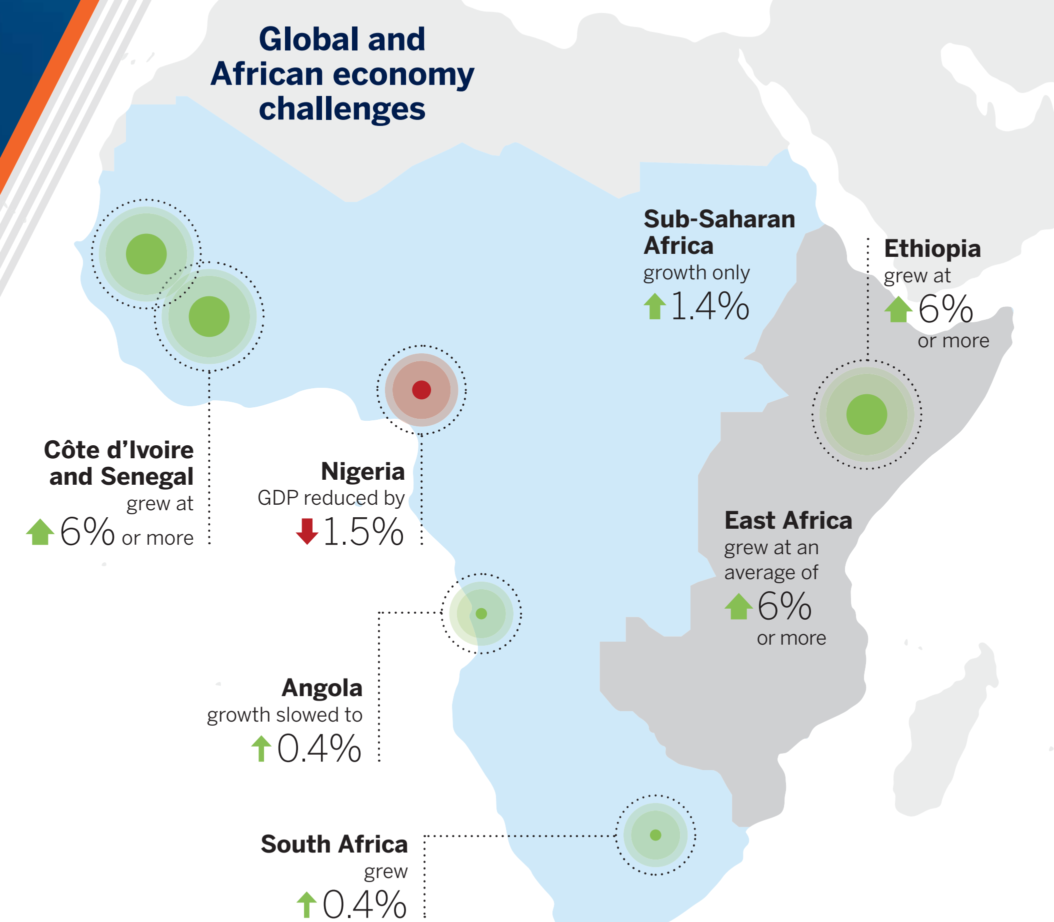
Managing economic headwinds

MANAGING ECONOMIC HEADWINDS

Africa is our home and we are committed to the expansion and deepening of our business across the continent. Economic growth has slowed significantly in several of our countries of operation. By carefully managing risk across of our portfolio, limiting our exposure to the commodities sector, and successfully identifying and investing in growth sectors at national and regional level, we have continued to grow in Africa, and support African growth.

We remain confident of Africa's long-term prospects, driven primarily by improving educational and health outcomes, a growing middle class, and ongoing infrastructure investment. We continue to work with our clients and regulators to support job-creating, inclusive economic growth. This includes investment in infrastructure development, support for the broadening and diversification of trade relationships, and investment in Africa's emerging manufacturing and services industries.



MANAGING RISK IN A LOW GROWTH ENVIRONMENT

2016 was a challenging year for the global economy. Sub-Saharan Africa's growth averaged just 1.4% – the lowest in 22 years. Regional per capita GDP is estimated to have contracted 1.1% in 2016, following an expansion of 0.4% in 2015.

Low commodity prices drove down growth in the region's largest economies. South Africa grew by just 0.4% in 2016. Nigeria's GDP contracted by 1.5%, while Angola's growth slowed to 0.4%. Growth also slowed significantly in metal and mineral dependent economies such as the DRC, Mozambique, Botswana and Zambia. In contrast, many agricultural exporters, including Côte d'Ivoire, Senegal and Ethiopia continued to grow at 6% or more, supported by strong public infrastructure investment and buoyant private consumption.

Consumers in several countries were put under pressure by rising inflation, linked in some cases to high food prices caused by the severe drought in eastern and southern Africa. Large currency depreciations against the dollar were experienced in Angola, Ghana, Uganda, Mozambique, Nigeria and Zambia. Tough economic conditions heightened credit risk, and therefore interest rates.

In the face of these headwinds, we identified new investment opportunities in sectors with potential for growth and job creation, while decreasing our exposure to the commodity sector. During 2016, we expanded our offering in the consumer sector, in east African countries focused on growing their manufacturing and services sectors, and in local currency products. We used our large geographic footprint and our understanding of local markets to manage foreign currency liquidity shortages and grow our business with local and multinational customers.

We're recognised as a bank with a deep understanding of the risks and opportunities in the 20 African countries we operate in, such as being awarded the **Best Bank for Financial Risk Management in Africa by the Global Finance magazine** – making us a partner of choice for businesses looking to expand into new markets. We work closely with businesses and insurers to identify and assemble competent risk mitigation arrangements, allowing us to underwrite and place risk for longer time periods in these markets.

WE TAKE A LONG-TERM VIEW. Our commitment to achieving positive outcomes for our customers requires us to stand by them during difficult times, doing all we can to see them through to better days, while fulfilling our fiduciary duty to shareholders. It's an approach that benefits the bank and all our stakeholders, especially our clients.

For example, we have worked with our customers to **extend their mortgages** where necessary – keeping existing customers in their homes, and helping new customers to access the market through careful credit risk management.

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Similarly, we've been working with South Africa's farmers to see them through the prolonged drought, **restructuring their debt where necessary**.

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Our systems enable us to respond quickly and appropriately to any changes in risk appetite or exposure, in ways that protect our customers and our brand.