulatory minimum %	Board target %
Local entities (South Africa)									
Group[1, 2]	SARB								
Including unappropriated profits		**87 571**	**13,0**	**15,6**	76 298	14,0	17,4		**12,5 –14,0**
Excluding unappropriated profits		**76 515**	**11,0**	**13,6**	68 652	12,3	15,7	**9,5**	
Absa Bank[2]	SARB								
Including unappropriated profits		**63 289**	**12,0**	**15,6**	67 349	13,7	17,5		**12,0 –13,5**
Excluding unappropriated profits		**57 887**	**10,7**	**14,3**	64 154	12,8	16,6	**9,5**	

Statutory capital adequacy

RWAs are determined by applying the following methods per risk type in accordance with the Basel III revisions, effective 1 January 2013:

- advanced internal ratings-based approach (AIRB) for South African credit portfolio;
- standardised approach (SA) for credit risk in the Edcon portfolio as well as the in the Group's African subsidiaries;
- advanced measurement approach (AMA) for operational risk for the majority of the Group's South African entities and the basic indicator approach (BIA) or the standardised approach (TSA) for the remaining entities;
- in respect of traded market risk, Internal models approach (IMA) for general position risk, and standardised approach for issuer-specific risk;
- internal ratings-based (IRB) approach-market-based simple risk-weighted method for equity investment risk in the banking book.

Notes

[1] The 31 December 2012 comparatives are based on Absa Group Limited and 31 December 2013 disclosures are based on BAGL.

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

Capital management

for the reporting period ended 31 December

Capital adequacy *(continued)*

RWAs and minimum required capital

	2013		2012	
Group[1]	**RWAs Rm**	**Minimum required capital[2] Rm**	RWAs Rm	Minimum required capital[2] Rm
Basel measurement approach				
Credit risk	**423 703**	**40 252**	321 500	30 542
Portfolios subject to the AIRB approach	**319 313**	**30 335**	296 950	28 210
Portfolios subject to the standardised approach	**103 452**	**9 828**	23 513	2 233
Securitisation	**938**	**89**	1 037	99
Equity investment risk				
Market-based approach (simple risk-weighted approach)	**14 624**	**1 389**	22 735	2 160
Market risk	**17 079**	**1 623**	13 797	1 311
Standardised approach	**4 616**	**439**	3 735	355
IMA	**12 463**	**1 184**	10 062	956
Operational risk	**79 235**	**7 527**	62 385	5 926
BIA	**4 236**	**402**	3 630	345
TSA	**17 152**	**1 629**	3 185	302
AMA	**57 847**	**5 496**	55 570	5 279
Non-customer assets	**26 224**	**2 491**	17 799	1 691
	560 865	**53 282**	438 216	41 630
Pillar 1 requirement (8%)		**44 869**		35 057
Pillar 2a requirement (1,5%)		**8 413**		6 573

	2013		2012	
Absa Bank Limited	**RWAs Rm**	**Minimum required capital[2] Rm**	RWAs Rm	Minimum required capital[2] Rm
Basel measurement approach				
Credit risk	**310 359**	**29 484**	292 003	27 740
Portfolios subject to the AIRB approach	**299 667**	**28 468**	278 795	26 485
Portfolios subject to the standardised approach	**9 754**	**927**	12 171	1 156
Securitisation	**938**	**89**	1 037	99
Equity investment risk				
Market-based approach (simple risk-weighted approach)	**9 648**	**917**	14 564	1 384
Market risk	**16 163**	**1 535**	13 768	1 308
Standardised approach	**3 700**	**351**	3 706	352
IMA	**12 463**	**1 184**	10 062	956
Operational risk	**57 431**	**5 456**	54 045	5 134
BIA	**3 052**	**290**	2 858	271
AMA	**54 379**	**5 166**	51 187	4 863
Non-customer assets	**12 341**	**1 172**	11 475	1 090
	405 942	**38 564**	385 855	36 656
Pillar 1 requirement (8%)		**32 475**		30 868
Pillar 2a requirement (1,5%)		**6 089**		5 788

Notes

[1] The 2012 comparatives are based on Absa Group and 2013 disclosures are based on BAGL.

[2] The required capital is the regulatory minimum (9,5%) excluding the bank specific (Pillar 2b) add on.

Capital adequacy *(continued)*

The Group increased its total qualifying capital supply for the reporting period by R11,3 billion (December 2012: R5,5 billion).

Breakdown of qualifying capital

Group[1]	**2013** **Rm**	**%**[2]	2012 Rm	%[2]
Common Equity Tier 1	**55 883**	**9,9**	49 371	11,3
Ordinary share capital	**1 694**	**0,3**	1 435	0,3
Ordinary share premium	**4 474**	**0,8**	4 604	1,1
Reserves[3,4]	**55 403**	**9,8**	45 749	10,4
Non-controlling interest[3]	**1 154**	**0,2**	1 267	0,3
Deductions[3]	**(6 842)**	**(1,2)**	(3 684)	(0,8)
Goodwill	**(760)**	**(0,1)**	(554)	(0,1)
Financial and insurance entities not consolidated	**(664)**	**(0,1)**	(162)	(0,0)
Amount by which expected loss exceeds eligible provisions	**(2 120)**	**(0,4)**	(1 401)	(0,3)
Other deductions	**(3 298)**	**(0,6)**	(1 567)	(0,4)
Additional Tier 1 capital	**5 911**	**1,1**	4 644	1,0
Tier 1 capital	**61 794**	**11,0**	54 015	12,3
Tier 2 capital	**14 721**	**2,6**	14 637	3,4
Instruments recognised as Tier 2 capital	**14 308**	**2,5**	16 111	3,7
General allowance for impairment losses on loans and advances – standardised approach	**413**	**0,1**	89	0,0
Deductions	**—**	**—**	(1 563)	(0,3)
Financial and insurance entities not consolidated	**—**	**—**	(162)	(0,0)
Amount by which expected loss exceeds eligible provisions	**—**	**—**	(1 401)	(0,3)
Total qualifying capital (excluding unappropriated profits)	**76 515**	**13,6**	68 652	15,7
Qualifying capital (including unappropriated profits)				
Tier 1 capital	**72 850**	**13,0**	61 661	14,0
Common Equity Tier 1 (excluding unappropriated profits)	**55 883**	**9,9**	49 371	11,3
Unappropriated profits	**11 056**	**2,0**	7 646	1,7
Additional Tier 1	**5 911**	**1,1**	4 644	1,0
Tier 2 capital	**14 721**	**2,6**	14 637	3,4
Total qualifying capital (including unappropriated profits)	**87 571**	**15,6**	76 298	17,4

Notes

[1] The 2012 comparatives are based on Absa Group and 2013 disclosures are based on BAGL.

[2] Percentage of capital to RWAs.

[3] The Basel III changes include additional qualifying reserves (mainly foreign currency reserve and available-for-sale reserve); adjustments relating to surplus capital attributable to the shareholders of non-controlling interest, additional Tier 1 and Tier 2 capital; the phasing-out of additional Tier 1 and Tier 2 capital instruments; and changes in regulatory deductions.

[4] Reserves exclude unappropriated profits.

Capital adequacy *(continued)*

Breakdown of qualifying capital *(continued)*

Absa Bank Limited	**2013** **Rm**	**%[1]**	2012 Rm	%[1]
Common Equity Tier 1	**39 231**	**9,7**	44 863	11,6
Ordinary share capital	**303**	**0,1**	303	0,1
Ordinary share premium	**13 465**	**3,3**	12 465	3,2
Reserves[2,3]	**30 050**	**7,4**	34 659	9,0
Deductions[3]	**(4 587)**	**(1,1)**	(2 564)	(0,7)
Amount by which expected loss exceeds eligible provisions	**(2 326)**	**(0,6)**	(1 517)	(0,4)
Other deductions	**(2 261)**	**(0,5)**	(1 047)	(0,3)
Additional Tier 1 capital	**4 180**	**1,0**	4 644	1,2
Tier 1 capital	**43 411**	**10,7**	49 507	12,8
Tier 2 capital	**14 476**	**3,6**	14 647	3,8
Instruments recognised as Tier 2 capital	**14 225**	**3,5**	16 111	4,2
General allowance for impairment losses on loans and advances – standardised approach	**251**	**0,1**	53	0,0
Deductions				
Amount by which expected loss exceeds eligible provisions	**—**	**—**	(1 517)	(0,4)
Total qualifying capital (excluding unappropriated profits)	**57 887**	**14,3**	64 154	16,6
Qualifying capital (including unappropriated profits)				
Tier 1 capital	**48 813**	**12,0**	52 702	13,7
Common Equity Tier 1 (excluding unappropriated profits)	**39 231**	**9,7**	44 863	11,6
Unappropriated profits	**5 402**	**1,3**	3 195	0,9
Additional Tier 1	**4 180**	**1,0**	4 644	1,2
Tier 2 capital	**14 476**	**3,6**	14 647	3,8
Total qualifying capital (including unappropriated profits)	**63 289**	**15,6**	67 349	17,5

Economic capital adequacy

The economic capital (EC) framework covers not only Basel II Pillar 1 risks but also additional economic risks not covered at all, or inadequately covered in Pillar 1 such as interest rate risk in the banking book.

The total average EC required by the Group, determined by the risk assessment models and considering the Group's estimated portfolio effects is compared with the available financial resources (EC supply) to evaluate EC utilisation. The Group targets an EC supply versus EC demand cover of 1,11 times.

Aside from its application in capital management, EC is a key component of Group level and business unit level applications such as capital management, stakeholder communication, risk-adjusted performance measurement, pricing and structuring. Following the introduction of Basel III greater emphasis is placed on regulatory demand and supply to address the implementation of the revised regulatory framework.

