



Barclays Africa Group Limited

1H17 results presentation

28 July 2017





Strategic update

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Financial review

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Normalisation principles

Items that will be normalised

PLC investment

Endowment benefit

Hedging linked to separation activities

Change spend

Depreciation, amortisation and impairment

Transitional Services Agreement costs

Consequential tax impact of above items

Lower credit charge drove solid underlying growth

	1H16 Rm	1H17 Rm	Change %	Adjustment	1H17 normalised Rm	Change %
Net interest income	21 093	20 837	(1)	46	20 791	(1)
Non-interest income	15 415	15 487	-	238	15 249	(1)
Total income	36 508	36 324	(1)	284	36 040	(1)
Impairment losses	5 197	3 773	(27)	-	3 773	(27)
Operating expenses	19 487	20 498	5	(460)	20 038	3
Other*	(1 217)	(1 041)	(14)	(325)	(716)	(41)
Taxation	2 997	3 080	3	111	3 191	3
Non-controlling interest	591	541	(8)	-	541	(8)
Headline earnings	7 252	7 618	5	(152)	7 770	7

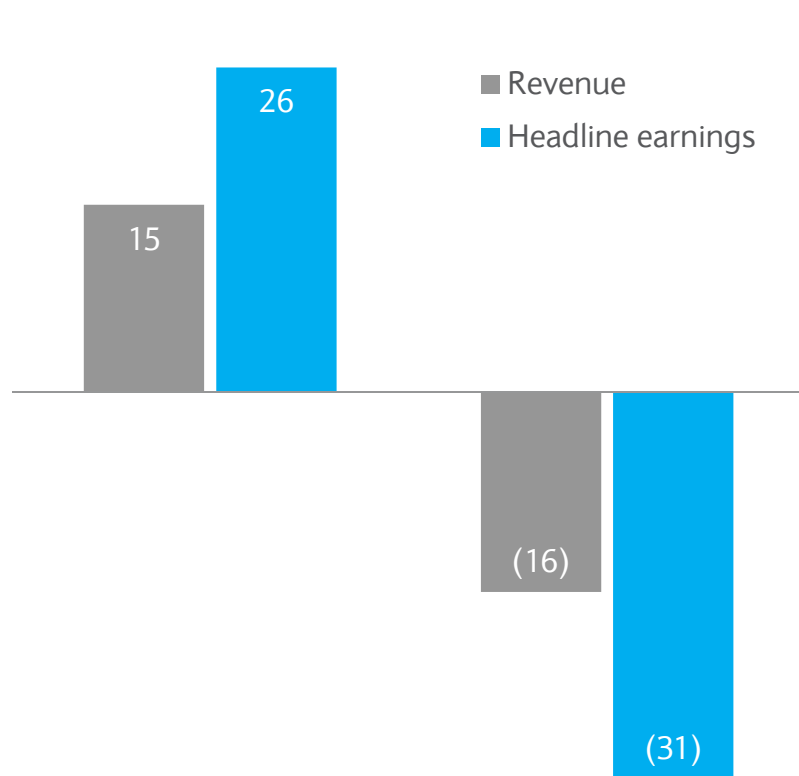
Note: * includes other impairments, indirect tax and associates' share of post tax results

Salient features (normalised)

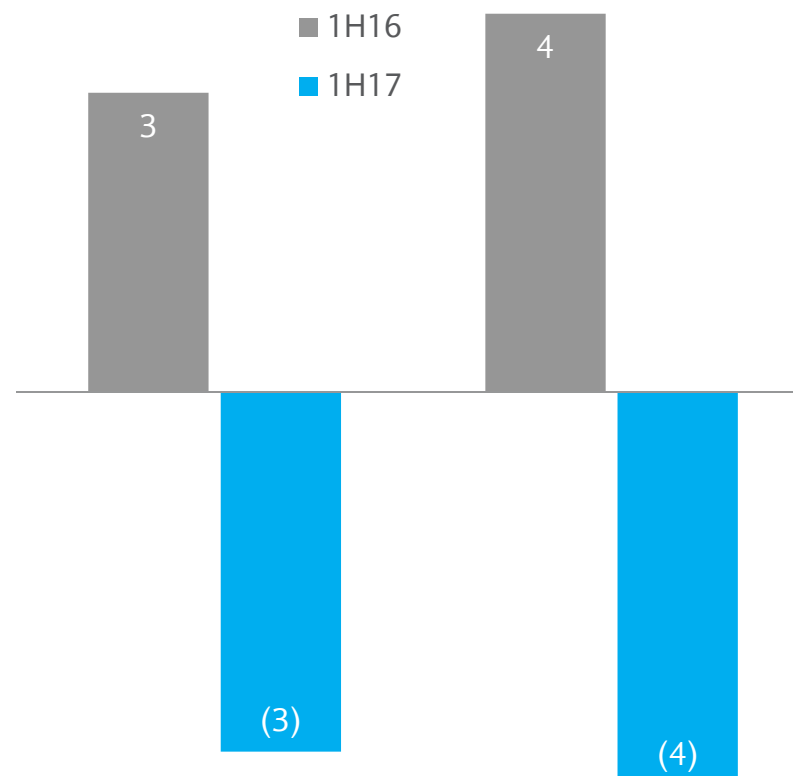
	1H16 %	1H17 %
Diluted headline EPS growth	7	7
Dividend per share growth	2	3
Return on equity	16.1	16.8
Return on assets	1.29	1.40
Net interest margin	5.01	4.93
Cost to income ratio	53.4	55.6
Credit loss ratio	1.29	0.96

Noticeable currency impact on our results

Currency impact on rest of Africa (%)



Currency impact on group (%)