Notes

[1] Percentage of capital to RWAs.

[2] Reserves exclude unappropriated profits.

[3] The Basel III changes include additional qualifying reserves; adjustments relating to surplus capital attributable to the shareholders of non-controlling interest, additional Tier 1 and Tier 2 capital; the phasing-out of Additional Tier 1 and Tier 2 capital instruments; and changes in regulatory deductions.

Economic capital adequacy *(continued)*

Economic capital and equity

Group[1,2] **Total qualifying capital**	2013 Shareholders' equity Rm	2013 Economic capital Rm	2013 Tier 1 regulatory capital Rm	2012 Shareholders' equity[4] Rm	2012 Economic capital Rm	2012 Tier 1 regulatory capital Rm
Ordinary share capital and share premium	6 168	6 168	6 168	7 030	6 039	6 039
Preference share capital and share premium	—	4 644	5 911	—	4 644	4 644
Retained earnings	64 701	64 701	61 182	64 898	56 902	53 394
Other reserves	6 448	5 844	5 277	5 167	618	—
Non-controlling interest	—	3 240	1 154	—	—	1 268
Expected loss adjustment	—	—	(2 120)	—	—	(1 401)
Other deductions	—	(3 141)	(4 722)	—	(2 561)	(2 283)
	77 317	81 456	72 850	77 095	65 642	61 661
Average capital for the reporting period	77 206	73 549	67 256	73 835	64 326	60 641

Group[1,2] **Capital demand – closing balance**	2013 Risk-weighted assets Rm	2013 Economic capital[3] Rm	2012 Risk-weighted assets Rm	2012 Economic capital[3] Rm
Credit risk	423 703	40 311	321 500	28 895
RBB	290 182	29 494	228 887	20 901
CIBW	123 878	10 668	87 716	7 806
Other	9 643	149	4 897	188
Equity investment risk	14 624	2 952	22 735	3 059
Market risk	17 079	3 286	13 797	1 700
Operational risk	79 235	4 865	62 385	4 094
Other	26 224	5 893	17 799	5 862
	560 865	57 307	438 216	43 610

Notes

[1] The 2012 comparatives are based on Absa Group and 2013 disclosures are based on BAGL.

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

[3] Represent the average required economic capital (EC) (demand).

[4] 2012 comparative shareholders equity restated for acquisition of the Barclays African entities.

Economic capital resources

The resources available to meet EC requirements are calculated as the average available shareholders' equity after adjustment including preference shares, but excluding other non-controlling interests. The Group's EC calculations form the basis of the Group's internal risk view used in the ICAAP.

Funds available for EC are impacted by a number of factors that have arisen from the application of IFRS.

EC supply includes:

- ordinary shareholders' equity;
- retained earnings, whether appropriated or not; and
- non-redeemable, non-cumulative preference shares.

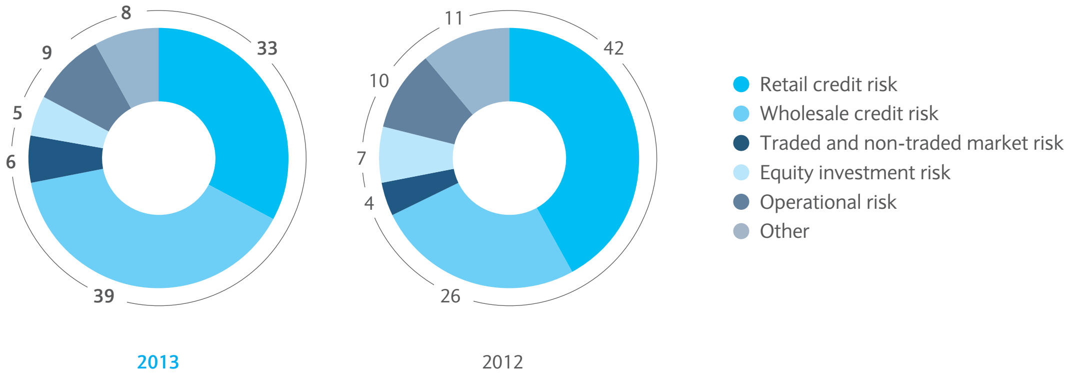
The following are excluded from EC available financial resources:

- Cash flow hedging reserve: to the extent the Group undertakes the hedging of future cash flows, shareholders' equity will include gains and losses that will be offset against the gain or loss on the hedged item when it is recognised in the statement of comprehensive income at the conclusion of the hedged transaction. Given the future offset of such gains and losses, they are excluded from shareholders' equity when calculating EC.
- Other perpetual debt, preference shares and subordinated debt; and

The following are deducted from EC supply:

- goodwill; and
- intangible assets.

Economic capital demand[1] (%)



Capital risk

Foreign exchange translation risk

Foreign exchange translation risk arises from capital resources (including investments in subsidiaries and branches, intangible assets, non-controlling interests, deductions from capital and debt capital instruments) and RWAs being denominated in foreign currencies. Changes in foreign exchange rates result in changes in the rand equivalent value of foreign currency denominated capital resources and RWAs.

Note

[1] Excludes insurance due to the difference in the confidence level resulting from insurance regulation.

Capital risk *(continued)*

To minimise volatility of capital ratios caused by foreign exchange rate movements, the Group aims to maintain an appropriate foreign currency capital structure by maintaining the ratio of foreign currency Common Equity Tier 1, Tier 1 and total capital resources to foreign currency RWAs in line with the Group's capital risks. This is primarily achieved by subsidiaries issuing capital or holding retained earnings in local currencies or through the Group issuing debt capital in foreign currency.

Foreign currency translation risk can be mitigated through derivatives or borrowings in the same currency as the functional currency involved, designated as net investment hedges, or through economic hedges. Foreign currency translation risk hedging considerations include exchange control regulations, the strategic nature of the investment, materiality of the risk, prevailing foreign exchange rates, market liquidity, cost of hedging and the impact on capital ratios. Based on these considerations, no foreign currency net investment hedges were in place for the current reporting period.

Translational foreign exchange risk is monitored regularly to consider the need for mitigating actions towards minimising material fluctuations.

Credit ratings[1]	July 2013 Moody's[1] Absa Bank	July 2013 Fitch ratings Absa Bank	 Absa Group
National			
Short term	Prime-1.za	F1+ (zaf)	F1+ (zaf)
Long term	Aa2.za	AAA (zaf)	AAA (zaf)
Outlook	—	Stable	Stable
Local currency			
Short term	Prime-2	—	—
Long term	A3	A-	A-
Outlook	Negative	Stable	Stable
Foreign currency			
Short term	Prime-2	F2	F2
Long term	Baa1	A-	A-
Outlook	Negative	Stable	Stable
Bank's financial strength	C-	C	C
Baseline credit assessment	Baa1	—	—
Viability rating	—	bbb	bbb
Outlook	Stable	Stable	Stable
Support	—	1	1

Note

[1] The ratings have remained consistent with the ratings as reported in the previous reporting period.

Reporting changes

Contents

Reporting changes overview

The financial reporting changes that impact the comparative reporting period of the Group's results for the reporting period ending 31 December 2013 are driven by:

1. The implementation of new International Financial Reporting Standards ("IFRS"), specifically IFRS 10 Consolidated Financial Statements ("IFRS 10") and IAS 19 Employee Benefits (amended 2011) ("IAS 19R"). All other amendments to IFRS effective for the current reporting period have had no significant impact on the Group's reported results, however, disclosures have been updated to reflect the impact of the amendments.
2. Certain changes in internal accounting policies.
3. The acquisition of 100% of the issued ordinary share capital of Barclays Africa Limited, previously a fellow subsidiary of BAGL, with a shared parent company Barclays Bank PLC. The Group accounted for this transaction in accordance with the Group's and Barclays Group accounting policy in respect of business combinations under common control, which resulted in the restatement of the financial performance of comparative reporting periods.
4. Business portfolio changes between operating segments including the allocation of elements of the Head office segment to business segments.

The Barclays Africa Limited acquisition and the implementation of new IFRS impacts the net financial results of the Group. The changes in the Group's internal accounting policy impacts the individual lines on which the income or costs are accounted for but not the net financial results of the Group. The inter-segmental changes for Head office allocations and portfolio changes affect the reported results of the individual businesses in the segment report, but have no impact on the Group's primary statements.

1. Accounting policy changes due to new IFRS

IFRS 10 and IAS 19R became effective for annual periods beginning on or after 1 January 2013 and result in restatement of the Group's results for the reporting period ended 31 December 2011 and 2012.

IFRS 10

IFRS 10 replaces the requirements of IAS 27 Consolidated and Separate Financial Statements and SIC 12 Consolidation – Special Purpose Entities. The standard introduces new criteria to determine whether entities in which the Group has interests should be consolidated. Implementation of this new standard results in the Group consolidating a small number of entities that were previously not consolidated and deconsolidating a small number of entities that were previously consolidated.

IAS 19R

IAS 19R amends the requirements of IAS 19 Employee Benefits. The standard introduces a number of changes relating to defined benefit plans. For the Group, the main impacts of implementing IAS 19R were the removal of the recognition of expected returns on plan assets within profit or loss in favour of interest income on plan assets being recognised in profit or loss at the rate used to discount the pension fund obligation and the recognition of interest cost on reserves owing to members in profit or loss. In addition, some benefits previously classified as short-term benefits are reclassified as long-term benefits.

2. Internal accounting policy changes

The Group elected to make internal accounting policy changes set out below, involving classification of items between statement of comprehensive income lines. These have no impact on the net earnings of the Group. To ensure comparability, the comparative reporting period has been restated.