1H16

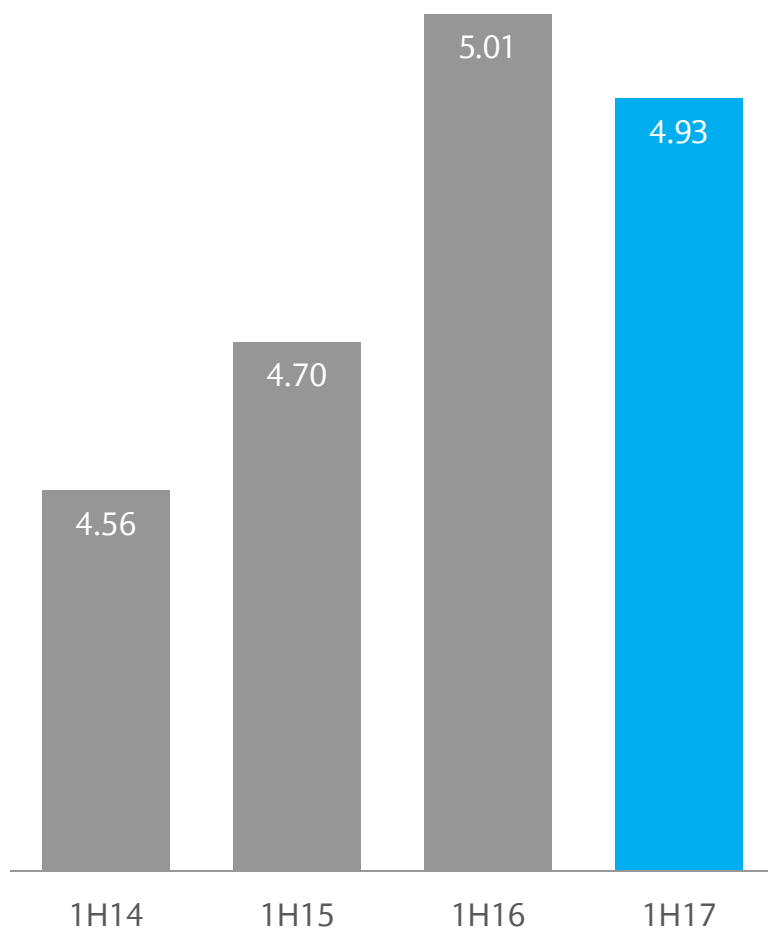
1H17

Revenue

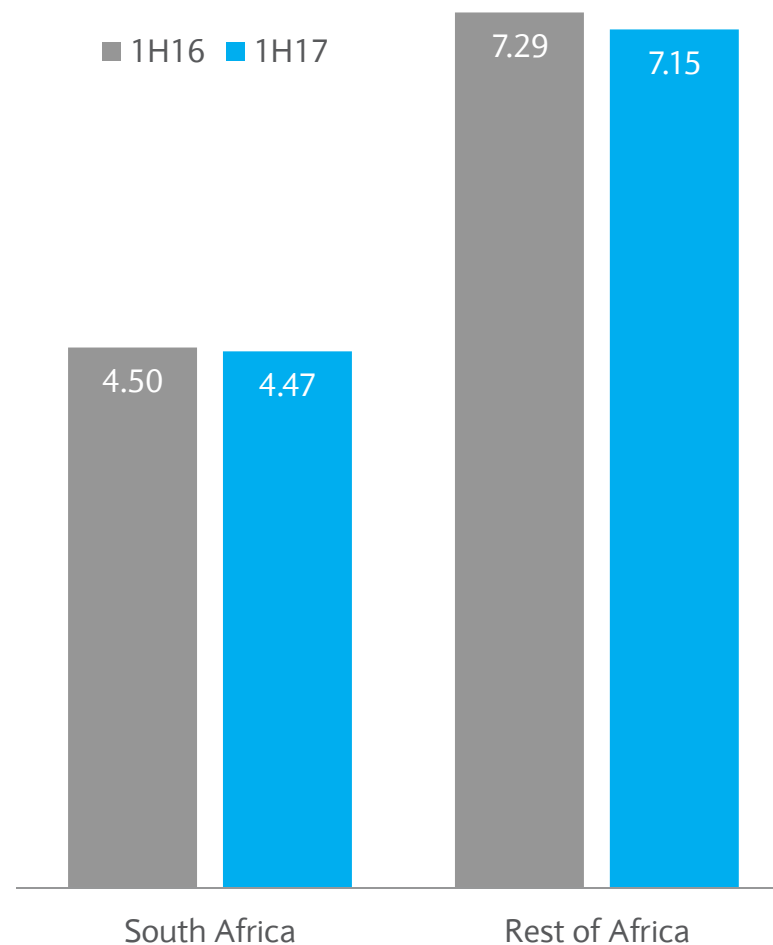
Headline earnings

Net interest margin declines ...

Net interest margin* (%)



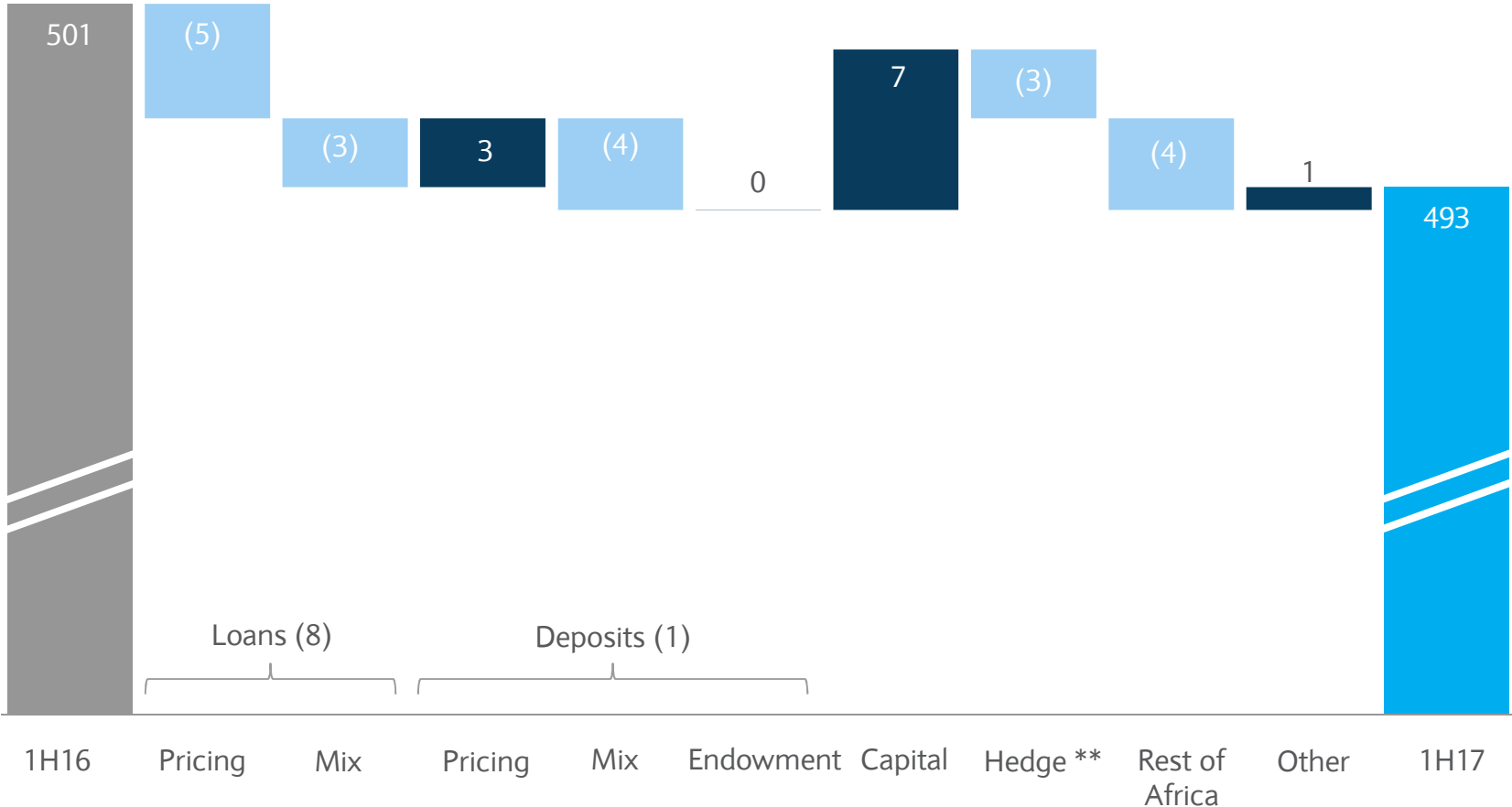
Net interest margin * (%)



Note: * average interest bearing assets

... reflecting regulatory and mix changes

Change in net interest margin* (basis points)

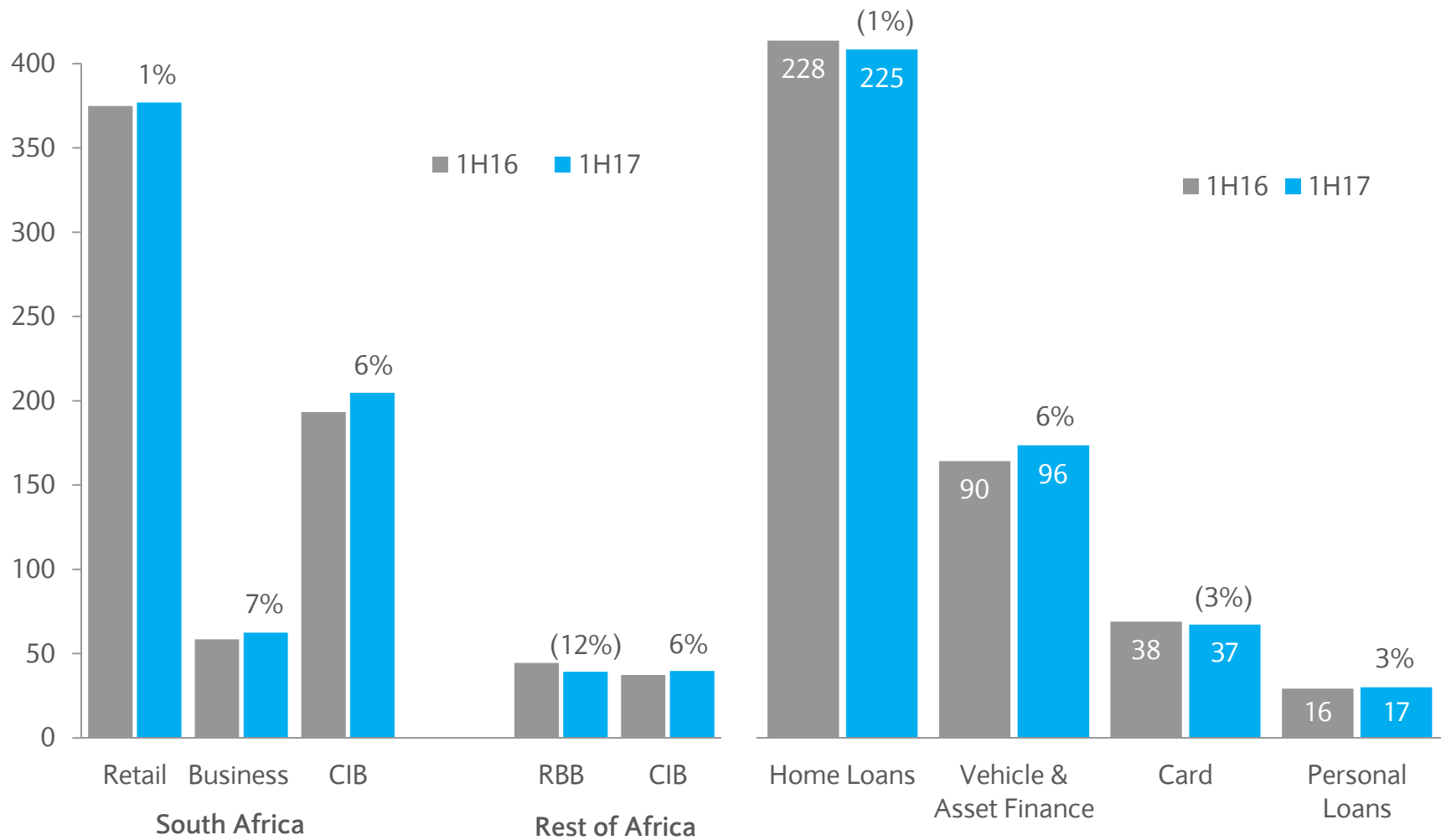


Note: * average interest bearing assets; ** interest rate risk management

Modest loan growth, particularly in Retail

Net customer loans (Rbn)

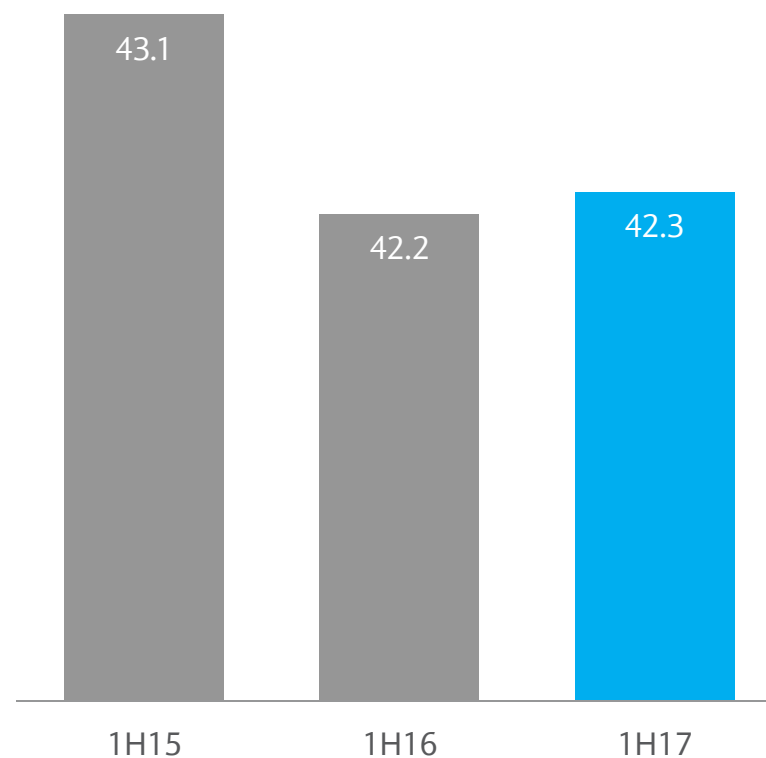
Retail SA net customer loans (Rbn)



Lower non-interest income

	1H17 Rm	Change %	Mix * %
South African Banking	10 452	3	69
<ul style="list-style-type: none"> • Retail • Business Banking SA • CIB 	6 512	4	43
	1 832	4	12
	2 108	0	14
Rest of Africa Banking	2 469	(7)	16
<ul style="list-style-type: none"> • RBB • CIB ** 	1 257	(14)	8
	1 212	3	8
WIMI	2 509	0	16
Head office and other	(181)	<(100)	(1)
Total	15 249	(1)	100

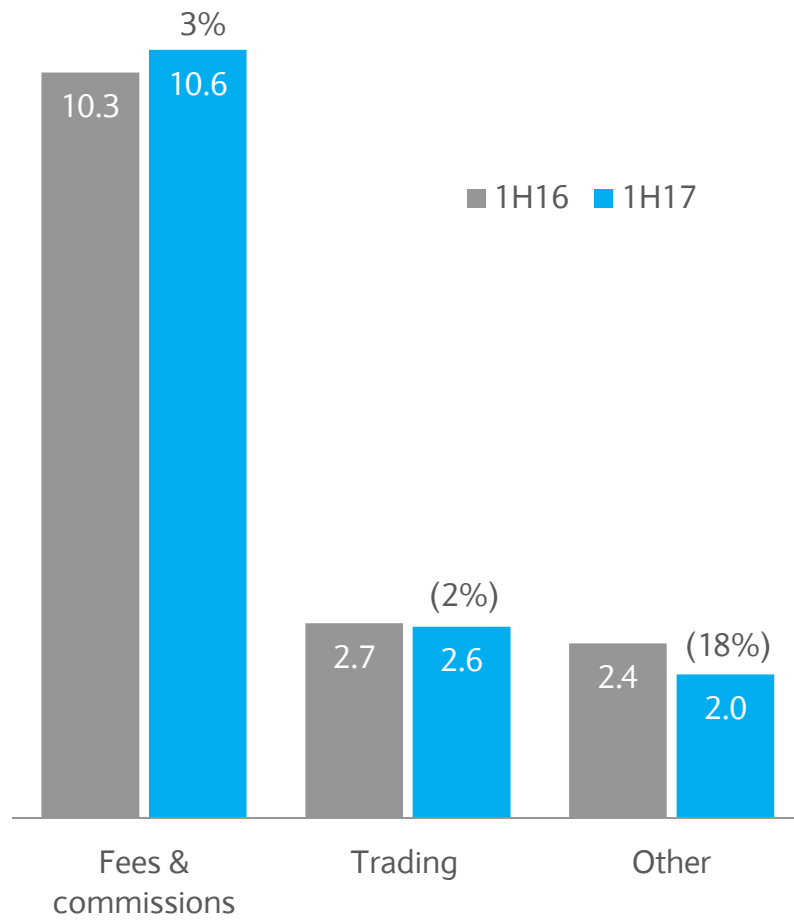
Non-interest income/total revenue (%)