- ➜ The Group elected to change its accounting policy in terms of best practices and to better align with Barclays' internal accounting policies in terms of:
  - 'Collection costs' – costs incurred in the follow up and collection of outstanding and overdue balances, previously recognised as part of 'operating expenses' and fee expenses, within 'net fee and commission income', have been reclassified to recoveries within the 'impairment losses on loans and advances' line in the statement of comprehensive income.
  - 'Association costs' – defined as costs incurred through the Group's association with leading inter-change agents resulting in a reclassification of certain costs from 'operating expenses' to 'net fee and commission income'.
- ➜ The Group elected to amend its disclosure of rental income received from investment properties. These properties are held in one of the Group's wholly-owned subsidiaries. This change resulted in a grossing up of income recognised in 'other operating income' and an equal movement in 'operating expenses'.

3. Acquisition of Barclays Africa Limited

In 2012, Absa Group Limited announced its intention to conclude the strategic combination of Barclays' Africa operations with the existing Absa Group operations.

Through the transaction, Absa Group Limited acquired 100% of the issued ordinary share capital of Barclays Africa Limited, which was settled by the issuance of 129 540 636 Absa Group Limited ordinary shares. This increased Barclays Bank PLC's shareholding in the Group from 55,5% to 62,3%. This transaction concluded on 31 July 2013 and was accompanied by the name change of Absa Group Limited to Barclays Africa Group Limited.

The transaction is a business combination of entities under common control as defined in International Financial Reporting Standard 3: Business Combinations ("IFRS 3"). The Group elected, in accordance with IFRS 3 guidance and the Group's and Barclays Group's accounting policies, to account for the transaction in terms of predecessor accounting principles.

Accordingly, the Group's comparative financial results have been restated as if Barclays Africa Limited was always part of the Group's structure.

4. Business portfolio changes

Operational changes, management changes and associated changes to the way in which the Chief Operating Decision Maker ("CODM") views the performance of each business segment have resulted in the reallocation of earnings between operating segments. These changes are summarised under portfolio changes below. Further the Group elected to allocate additional Head office elements to the business segments so that the aggregate of the business segments' results is more closely aligned to the Group's total results.

➜ Portfolio changes

The portfolio changes affecting the reported results of the individual businesses in the segment report include:

- Commercial Property Finance ("CPF") debt – management responsibility for a number of large advances were transferred from RBB to CIBW.
- Commercial Asset Finance ("CAF") – this business line was previously included in Business Banking South Africa. To take advantage of synergies with the existing Vehicle and Asset Finance ("VAF") portfolio in Retail Banking, the portfolio was moved to Retail Banking.
- Barclays Bank Mozambique and NBC Treasury – segmentation of treasury-related results between RBB, CIBW and Head office was reviewed and amended to better align with changing management responsibility in the rest of Africa.
- Certain operations that were previously conducted from individual business segments were transferred to Head office to become shared services. In turn, their costs were allocated out to relevant business segments in line with the revised approach to Head office allocations.

➜ Head office allocations

For each income and expense item previously recorded under the Head office segment, consideration was given to whether there is a logical basis for increased allocation of such items to other business segments. The primary changes were:

- Intra-group allocation of funding costs and other Group Treasury items now includes all income derived from the Group's liquid asset portfolio as well as allocation of the dividends paid on the non-controlling preference shares, secondary tax on companies and an increased allocation of intra-group interest. The allocation is based on the risk-weighted assets carried by each business segment.
- Internal funding revenue generated by "Money Markets" desk in CIBW was moved from the Markets business to Group Treasury (in the Head office segment) and was in turn allocated out to the business segments.
- Head office operating cost items have been allocated to business segments wherever practicable using the most appropriate driver of the cost.
- Fees recognised in 'operating income' before 'operating expenditure' and 'taxation expense', that were payable and receivable between business lines within CIBW and between CIBW and Head office in respect of Structured Capital Markets activities have been eliminated. Both the allocation of secondary tax on companies, referred to above, and this item impacts the relative tax rates of segments.

The Group's Head office segment now represents a smaller proportion of the Group's earnings and will primarily consist of: Group consolidation entries; accounting mismatches (defined as IFRS accounting adjustments not deemed relevant to business segment performance); timing items (items allocated to business segments with a timing lag) and corporate items that cannot be meaningfully allocated to business segments.

Impact of the reporting changes on the Group's results

Condensed consolidated statement of comprehensive income for the reporting period ended 31 December 2012

	As previously reported Rm	IFRS accounting policy changes	BAGL accounting policy changes Rm	Barclays Africa Limited Rm	BAGL restated Rm
Net interest income	24 111	(119)	—	5 310	29 302
Interest and similar income	50 766	(167)	—	6 698	57 297
Interest expense and similar charges	(26 655)	48	—	(1 388)	(27 995)
Impairments losses on loans and advances	(8 290)	—	(188)	(377)	(8 855)
Net interest income after impairment losses on loans and advances	15 821	(119)	(188)	4 933	20 447
Non-interest income	22 741	119	(54)	2 868	25 674
Net fee and commission income	15 435	(32)	(86)	2 066	17 383
Fee and commission income	17 936	—	—	2 160	20 096
Fee and commission expense	(2 501)	(32)	(86)	(94)	(2 713)
Net insurance premium income	5 618	—	—	—	5 618
Net insurance claims and benefits paid	(2 719)	—	—	—	(2 719)
Changes in investment contract and insurance liabilities	(980)	(727)	—	—	(1 707)
Gains and losses from banking and trading activities	3 670	108	—	757	4 535
Gains and losses from investment activities	963	773	—	(1)	1 735
Other operating income	754	(3)	32	46	829
Operating income before operating expenditure	38 562	—	(242)	7 801	46 121
Operating expenses	(26 693)	(91)	242	(4 643)	(31 185)
Operating expenses	(25 874)	(91)	242	(4 606)	(30 329)
Other impairments	(113)	—	—	(19)	(132)
Indirect taxation	(706)	—	—	(18)	(724)
Share of post-tax results of associates and joint ventures	249	—	—	—	249
Operating profit before income tax	12 118	(91)	—	3 158	15 185
Taxation expense	(3 377)	22	—	(1 084)	(4 439)
Profit for the reporting period	8 741	(69)	—	2 074	10 746

Impact of the reporting changes on the Group's results

Condensed consolidated statement of comprehensive income for the reporting period ended 31 December 2012

	As previously reported Rm	IFRS accounting policy changes Rm	BAGL accounting policy changes Rm	Barclays Africa Limited Rm	BAGL consolidation adjustments Rm	BAGL restated Rm
Profit for the reporting period	8 741	(69)	—	2 074	—	10 746
Other comprehensive income						
Items that will not be reclassified to the profit and loss component of the statement of comprehensive income						
Movement in retirement benefit asset and liabilities	(242)	158	—	(4)	—	(88)
Decrease in retirement benefit surplus	(279)	218	—	(10)	—	(71)
Increase in retirement benefit deficit	(59)	—	—	—	—	(59)
Deferred tax	96	(60)	—	6	—	42
Total items that will not be reclassified to the profit and loss component of the statement of comprehensive income	(242)	158	—	(4)	—	(88)
Items that are or may be subsequently reclassified to the profit and loss component of the statement of comprehensive income						
Foreign exchange differences on translation of foreign operations	140	—	—	198	—	338
Movement in cash flow hedging reserve	405	—	—	—	—	405
Fair value gains arising during the reporting period	2 650	—	—	—	—	2 650
Amount removed from other comprehensive income and recognised in the profit and loss component of the statement of comprehensive income	(2 088)	—	—	—	—	(2 088)
Deferred tax	(157)	—	—	—	—	(157)
Movement in available-for-sale reserve	1 109	—	—	209	—	1 318
Fair value gains arising during the reporting period	1 532	—	—	207	—	1 739
Amount removed from other comprehensive income and recognised in the profit and loss component of the statement of comprehensive income	10	—	—	—	—	10
Deferred tax	(433)	—	—	2	—	(431)
Total items that will or may be subsequently reclassified to the profit and loss component of the statement of comprehensive income	1 654	—	—	407	—	2 061
Total comprehensive income for the reporting period	10 153	89	—	2 477	—	12 719
Profit attributable to:						
Ordinary equity holders of the Group	8 393	(69)	—	1 675	—	9 999
Non -controlling interest – ordinary shares	53	—	—	399	—	452
Non-controlling interest – preference shares	295	—	—	—	—	295
	8 741	(69)	—	2 074	—	10 746
Total comprehensive income attributable to:						
Ordinary equity holders of the Group	9 812	89	—	1 947	—	11 848
Non-controlling interest – ordinary share	46	—	—	530	—	576
Non-controlling interest – preference shares	295	—	—	—	—	295
	10 153	89	—	2 477	—	12 719