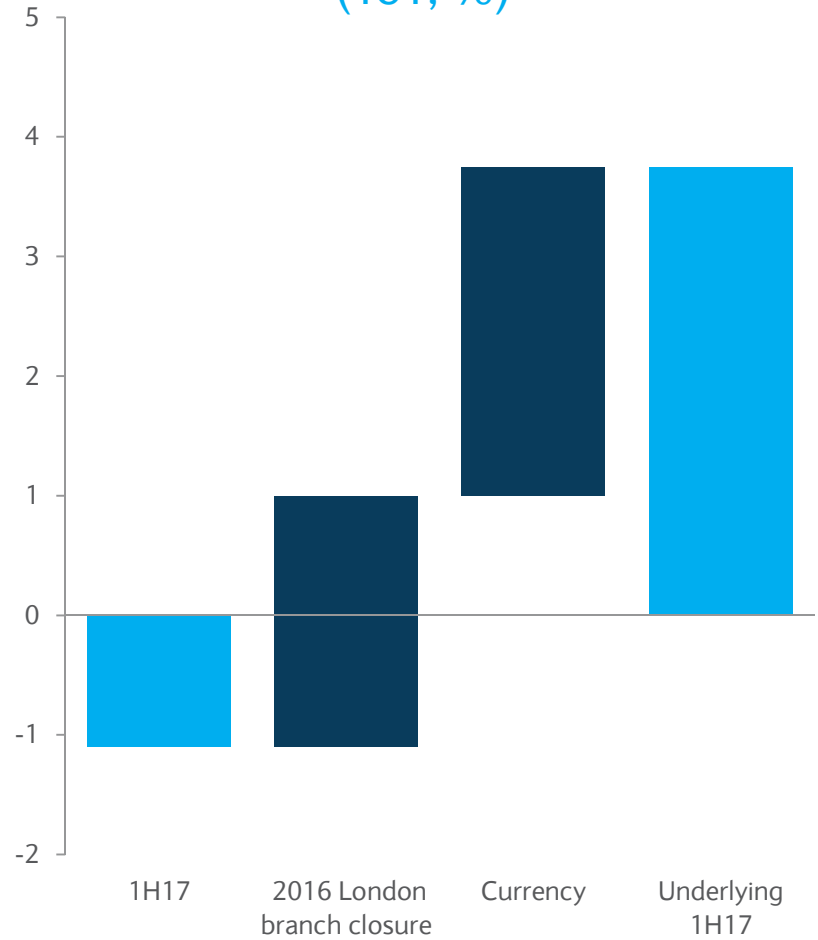
Note: * excluding head office and other ** Includes rest of Africa head office and other

Resilient fee income

Group non-interest income mix (Rbn)

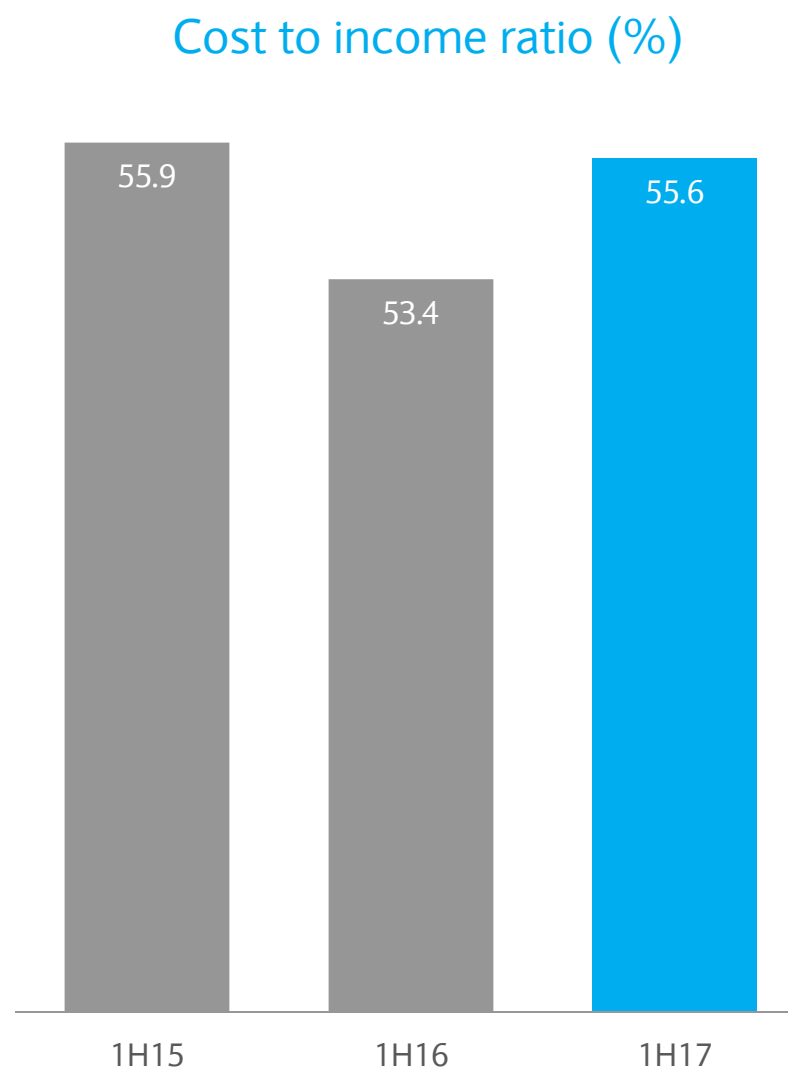


Change in non-interest income (YoY, %)



Costs remain well managed while investing

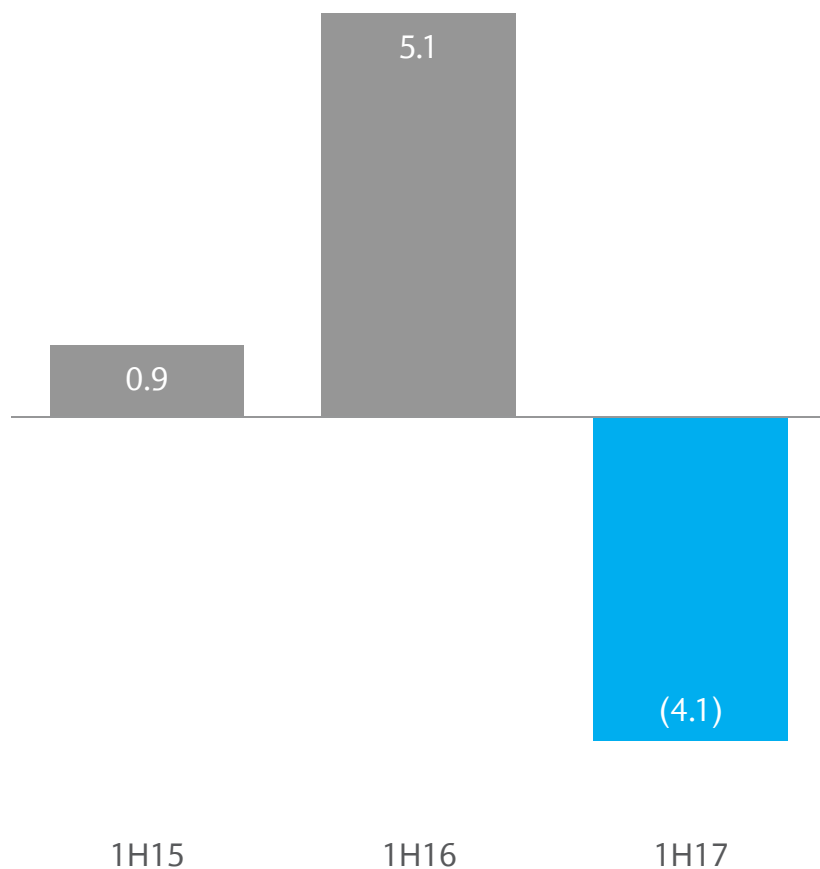
	1H17 Rm	Change %	Mix %
Staff	11 276	4	55
Technology	1 677	15	8
Property-related	1 654	0	8
Professional fees	1 157	19	6
Depreciation	937	14	5
Marketing	785	29	4
Communication	666	(14)	3
Amortisation	348	11	2
Other *	1998	(3)	10
Total	20 498	5	100
Separation	(460)		
Normalised	20 038	3	



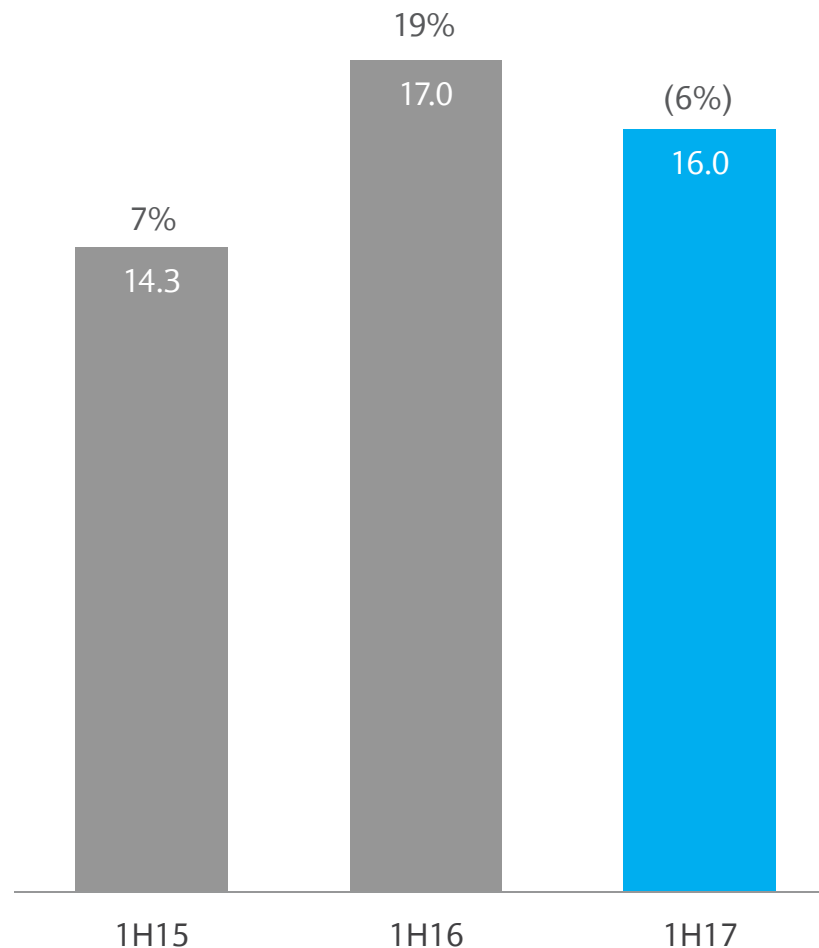
Note: * includes cash transportation costs, administration fees, equipment costs, fraud, travel and entertainment etc

Negative JAWS reduced pre-provision profits

Group operating JAWS * (%)



Pre-provision profit (Rbn)

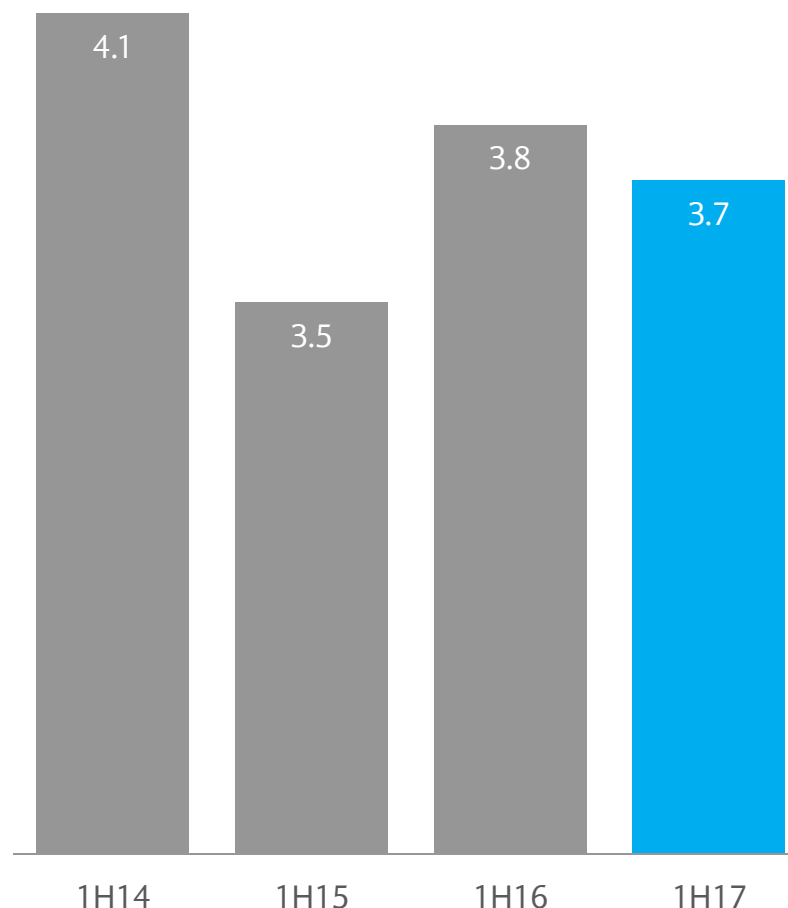


Note: * revenue growth minus operating expenses growth

Credit impairments declined noticeably ...

	1H17	1H16	1H17	1H16
	Credit loss ratio (bps)		NPL cover (%)	
SA Banking	91	128	42	42
RBB SA	128	143	42	42
Retail Banking	139	148	43	43
Cards	538	595	72	71
VAF	101	113	47	41
Mortgages *	41	44	21	22
Personal Loans	623	585	67	65
Business Banking	62	112	36	36
CIB SA	18	97	38	47
ROA Banking	138	168	51	50
WIMI	9	(5)	48	29
Group	96	129	44	44

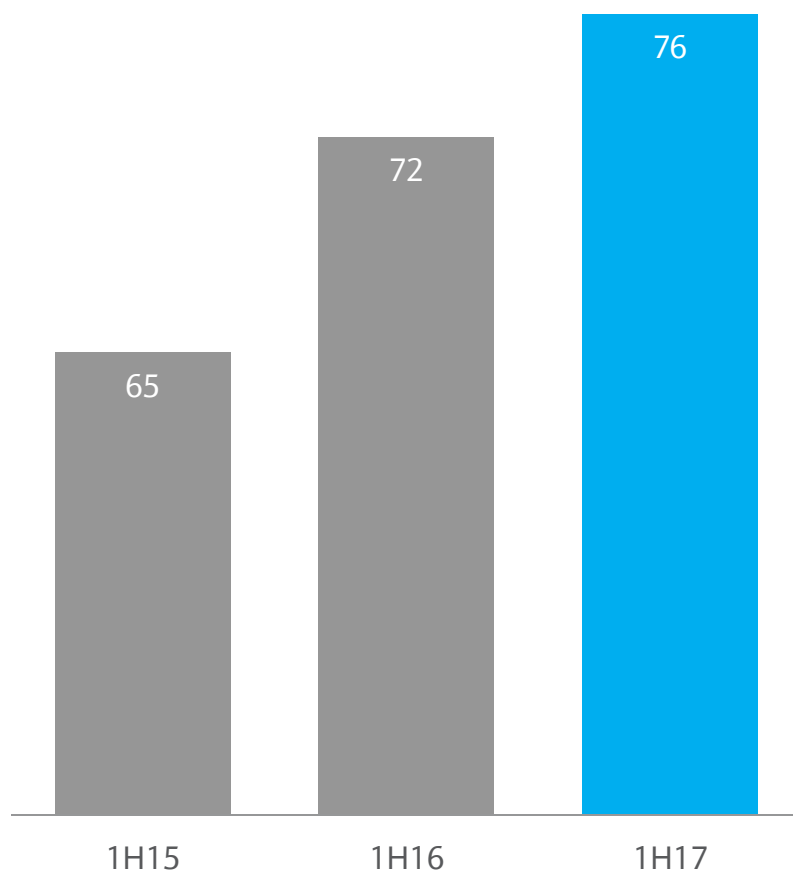
Non-performing loans (%)