Impact of the reporting changes on the Group's results

Condensed consolidated statement of financial position as at 31 December 2012

	As previously reported Rm	IFRS accounting changes Rm	Barclays Africa Limited Rm	Acquisition accounting entries Rm	BAGL consolidation adjustments Rm	BAGL restated Rm
Assets						
Cash, cash balances and balances with central banks	26 221	326	18 223	—	—	44 770
Statutory liquid asset portfolio	63 020	—	—	—	—	63 020
Loans and advances to banks	44 649	2	17 942	—	(82)	62 511
Trading portfolio assets	87 203	114	29	—	(22)	87 324
Hedging portfolio assets	5 439	—	17	—	—	5 456
Other assets	14 189	—	3 617	—	(227)	17 579
Current tax assets	304	(1)	73	—	—	376
Non-current assets held for sale	4 052	—	—	—	—	4 052
Loans and advances to customers	528 191	(863)	38 934	—	—	566 262
Loans to Group companies	—	—	537	—	(537)	—
Reinsurance assets	1 003	—	—	—	—	1 003
Investment securities	20 555	5 069	5 289	—	—	30 913
Investments in associates and joint ventures	569	—	—	—	—	569
Subsidiaries	—	—	—	18 330	(18 330)	—
Investment properties	1 220	—	—	—	—	1 220
Property and equipment	8 397	—	1 227	—	—	9 624
Goodwill and intangible assets	2 561	—	487	—	—	3 048
Deferred tax assets	366	—	278	—	—	644
Total assets	807 939	4 647	86 653	18 330	(19 198)	898 371
Liabilities						
Deposits from banks	36 035	149	5 322	—	(82)	41 424
Trading portfolio liabilities	51 684	—	72	—	(22)	51 734
Hedging portfolio liabilities	3 855	—	—	—	—	3 855
Other liabilities	18 215	197	2 046	—	(48)	20 410
Provisions	1 681	—	599	—	—	2 280
Current tax liabilities	59	(1)	(29)	—	—	29
Non-current liabilities held for sale	1 480	—	—	—	—	1 480
Deposits due to customers	477 427	426	65 248	—	—	543 101
Debt securities in issue	108 044	(1 265)	25	—	—	106 804
Liabilities under investment contracts	13 609	5 159	—	—	—	18 768
Loans from Group companies	—	—	716	—	(716)	—
Policyholder liabilities under insurance contracts	3 550	—	—	—	—	3 550
Borrowed funds	17 907	—	870	—	—	18 777
Deferred tax liabilities	1 599	(4)	119	—	—	1 714
Total liabilities	735 145	4 661	74 988	—	(868)	813 926
Equity						
Capital and reserves						
Attributable to ordinary equity holders:						
Share capital	1 435	—	195	259	(195)	1 694
Share premium	4 604	—	796	18 071	(18 135)	5 336
Retained earnings	56 903	(14)	8 009	—	—	64 898
Other reserves	3 941	—	1 227	—	—	5 168
	66 883	—	10 227	18 330	(18 330)	77 096
Non-controlling interest – ordinary shares	1 267	—	1 438	—	—	2 705
Non-controlling interest – preference shares	4 644	—	—	—	—	4 644
Total equity	72 794	(14)	11 665	18 330	(18 330)	84 445
Total liabilities and equity	807 939	4 647	86 653	18 330	(19 198)	898 371

Segment report per market segment

Retail and Business Banking (RBB)

for the reporting period ended 31 December 2012

	As previously reported Rm	BAGL accounting policy changes Rm	Barclays Africa Limited Rm	Business portfolio changes Rm	Head office allocations Rm	BAGL restated Rm
Net interest income	20 004	—	4 514	(297)	577	24 798
Impairment losses on loans and advances	(8 153)	(188)	(380)	25	—	(8 696)
Non-interest income	13 849	(54)	1 639	(27)	—	15 407
Operating expenses	(19 535)	242	(3 466)	346	(6)	(22 419)
Other	(397)	—	(37)	23	—	(411)
Operating profit before income tax	5 768	—	2 270	70	571	8 679
Taxation expense	(1 765)	—	(699)	(51)	(319)	(2 834)
Profit for the reporting period	4 003	—	1 571	19	252	5 845
Profit attributable to:						
Ordinary equity holders of the Group	3 961	—	1 258	7	52	5 278
Non-controlling interest – ordinary shares	42	—	313	12	—	376
Non-controlling interest – preference shares	—	—	—	—	200	200
	4 003	—	1 571	19	252	5 845
Headline earnings	4 346	—	1 263	7	52	5 668
Statement of financial position						
Loans and advances to customers	419 644	—	27 983	(8 198)	—	439 429
Investment securities	1 042	—	5 290	—	—	6 332
Other assets	194 313	—	23 783	4 586	350	223 032
Total assets	614 999	—	57 056	(3 612)	350	668 793
Deposits due to customers	216 309	—	41 043	(3 826)	—	253 526
Debt securities in issue	3 636	—	24	—	—	3 660
Other liabilities	387 612	—	6 723	529	307	395 171
Total liabilities	607 557	—	47 790	(3 297)	307	652 357

Segment report per market segment

Corporate, Investment Bank and Wealth (CIBW)

for the reporting period ended 31 December 2012

	As previously reported Rm	Accounting policy changes Rm	Barclays Africa Limited Rm	Business portfolio changes Rm	Head office allocations Rm	BAGL restated Rm
Net interest income	2 964	(119)	796	300	162	4 103
Impairments losses on loans and advances	(117)	—	3	(25)	—	(139)
Non-interest income	5 664	105	1 227	(92)	(516)	6 388
Operating expenses	(4 666)	—	(1 140)	(405)	6	(6 205)
Other	21	—	1	—	—	22
Operating profit before income tax	3 866	(14)	887	(222)	(348)	4 169
Taxation expense	(1 027)	4	(273)	71	388	(837)
Profit for the reporting period	2 839	(10)	(614)	(151)	40	3 332
Profit attributable to:						
Ordinary equity holders of the Group	2 810	(10)	528	(127)	(55)	3 146
Non-controlling interest – ordinary shares	29	—	86	(24)	—	91
Non-controlling interest – preference shares	—	—	—	—	95	95
	2 839	(10)	614	(151)	40	3 332
Headline earnings	2 810	(10)	528	(127)	(55)	3 146
Statement of financial position						
Loans and advances to customers	107 907	(863)	10 952	8 197	—	126 193
Investment securities	8 314	226	—	(621)	—	7 919
Other assets	357 734	(460)	18 123	(7 190)	94	368 301
Total assets	473 955	(1 097)	29 075	386	94	502 413
Deposits due to customers	261 317	426	24 205	3 819	—	289 767
Debt securities in issue	84 252	(1 265)	1	—	—	82 988
Other liabilities	122 462	(246)	2 645	(3 106)	146	121 901
Total liabilities	468 031	(1 085)	26 851	713	146	494 656

Segment report per market segment

Financial Services

for the reporting period ended 31 December 2012

	As previously reported Rm	Accounting policy changes Rm	Head office allocations Rm	BAGL restated Rm
Net interest income	6	—	—	6
Impairments losses on loans and advances	(24)	—	—	(24)
Non-interest income	4 010	14	—	4 024
Operating expenses	(2 027)	(10)	(101)	(2 138)
Other	(118)	—	—	(118)
Operating profit before income tax	1 847	4	(101)	1 750
Taxation expense	(526)	(4)	28	(502)
Profit for the reporting period	1 321	—	(73)	1 248
Profit attributable to:				
Ordinary equity holders of the Group	1 321	—	(73)	1 248
Non-controlling interest – ordinary shares	—	—	—	—
Non-controlling interest – preference shares	—	—	—	—
	1 321		(73)	1 248
Headline earnings	1 338	—	(73)	1265
Statement of financial position				
Loans and advances to customers	296	—	—	296
Investment securities	15 003	4 843	—	19 846
Other assets	10 553	326	(101)	10 778
Total assets	25 852	5 169	(101)	30 920
Deposits due to customers	—	—	—	—
Debt securities in issue	—	—	—	—
Other liabilities	21 081	5 169	(28)	26 222
Total liabilities	21 081	5 169	(28)	26 222

Segment report per market segment

Head office, inter-segment eliminations and Other

for the reporting period ended 31 December 2012

	As previously reported Rm	Accounting policy changes Rm	Net effect of BAL acquisition accounting entries and consolidation adjustments Rm	Business portfolio changes Rm	Head office allocations Rm	BAGL restated Rm
Net interest income	1 137	—	—	(3)	(739)	395
Impairments losses on loans and advances	4	—	—	—	—	4
Non-interest income	(782)	—	1	119	516	(146)
Operating expenses	354	(81)	—	59	101	433
Other	(76)	—	—	(23)	—	(99)
Operating profit before income tax	637	(81)	1	152	(122)	587
Taxation expense	(59)	22	(112)	(20)	(97)	(266)
Profit/(loss) for the reporting period	578	(59)	(111)	132	(219)	321
Profit attributable to:						
Ordinary equity holders of the Group	301	(59)	(111)	120	76	327
Non-controlling interest – ordinary shares	(18)	—	—	12	—	(6)
Non-controlling interest – preference shares	295	—	—	—	(295)	—
	578	(59)	(111)	132	(219)	321
Headline earnings	313	(59)	(110)	120	76	340
Statement of financial position						
Loans and advances to customers	344	—	(1)	1	—	344
Investment securities	(3 804)	—	(1)	621	—	(3 184)
Other assets	(303 407)	575	(344)	2 604	(343)	(300 915)
Total assets	(306 867)	575	(346)	3 226	(343)	(303 755)
Deposits due to customers	(199)	—	—	7	—	(192)
Debt securities in issue	20 156	—	—	—	—	20 156
Other liabilities	(381 481)	577	(521)	2 577	(425)	(379 273)
Total liabilities	(361 524)	577	(521)	2 584	(425)	(359 309)

Appendices

Contents

Transition to Barclays Africa Group Limited

As detailed in section 3 of the Reporting Changes overview on page 122, the comparative results of the legacy Absa Group Limited has been restated to include the results of Barclays Africa Limited in the historical numbers. The analysis below is provided as supplementary information for understanding the performance of the two legacy groups in isolation as well as on a combined basis.

	Barclays Africa Group Limited pre-acquisition			Barclays Africa Limited		
	2013 Rm	2012 Rm	Change %	**2013 Rm**	2012 Rm	Change %
Statement of comprehensive income						
Net interest income	**25 689**	23 992	7	**6 662**	5 310	25
Impairment losses on loans and advances	**(6 375)**	(8 478)	25	**(612)**	(377)	(62)
Non-interest income	**24 064**	22 806	5	**2 991**	2 868	4
Operating expenses	**(27 947)**	(25 723)	(9)	**(5 473)**	(4 606)	(19)
Other	**(869)**	(570)	(52)	**(34)**	(37)	8
Operating income before income tax	**14 562**	12 027	21	**3 534**	3 158	12
Taxation expense	**(4 032)**	(3 355)	(20)	**(1 190)**	(1 084)	(10)
Profit for the year reporting period	**10 530**	8 672	21	**2 344**	2 074	13
Profit attributable to:						
Ordinary equity holders	**10 048**	8 324	21	**1 934**	1 675	15
Non-controlling interest – ordinary shares	**188**	53	>100	**410**	399	3
Non-controlling interest – preference shares	**294**	295	—	**—**	—	—
	10 530	8 672	21	**2 344**	2 074	13
Headline earnings	**9 920**	8 738	14	**1 923**	1 681	14
Operating performance (%)						
Net interest margin on average interest-bearing assets	**3,97**	3,79		**8,79**	8,94	
Impairment losses on loans and advances as % of average loans and advances to customers	**1,19**	1,63		**1,37**	0,99	
Non-interest income as % of total revenue	**48,4**	48,9		**31,0**	35,1	
Revenue growth	**6**	2		**18**	16	
Cost growth	**(9)**	(2)		**(19)**	(17)	
Cost-to-income ratio	**56,2**	55,1		**56,7**	56,3	
Statement of financial position						
Loans and advances to customers	**553 468**	527 328	5	**51 869**	38 934	33
Investment securities	**26 234**	25 624	2	**6 849**	5 289	29
Other assets	**231 434**	259 634	(11)	**90 038**	42 430	>100
Total assets	**811 136**	812 586	—	**148 756**	86 653	72
Deposits due to customers	**498 016**	477 853	4	**89 995**	65 248	38
Debt securities in issue	**97 348**	106 779	(9)	**481**	25	>100
Other liabilities	**145 794**	155 174	(6)	**43 057**	9 715	>100
Total liabilities	**741 158**	739 806	—	**133 533**	74 988	78
Total equity	**69 978**	72 780	(4)	**15 223**	11 665	31

	Barclays Africa Group Limited pre-acquisition			Barclays Africa Limited		
	2013[1] Rm	2012[1] Rm	Change %	**2013[2] Rm**	2012[2] Rm	Change %
Return on equity (RoE)	**15,2**	13,5	n/a	**15,8**	19,1	n/a
Pro forma headline earnings per ordinary share (HEPS)[3]	**1 381,2**	1 217,7	13	**1 484,9**	1 298,1	14
Net asset value (NAV) per ordinary share	**8 903**	9 317	(4)	**10 353**	7 896	31
Tangible net asset value per ordinary share	**8 537**	8 960	(5)	**9 959**	7 520	32

Notes

[1] Calculations exclude shares issued by Absa Group Limited for the Barclays Africa Limited acquisition.

[2] Calculations based on Absa Group Limited share issue of 129 540 636 shares for Barclays Africa Limited acquisition to illustrate the per share values of the acquisition in isolation.

[3] The pro forma historical earnings per share metrics provided above include the shares issued on 31 July 2013 in consideration for the acquisition of Barclays Africa Limited as if the shares had always been in issue. The provision of these metrics in no way impacts the legal effective date of the share issue.

[4] Includes Africa results of Barclays Bank Mozambique (BBM), National Bank of Commerce (Tanzania) ("NBC") and Absa Namibia Representative Office and Namibia representative office, with headline earnings loss of R236 million (2012: R338 million).

Transition to Barclays Africa Group Limited

Barclays Africa Limited acquisition and consolidation		Barclays Africa Group Limited		
2013 Rm	2012 Rm	**2013 Rm**	2012 Rm	Change %
—	—	**32 351**	29 302	10
—	—	**(6 987)**	(8 855)	21
—	—	**27 055**	25 674	5
—	—	**(33 420)**	(30 329)	(10)
—	—	**(903)**	(607)	(49)
—	—	**18 096**	15 185	19
—	—	**(5 222)**	(4 439)	(18)
—	—	**12 874**	10 746	20
—	—	**11 981**	9 999	20
—	—	**599**	452	33
—	—	**294**	295	—
—	—	**12 874**	10 746	20
—	—	**11 843**	10 419	14
n/a	n/a	**4,48**	4,28	
n/a	n/a	**1,20**	1,60	
n/a	n/a	**45,5**	46,7	
n/a	n/a	**8**	4	
n/a	n/a	**(10)**	(4)	
n/a	n/a	**56,3**	55,2	
—	—	**605 337**	566 262	7
—	—	**33 083**	30 913	7
(293)	(868)	**321 179**	301 196	7
(293)	(868)	**959 599**	898 371	7
—	—	**588 011**	543 101	8
—	—	**97 829**	106 804	(8)
(293)	(868)	**188 558**	164 021	15
(293)	(868)	**874 398**	813 926	7
—	—	**85 201**	84 445	1

Barclays Africa Group Limited		
2013[3,4] Rm	2012[3,4] Rm	Change %
15,5	14,1	n/a
1 397,7	1 229,9	14
9 125	9 100	—
8 745	8 740	—

Transition to Barclays Africa Group Limited

The acquisition of Barclays Africa Limited and its subsidiaries had an accretive impact on the Group's headline earnings per share for the reporting period, yielding a return of 1 484,9 cents per share issued as purchase consideration, relative to 1 381,2 cents per share for the pre-acquisition Barclays Africa Group Limited ("BAGL pre-acquisition").

The headline earnings of Barclays Africa Limited grew by 14% relative to 13% for BAGL pre-acquisition, positively impacting the Group's overall headline earnings growth rate of 14%. The growth in headline earnings of Barclays Africa Limited was primarily driven by the appreciation of the basket of reporting currencies of the Barclays Africa Limited entities against the South African rand.

The RoE of Barclays Africa Limited decreased from 19,1% to 15,8% due to higher average equity, driven by the capital injected into Barclays Bank of Mauritius as part of the Group's restructuring and earnings retained by Barclays Africa Limited entities not yet distributed to the Group.

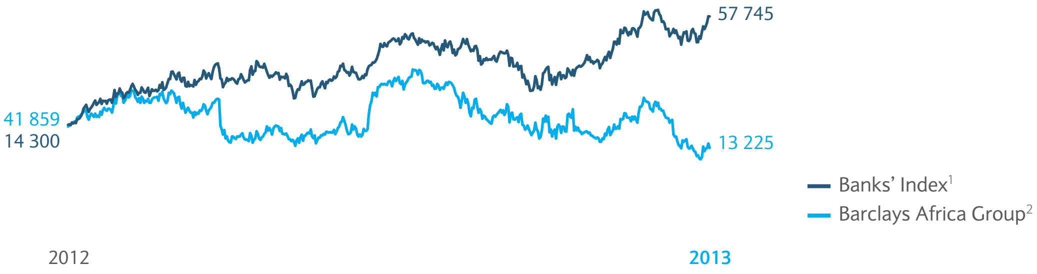
The value of the shares issued was R18 420 million, while the NAV acquired at the closing date of the transaction, being 31 July 2013, was R12 523 million, with the excess of the purchase price over the Group's share of the net assets of Barclays Africa Limited being accounted for as a deduction against share premium. In terms of the accounting principles applied for acquisitions under common control, the purchase price was applied retrospectively with the preceding deduction to share premium being calculated as the deemed excess of the purchase price over the historical carrying values of the underlying net assets of Barclays Africa Limited as at the historical reporting date. The impact for the current reporting period, being similarly included within share premium, amounted to R443 million (2012: R89million), as reflected in the condensed consolidated statement of changes in equity on page 20.

As part of the conclusion of the acquisition, the Group will also benefit from the Master Service Agreement entered into with its parent company Barclays Bank PLC. This will benefit the Group in the following manner:

- Provision by Barclays Bank PLC of a minimum amount of information technology capital expenditure and maintenance costs for a period of five years post the effective date of the acquisition;
- Provision by Barclays Bank PLC of certain direct and support services to Barclays Africa Limited;
- Provision by Barclays Bank PLC of technology services at a pre-agreed cost increasing by an inflation equivalent on an annual basis.

Share performance

Share performance (cents)



Share performance on the JSE Limited[3]	2013	2012[4]	Change %
Number of shares in issue[5]	**847 750 679**	718 210 043	18
Market prices (cents per share):			
closing	**13 225**	16 400	(19)
high	**17 315**	16 620	4
low	**12 500**	13 220	(5)
average	**14 838**	14 732	1
Closing price/NAV per share (excluding preference shares) (%)	**1,45**	1,76	
Price-to-earnings (P/E) ratio (closing price/headline earnings per share) (%)	**9,5**	13,4	
Volume of shares traded (million)	**441,0**	438,0	1
Value of shares traded (Rm)	**65 560,1**	64 345,3	2
Market capitalisation (Rm)	**112 115,0**	117 786,4	(5)

Notes

[1] The Banks' Index outperformed Barclays Africa Groups' share price by 27,97% during the reporting period (2012: 18,45%). Total return was used to calculate the relative performance (calculated using the dividend yield for the reporting period).

[2] Barclays Africa Group's annual total return for the reporting period was **(10,7%)** (2012: 21,3%)

[3] JSE.

[4] Share performance metrics have not been restated for the Barclays Africa acquisition, which was based on the principles of accounting for business combinations under common control..

[5] Includes **437 896** (2012: 547 750) treasury shares held by Group entities.