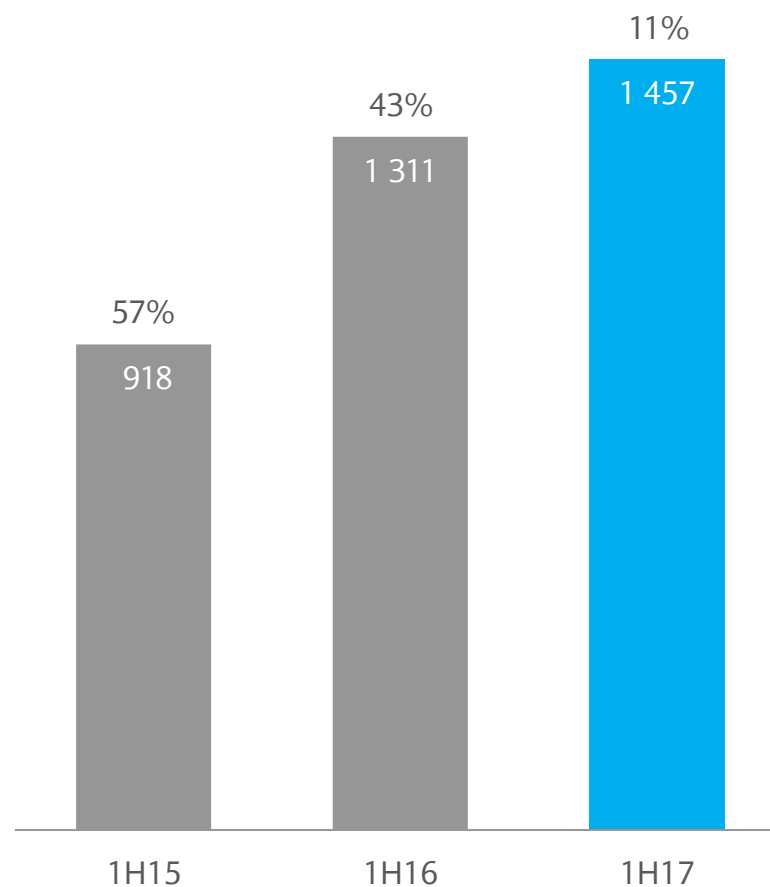
Note: * Home Loans credit loss ratio

... while portfolio provisions remain conservative

Portfolio provisions to performing loans* (bps)



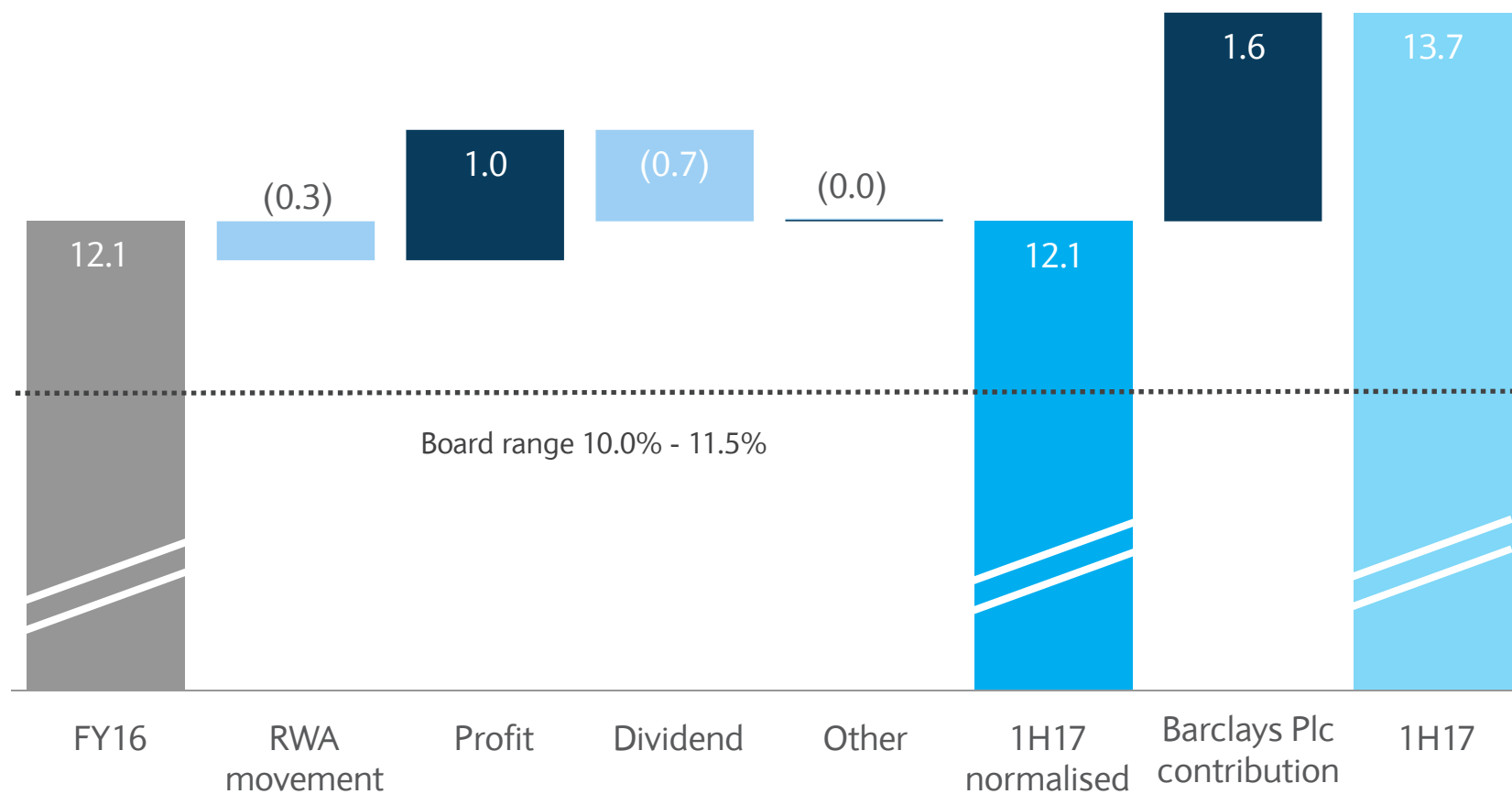
Macroeconomic unidentified impairments (Rm)



Note: * loans and advances to customers and banks

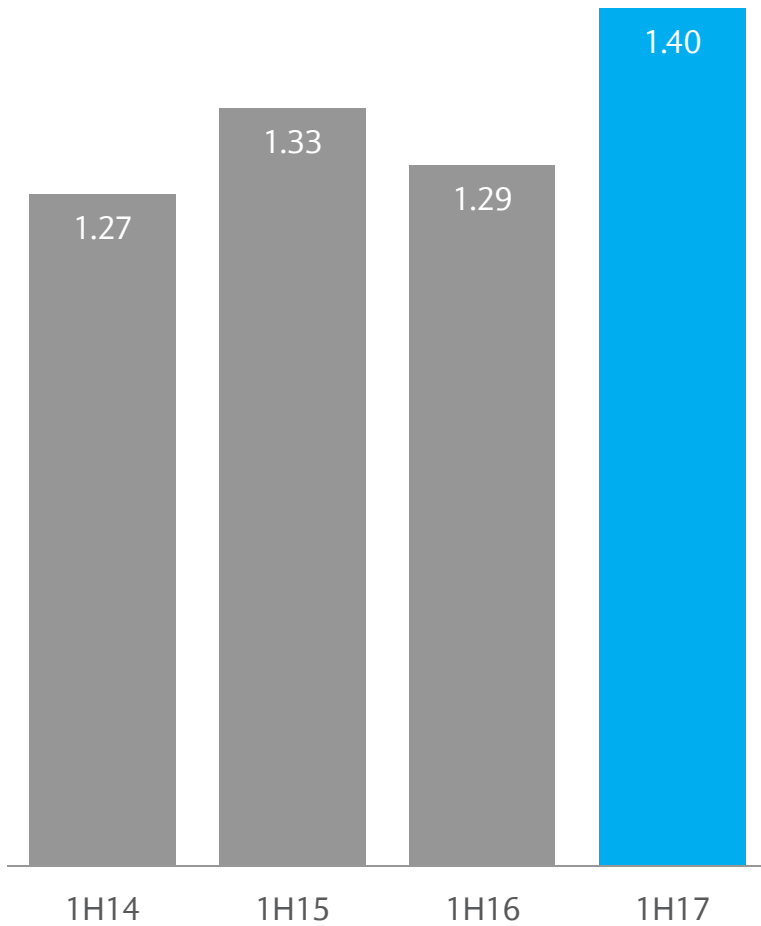
Capital levels remain very healthy

Barclays Africa Group Common Equity Tier 1 ratio (%)