Shareholder information and diary

	2013 %	2012 %
Major ordinary shareholders (top 10)		
Barclays Bank PLC (UK)	**62,32**	55,52
Public Investment Corporation (SA)	**5,39**	7,32
Sanlam Investment Management (SA)	**2,56**	2,92
Old Mutual Asset Managers (SA)	**2,44**	1,46
Prudential Portfolio Managers (SA)	**1,97**	1,17
Investec Asset Management (SA, UK)	**1,65**	2,60
Allan Gray Investment Council (SA)	**1,42**	1,50
STANLIB Asset Management (SA)	**1,28**	1,32
The Vanguard Group Incorporated (US, AU)	**1,18**	1,19
GIC Private Limited (SG)	**0,89**	0,95
Other	**18,90**	24,05
	100,00	100,00
Geographical split		
United Kingdom (UK)	**63,8**	56,6
South Africa (SA)	**23,9**	28,1
United States and Canada (US, CA)	**4,9**	7,5
Other countries	**7,4**	7,8
	100,0	100,0

Shareholder diary

Financial year-end	31 December 2013
Annual general meeting[1]	6 May 2014
Announcement of the interim results[1]	30 July 2014

Dividend Final	Declaration date	Last day to trade	Ex dividend date	Record date	Payment date
December 2013	11 February 2014	28 March 2014	31 March 2014	4 April 2014	7 April 2014
Interim[1]	30 July 2014	5 September 2014	8 September 2014	12 September 2014	15 September 2014

Note

[1] Subject to change.

Absa Bank Limited and its subsidiaries

Segment reporting structure

ABSA

- **RBB**[1]
  - **Retail Banking South Africa**[2]
    - Home Loans
    - Vehicle and Asset Finance[4] (VAF)
    - Card[5,6]
    - Personal Loans
    - Retail Bank[5,7]
  - **Business Banking South Africa**[2,3,4]
    - Debt Products
    - Investment Products
    - Transactional Products
    - Equities
- **CIBW**[1,3]
  - Corporate
  - Investment Bank
    - Markets
    - Investment Banking
    - Private Equity and Infrastructure Investments
  - Wealth
- **Head office, inter-segment eliminations and Other**[1,3]
  - Enterprise Functions[8,9]
  - Group Treasury[8]
  - Consolidation Centre[9]

Notes

[1] Refer to pages 121 to 130 for reporting changes.

[2] Retail Banking South Africa (previously Retail Markets) and Business Banking South Africa (previously Business Markets) were renamed to align with industry naming conventions.

[3] Includes Absa Bank London operations. These results have been allocated to Business Banking South Africa, CIBW and Head office, inter-segment eliminations and Other, the segments where those businesses are managed.

[4] The Commercial Asset Finance and Absa Vehicle Management Solutions businesses of the VAF sub-segment previously reported within the Business Banking segment, have been transferred to the Retail Banking segment to take advantage of synergies within the existing Vehicle and Asset Finance portfolio in Retail Banking.

[5] The debit card operations, previously reported as part of the Card sub-segment, were transferred to the Retail Bank sub-segment in Retail Banking. This ensures better alignment of this business with the products that utilise the operational base.

[6] Includes the Edcon portfolio.

[7] Includes Absa Private Bank and debit card.

[8] Enterprise Core Services was renamed to Enterprise Functions. Capital and funding centres were renamed to Group Treasury.

[9] The business unit previously reported as Corporate Centre was disaggregated into two separate sub-segments; Enterprise Functions and Consolidation Centre.

Absa Bank Limited and its subsidiaries

Consolidated salient features

	2013	2012[1]	Change %
Statement of comprehensive income (Rm)			
Revenue	**42 122**	39 765	6
Operating expenses	**23 560**	20 979	12
Profit attributable to ordinary equity holder	**8 439**	7 203	17
Headline earnings[2]	**8 266**	7 356	12
Statement of financial position			
Loans and advances to customers (Rm)	**534 040**	510 316	5
Total assets (Rm)	**789 371**	763 920	3
Deposits due to customers (Rm)	**488 371**	467 744	4
Loans-to-deposits ratio (%)	**91,2**	89,1	
Financial performance (%)			
Return on average equity	**15,5**	13,5	
Return on average assets	**1,08**	0,96	
Return on average risk weighted assets[3]	**1,98**	1,90	
Operating performance (%)			
Net interest margin on average interest-bearing assets[3]	**3,64**	3,52	
Impairment losses on loans and advances as % of average loans and advances to customers[3]	**1,14**	1,60	
Non-performing loans as % of gross loans and advances to customers[3]	**4,5**	5,7	
Non-interest income as % of total revenue	**44,1**	45,0	
Cost-to-income ratio	**55,9**	52,8	
JAWS	**(6,4)**	4,8	
Effective taxation rate, excluding indirect taxation	**27,3**	26,1	
Share statistics (million)			
(including "A" ordinary shares)			
Number of ordinary shares in issue	**383,1**	378,8	
Weighted average number of ordinary shares in issue	**379,1**	375,3	
Diluted weighted average number of ordinary shares in issue	**379,1**	375,3	
Share statistics (cents)			
Headline earnings per share	**2 180,4**	1 960,0	11
Diluted headline earnings per share	**2 180,4**	1 960,0	11
Basic earnings per share	**2 226,1**	1 919,3	16
Diluted earnings per share	**2 226,1**	1 919,3	16
Dividends per ordinary share relating to income for the reporting period	**3 251,7**	1 568,3	>100
Dividend cover (times)	**0,7**	1,2	
Net asset value per share	**13 721**	14 842	(8)
Tangible net asset value per share	**13 381**	14 535	(8)
Capital adequacy (%)[3]			
Absa Bank Limited	**15,6**	17,5	
Off-statement of financial position (Rm)			
Assets under management and administration	**37 378**	27 158	38

Notes

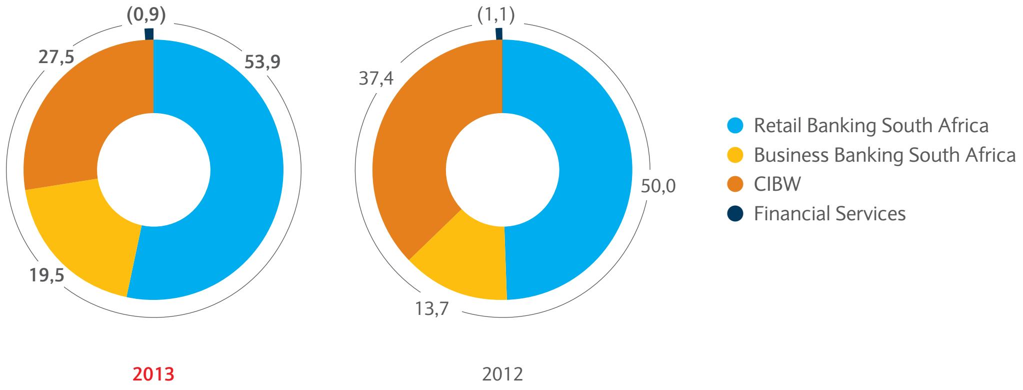
[1] Refer to pages 121 to 130 for reporting changes.

[2] After allowing for **R294 million** (2012: R295 million) profit attributable to preference equity holders.

[3] These ratios are unaudited.

Headline earnings by segment

Headline earnings – market segment[1] (%)



	2013 **Rm**	2012[2] Rm	Change %
RBB	**6 641**	4 338	53
Retail Banking South Africa	**4 879**	3 404	43
Home Loans	**1 005**	(1 076)	>100
Vehicle and Asset Finance	**1 093**	820	33
Card	**1 802**	1 733	4
Personal Loans	**385**	587	(34)
Retail Bank	**594**	1 342	(56)
Business Banking South Africa	**1 762**	934	89
CIBW	**2 492**	2 546	(2)
Head office, inter-segment eliminations and Other	**(791)**	545	>(100)
Total banking	**8 342**	7 429	12
Financial Services[3]	**(76)**	(73)	(4)
Headline earnings attributable to ordinary equity holder	**8 266**	7 356	12

Note

[1] Calculation based on the exclusion of Head office, inter-segment eliminations and Other.

[2] Refer to pages 121 to 130 for reporting changes.

[3] Shareholders' expenses previously retained at a Bank level now charged to business,

Glossary

Amounts written-off

Once an advance has been identified as impaired and an impairment allowance has been raised, circumstances may change and indicate that the prospect of further recovery does not exist. Write-offs will occur when, and to the extent that, the debt is considered irrecoverable. A write-off policy based on an age-driven concept, drives the timing and extent of write-offs. A write-off can also be triggered by a specific event, such as the conclusion of insolvency proceedings or other formal recovery actions, making it possible to quantify the extent of the advance that is beyond a realistic prospect of recovery. Assets are only written off once all necessary procedures have been completed and the amount of loss has been determined. Recoveries of amounts previously written off, are reversed and accordingly decrease the amount of the reported impairment charge in the statement of comprehensive income.

Approaches (FIRB, AIRB, AMA and IMA)

Methods available to banks to calculate their regulatory capital requirements, based on their own risk estimates. These include the foundation internal ratings-based (FIRB) and advanced internal ratings-based (AIRB) approaches for credit risk, the advanced measurement approach (AMA) for operational risk, and the internal models approach (IMA) for market risk.

Balance sheet

The term 'balance sheet' is used in the same context as the 'statement of financial position'.

Bank

Absa Bank Limited, together with its subsidiary undertakings, special purpose entities, joint ventures, associates and offshore holdings. It is also referred to as 'the Bank' or 'Absa Bank' in this report.

Banks Act

This means the Banks Act, No. 94 of 1990 and its accompanying regulations relating to banks published in the Government Gazette on 12 December 2012.

Barclays

Barclays PLC, registered in England under registration number 1026167, and the majority shareholder of Barclays Africa Group Limited.

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

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

Borrowed funds

Subordinated callable notes qualifying as long-term Tier 2 capital issued by Absa Bank Limited in terms of section 1 of the Banks Act, No. 94 of 1990. The subordinated callable notes are listed on the Bond Exchange of South Africa. Borrowed funds include preferences shares classified as debt in terms of IAS 32 Financial Instruments: Presentation.

Capital adequacy ratio

The capital adequacy of South African banks is measured in terms of the requirements of SARB. The ratio is calculated by the aggregate amount of qualifying capital and reserve funds dividend by RWA. The base minimum South African total capital adequacy ratio for banks is 9,50% of RWAs. Non-South African banks in the Group have similar capital adequacy methodology requirements.

Common Equity Tier 1 (CET1)

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

- Common shares issued by the bank that meet the criteria for classification as common shares for regulatory purposes (or the equivalent for non-joint stock companies);
- Stock surplus (share premium) resulting from the issue of instruments including CET1;
- Retained earnings;
- Accumulated other comprehensive income and other disclosed reserves;[1]
- Common shares issued by consolidated subsidiaries of the bank and held by third parties (i.e., minority interest) that meet the criteria for inclusion in CET1; and
- Regulatory adjustments applied in the calculation of CET1.

Glossary

Additional Tier 1 Capital ratio

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

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

Capital – Common Equity Tier 1 ratio

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

Capital – Tier 2 ratio

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

Capital – Tier 2

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

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

Combined ratio

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

Conduct risk

Conduct risk is the risk that harm is caused to Barclays Africa Group's customers, clients or counterparties or the Group and its employees because of inappropriate judgement in the execution of the Group's business activities.

Constant currency

The selected line items from the condensed consolidated statement of comprehensive income and condensed consolidated statement of financial position for the Rest of Africa market segment disclosed on page 58, are derived by translating the statement of comprehensive income and statement of financial position from the respective individual entities' local currencies to rand.

The current reporting period's results are translated at the current reporting period's average rates for the statement of comprehensive income, while the closing rate is used for the statement of financial position in terms of IFRS. In order to calculate the percentage change based on constant currency, the previous reporting period's results have also been translated at the current reporting period's average rates for the statement of comprehensive income, while the closing rate has been used for the statement of financial position. This has been done in order to provide investors with information on the impact of foreign currency movements on the local currency earnings.

The percentage change based on constant currency is provided for illustrative purposes only and may not fairly present the Group's financial position and/or the results of its operations. The directors are responsible for the preparation of the constant currency information.

An assurance report on the constant currency financial information prepared by the Company's auditors is available for inspection at the Company's registered office.

Cost efficiency ratio

Operating expenses as a percentage of income from operations. Income consists of net interest income and non-interest income net of reinsurance, unearned premiums, net insurance claims and benefits paid, changes in investment and insurance contract liabilities and acquisition costs.

Cost-to-income ratio

Operating expenses as a percentage of income from operations. Income from operations consists of net interest income and non-interest income.

Credit risk

Credit risk is the risk of the Group suffering loss if any of its customers, clients or market counterparties fail to fulfil their contractual obligations to the Group.

Debt securities in issue

Short- to medium-term instruments issued by the Group, including promissory notes, bonds and negotiable certificates of deposits.

Dividend cover

Headline earnings per share divided by dividend per share.

Dividend per ordinary share relating to income for the reporting period

Dividend per ordinary share for the reporting period is the actual interim dividends paid and the final dividends declared for the reporting period under consideration, expressed as cents per share.

Special dividend per ordinary share is a payment made by the Group that is considered separate from the typical recurring dividend cycle, expressed as cents per share.

Earnings per share

Profit attributable to ordinary equity holders

This constitutes the net profit for the reporting period, less earnings attributable to non-controlling interest, divided by the weighted average number of ordinary shares in issue during the reporting period.

Headline earnings basis

Headline earnings for the reporting period divided by the weighted average number of ordinary shares in issue during the reporting period.

Fully diluted basis

The amount of profit for the reporting period that is attributable to ordinary equity holders, divided by the weighted average number of ordinary shares in issue during the reporting period, both adjusted for the effects of all potential dilutive ordinary shares, assuming they had been in issue for the reporting period.

Economic capital

An internally calculated capital requirement deemed necessary by Barclays Africa Group to support the risks to which it is exposed, at a confidence level consistent with a target credit rating of AA. Also used in the return of average economic capital calculation.

Embedded value

The embedded value of the covered business is the discounted value of the future after-tax shareholder profits (net of the opportunity cost of the required capital) arising from covered business in force at the valuation date, together with the adjusted net worth of the covered business. Covered business is taken to be all long-term insurance business written under the Company's license.

The free surplus is the excess of assets over the sum of liabilities and required capital, with assets at market value and liabilities on the statutory valuation method, adjusted to add back inadmissible assets. The required capital is taken to be two times the statutory capital adequacy requirement, in line with the results of internal capital models and the Company's dividend policy.

Exchange differences

Differences on loans and advances resulting from the translation of a given number of units of one currency into another currency at different exchange rates.

Financial leverage ratio

The financial leverage ratio is a measure of the Group's assets in relation to its equity, and is calculated by dividing average assets by average equity.

Financial Markets Act

This means the Financial Markets Act No. 19 of 2012 and its regulations. This Act is the primary legislation governing the regulation of financial markets, market infrastructure and securities services in South Africa. It focuses primarily on the licensing and regulation of exchanges, central securities depositories, clearing houses, trade repositories and market infrastructure. The Act also strengthens measures already in place aimed at prohibiting insider trading and other market abuses.

Foreign currency translation

Foreign currency accounts of the Group's subsidiaries translated to reporting currency (ZAR), with the foreign adjusted currency translation included in a foreign currency translation reserve as equity capital.

Funding risk

Funding risk is the risk that the Group is unable to achieve its business plans. It consists of:

- Capital risk: The risk that the Group is unable to maintain appropriate capital ratios and composition which could lead to: an inability to support business activity, a failure to meet regulatory requirements; and/or changes to credit ratings, which could also result in increased costs or reduced capacity to raise funding;
- Liquidity risk: The risk that the Group is unable to meet its obligations as they fall due resulting in an inability to support normal business activity, a failure to meet liquidity regulatory requirements and/or changes to credit ratings; and
- Structural risk: The risk that changes in primarily interest rates on income or foreign exchange rates on capital ratios, will have a material adverse effect on the Group's results, financial condition and prospects.

Gains and losses from banking and trading activities

Banking and trading portfolios include:

- realised gains and losses on financial instruments held at amortised cost, held-to-maturity or available-for-sale;
- realised gains and losses on the disposal of associates, joint ventures and subsidiaries within the banking portfolios;
- realised and unrealised gains and losses on financial instruments designated at fair value through profit or loss; and
- interest, dividends and fair value movements on certain financial instruments held for trading or designated at fair value through profit or loss.

Gains and losses from investment activities

Insurance and strategic investment portfolios including:

- realised gains and losses on financial instruments held at amortised cost, held-to-maturity or available-for-sale;
- realised gains and losses on the disposal of associates, joint ventures and subsidiaries;
- realised and unrealised gains and losses on financial instruments designated at fair value through profit or loss; and
- interest, dividends and fair value movements on certain financial instruments held for trading or designated at fair value through profit or loss.

Group

Barclays Africa Group Limited, together with its subsidiary undertakings, special purpose entities, joint ventures, associates and offshore holdings. It is also referred to as 'the Group' or 'Barclays Africa Group' in this report.

Headline earnings

Headline earnings reflects the operating performance of the Group separated from remeasurements (an amount recognised in the statement of comprehensive income relating to any change (realised or unrealised) in the carrying amount of an asset/liability that arose after the initial recognition of such asset or liability) as well as non-controlling interest of preference shares or ordinary shares, where relevant.

Basic

Profit attributable to ordinary equity holders of the Group after adjusting for separately identifiable remeasurements, net of tax and non-controlling interest, divided by the weighted average number of ordinary shares in issue. A remeasurement is an amount recognised in profit or loss relating to any change in the carrying amount of an asset or liability that arose after the initial recognition of such asset or liability.

Diluted

Diluted headline earnings per share is calculated by adjusting both the headline earnings and the weighted average number of ordinary shares outstanding for the effects of all potential dilutive ordinary shares, assuming they had been in issue for the reporting period.

Impairment losses on loans and advances as percentage of average loans and advances to customers (credit loss ratio/impairment losses ratio)

Impairment losses on loans and advances for the reporting period, divided by total average advances (calculated on a daily weighted average basis).

Impairments raised – Identified

Impaired loans with key indicators of default being:

- the borrower is unlikely to pay its credit obligation in full, without recourse by the Group to actions such as realising security held; and/or
- the borrower is overdue.

A retail identified impairment is triggered when a contractual payment is missed and is raised on a collective basis. Future cash flows for a group of financial assets, which are collectively evaluated for impaired purposes, are estimated based on the contractual cash flows of the assets in the group and the historical loss experienced for assets with similar credit risk characteristics to those in the group.

In the wholesale portfolio, an identified impairment is raised on an individual basis and is the difference between the outstanding capital and the present value of future cash flows.

Impairments raised – Unidentified

Allowances are raised when observable data indicates a measurable decrease in the estimated future cash flows from a group of financial assets since their original recognition, even though the decrease cannot yet be linked to individual assets in the group. The unidentified impairment calculation is based on the asset's probability of moving from the performing portfolio to the defaulted portfolio as a result of a risk condition that has already occurred, but will only be identifiable at a borrower level at a future date.