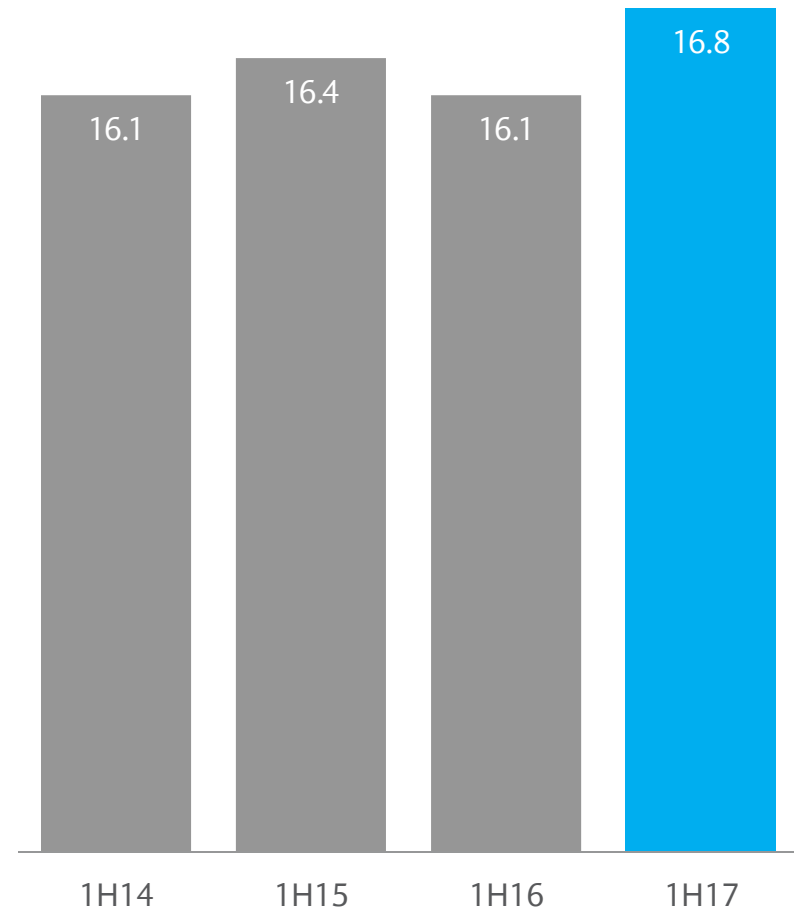


Returns improved despite the macro backdrop

Return on assets (%)

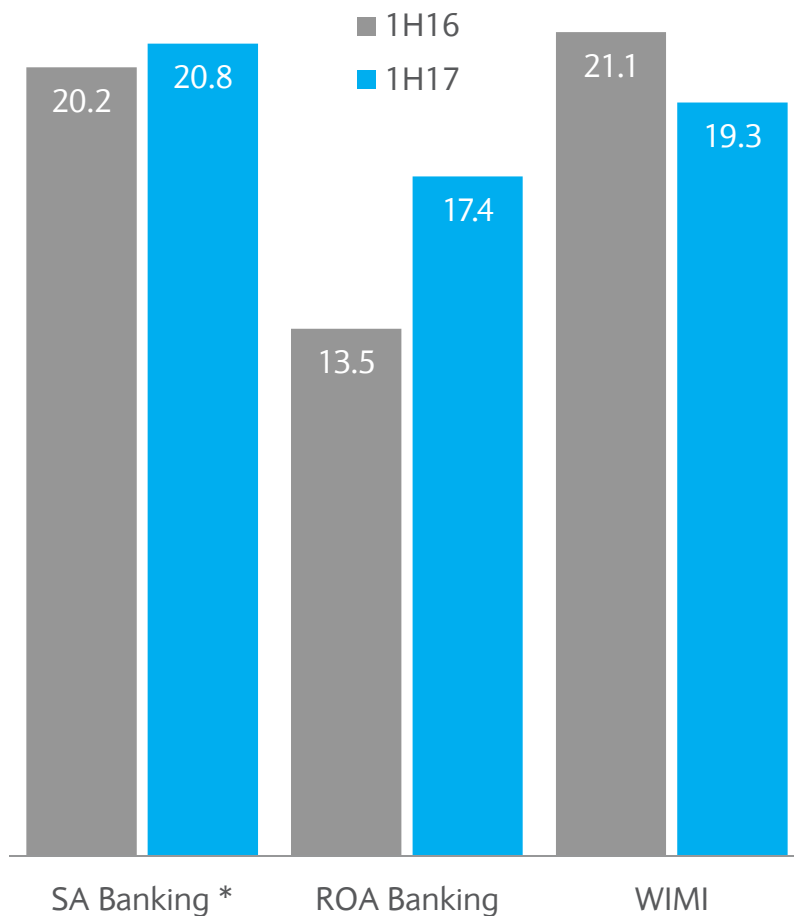


Return on equity (%)

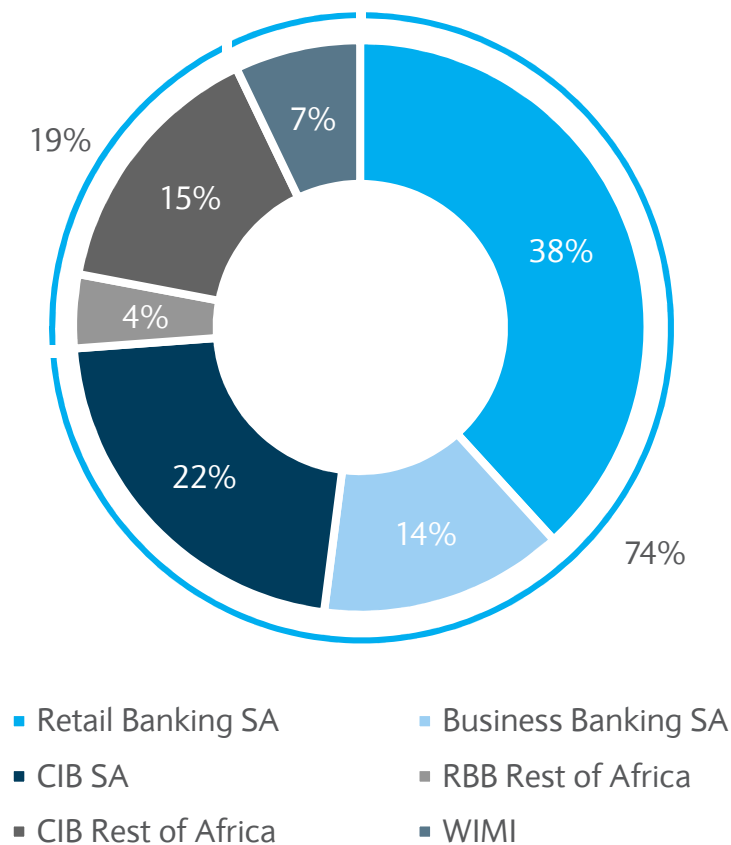


Strong returns across a well-diversified portfolio

Divisional RoE (%)