Indirect taxation

Indirect taxes are the taxes that are levied on transitions rather than on persons (whether individuals or corporate). These taxes include unclaimed value added taxes, stamp duties on deposits and Regional Service Council levies.

Income statement

The term 'income statement' is used in the same context as the 'statement of comprehensive income'.

JAWS

A measure used to demonstrate the extent to which the Group's income from operations growth rate exceeds operating expenses growth rate. Income from operations consists of net interest income and non-interest income.

Loans-to-deposits ratio

Loans and advances to customers as a percentage of deposits due to customers and debt securities in issue.

Market capitalisation

The Group's closing share price, times the number of shares in issue at the reporting date.

Market conduct regulator

The market conduct regulator's objective will be to protect consumers of financial services and promote confidence in the South African financial system. This responsibility will be carried out by the Financial Services Board.

Market risk

The Group is at risk from a reduction in its earnings or capital due to:

- traded market risk: This risk relates to client activity primarily via the Investment Bank. It is the risk of the Group being impacted by changes in the level or volatility of positions in its trading books;
- non-traded market risk: This risk relates to customer products primarily in RBB. It is the risk of the Group being unable to hedge its banking book balance sheet at prevailing market levels; and
- insurance risk: The risk that future experience relating to claims, expenses, policyholder behaviour and investment returns differs from the assumptions made when setting premiums or valuing policyholder liabilities.

Merchant income

Income generated from the provision of point-of-sale facilities to the Group's merchant network customers. This income includes both rental income for the supply of point-of-sale units as well as transactional income for the transactions processed on the supplied terminals.

Net asset value (NAV) per share

Total equity attributable to ordinary equity holders divided by the number of shares in issue. The net asset value per share figure excludes the non-cumulative, non-redeemable preference shares issued.

Net interest income

The amount of interest received or receivable on assets net of interest paid or payable on liabilities.

Net interest margin on average interest-bearing assets

Net interest income for the period, divided by average interest-bearing assets (calculated on a daily weighted average basis), expressed as a percentage of average interest-bearing assets. Average interest-bearing assets consist of all accounts attracting interest within the asset categories of cash, cash balances and balances with central banks, statutory liquid asset portfolio, loans and advances to banks and customers and investment securities (including cash and short-term assets, money market assets and capital market assets).

Net present value unwind on non-performing book

A net present value adjustment representing time value of money of expected cash flows within the impairment allowance. Such time value of money reduces as the point of cash flow is approached. The time-based reduction in time value of money is recognised in the statement of comprehensive income as interest received on impaired assets.

Net revenue

Net revenue consists of net interest income and non-interest income, net of impairment losses on loans and advances.

Net trading result

Net trading result includes the profits and losses on CIBW's trading desks arising from both the purchase and sale of trading instruments and the revaluation to market value, as well as CIBW's hedge ineffectiveness. This includes the interest income and interest expense from these instruments and related funding cost. It also includes similar activities from the African operations.

Non-interest income

Non-interest income consists of the following statement of comprehensive income-line items: net fee and commission income, net insurance premium income, net insurance claims and benefits paid, changes in investment contracts and insurance contract liabilities, gains and losses from banking and trading activities, gains and losses from investment activities as well as other operating income.

Non-performing loans

A loan is typically considered non-performing once its delinquency reaches a trigger point. This is typically when interest is suspended (in accordance with Group policy) or if the loan is moved to the legal environment for recovery. As a consequence, a loan that has defaulted is not necessarily non-performing (unless certain criteria are met).

Non-performing loan coverage ratio

Net exposure, being the outstanding non-performing loan balance, less expected recoveries and fair value of collateral, as a percentage of the total outstanding non-performing loan balance.

Non-performing loan ratio

Non-performing loans as a percentage of gross loans and advances to customers.

Non-interest income as percentage of total operating income

Non-interest income as a percentage of income from operations. Income consists of net interest income and non-interest income.

Operational risk

Operational risk is the risk of direct or indirect impacts resulting from human factors, inadequate or failed internal processes and systems or external events. This includes risks associated with payments and transaction operations, external suppliers, products, premises and security, fraud risk, regulation, information, financial reporting, tax, legal, people and technology.

Price-to-earnings (P/E) ratio

The closing price of ordinary shares, divided by headline earnings per ordinary share for the reporting period.

Probability of default

The probability that a debtor will default within a one-year time horizon.

Regulatory capital

The capital that the Group holds, determined in accordance with the requirements of the Banks Act and regulations relating to banks.

Reputation risk

Reputation risk is the risk of damage to Barclays Africa Group's brand arising from any association, action or inaction which is perceived by stakeholders to be inappropriate or unethical. Such damage reduces, directly or indirectly, the attractiveness of the Group to stakeholders and may lead to negative publicity; loss of revenue; litigation; regulatory or legislative action; loss of existing and potential client business; reduced workforce morale and difficulties in recruiting talent. Sustained reputational damage could have a materially negative impact on the Group's license to operate and destroy significant shareholder value.

Revenue

Revenue consist of net interest income and non-interest income.

Risk-weighted assets

Calculated by assigning a degree of risk, expressed as a percentage (risk weight) to an exposure, in accordance with the applicable standardised or IRB approach rules. RWAs are determined by applying the:

- Advanced internal ratings-based (AIRB) approach for wholesale and retail credit;
- Advanced measurement approach (AMA) for operational risk;
- Internal ratings-based (IRB) market-based simple risk-weight approach for equity investment risk in the banking book; and
- Standardised approach for all African entities (both credit and operational risk).

Special purpose entity

A corporation, trust or other non-bank entity, established for a narrowly defined purpose, including for carrying on securitisation activities. The structure of the entity and its activities are intended to isolate the obligations of the SPE from those of the originator and the holders of the beneficial interests in the securitisation.

Value at risk

A technique that measures the loss that could occur on risk positions as a result of adverse movements in market risk factors (e.g. rates, prices, volatilities) over a specified time horizon and to a given level of confidence.

Value of new business

The discounted value, at the date of sale, of the projected after-tax shareholder profits from new covered business, net of the opportunity cost of the required capital for new business. New covered business is defined as long-term insurance contracts written by the Company during the reporting period and for which at least one premium has been recognised in the financial statements. The value of new business is calculated using closing assumptions for all basis items.

Weighted average number of shares

The number of shares in issue at the beginning of the reporting period increased by shares issued during the reporting period, weighted on a time basis for the period during which they participated in the income of the Group, less treasury shares held by entities in the Group, weighted on a time basis for the period during which the entities held these shares.

Acronyms

List of abbreviations

A

AIRB	advanced internal ratings-based approach
AllPay	AllPay Consolidated Investment Holdings Limited
AMA	advanced measurement approach

B

BAGL	Barclays Africa Group Limited
Basel	Basel Capital Accord
BBM	Barclays Bank Mozambique S.A.
bps	basis points

C

CAF	Commercial Asset Finance
CIBW	Corporate, Investment Bank and Wealth
CODM	Chief Operating Decision Maker
CoE	cost of equity
CPF	Commercial Property Finance

D

DPS	dividend per share

E

EC	economic capital
Edcon portfolio	Edcon Store Card Portfolio
ETF	exchange traded fund
EV	embedded value

F

FIRB	foundation internal ratings-based approach

H

HEPS	headline earnings per share

I

IAS	International Accounting Standard(s)
IAS 16	Property, Plant and Equipment
IAS 19R	Employee Benefits (amended 2011)
IAS 27	Consolidated and Separate Financial Statements
IAS 28	Investments in Associates
IAS 36	Impairment of Assets
IAS 38	Intangible Assets
IAS 39	Financial Instruments: Recognition and Measurement
IAS 40	Investment Property
ICAAP	internal capital adequacy assessment process
IFRS	International Financial Reporting Standards(s)
IFRS 3	Business Combinations
IFRS 5	Non-current Assets Held for Sale and Discontinued Operations
IFRS 8	Operating Segments
IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements
IMA	internal models approach
Insurance	Short-term Insurance
IRB	internal ratings-based approach
IT	information technology

J

JIBAR	Johannesburg Interbank Agreed Rate
JSE	Johannesburg Stock Exchange Limited

Acronyms

L

LCR	liquidity coverage ratio
Life	Life Insurance

M

MCR	market conduct regulator

N

NAAMSA	National Association of Automobile Manufacturers of South Africa
NADA	National Automobile Dealers' Association
NAV	net asset value
NBC	National Bank of Commerce Limited (Tanzania)
NPL(s)	non-performing loan(s)
NSFR	net stable funding ratio

P

P/E	price-to-earnings
PRP	principal risks policy

R

RBB	Retail and Business Banking
RoA	return on average assets
RoE	return on average equity
RoEC	return on average economic capital
RoEV	return on embedded value
RoRC	return on regulatory capital
RoRWA	return on average risk-weighted assets
RWA(s)	risk-weighted asset(s)

S

SAM	Solvency Assessment Management
SARB	South African Reserve Bank
SPE	Special Purpose Entity
STC	secondary tax on companies

U

US	United States

V

VAF	Vehicle and Asset Finance

W

WFS	Woolworths Financial Services (Pty) Ltd

Administration and contact details

Barclays Africa Group Limited

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ISIN: ZAE000174124

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Group non-executive directors

P A Clackson[1], W E Lucas-Bull (Group Chairman), M S Merson[1], A V Vaswani[2],

Group executive directors

D W P Hodnett (Deputy Chief Executive Officer and Financial Director), M Ramos (Chief Executive Officer)

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Notes

[1] British

[2] Singaporean

BASTION GRAPHICS