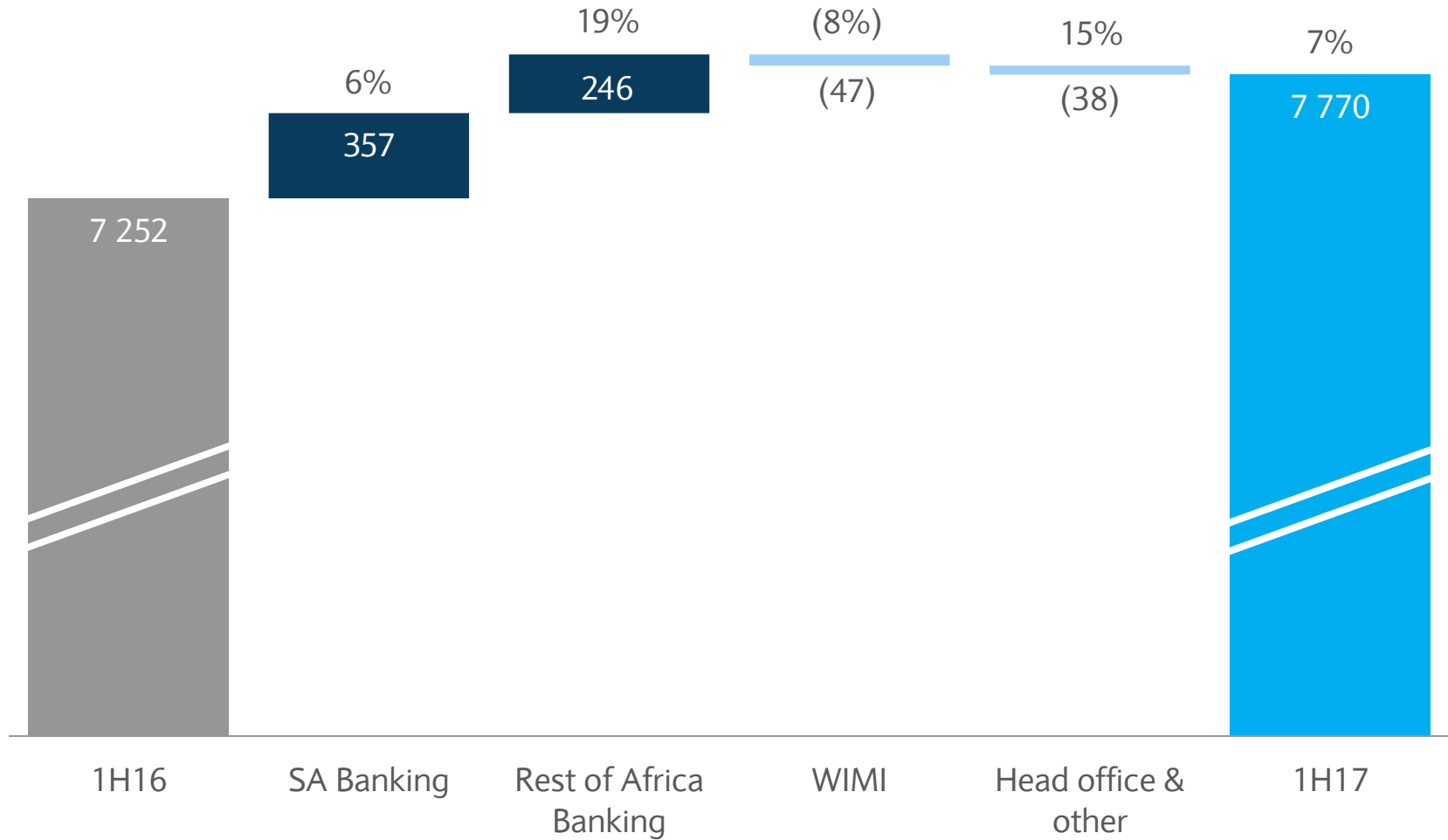
Headline earnings mix 1H17



Note: * return on regulatory capital

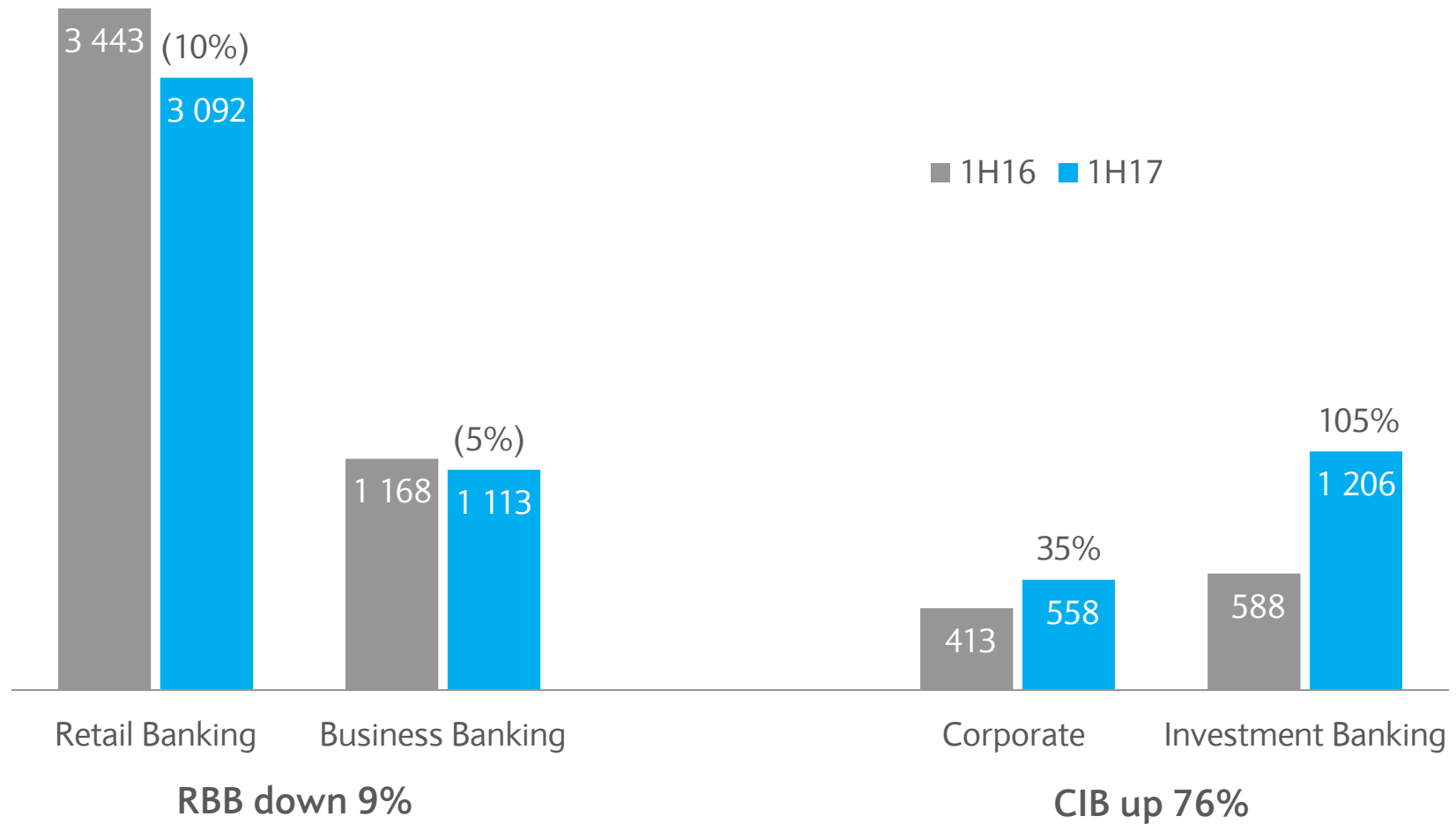
Rest of Africa Banking drove earnings growth

Group headline earnings growth (Rm)



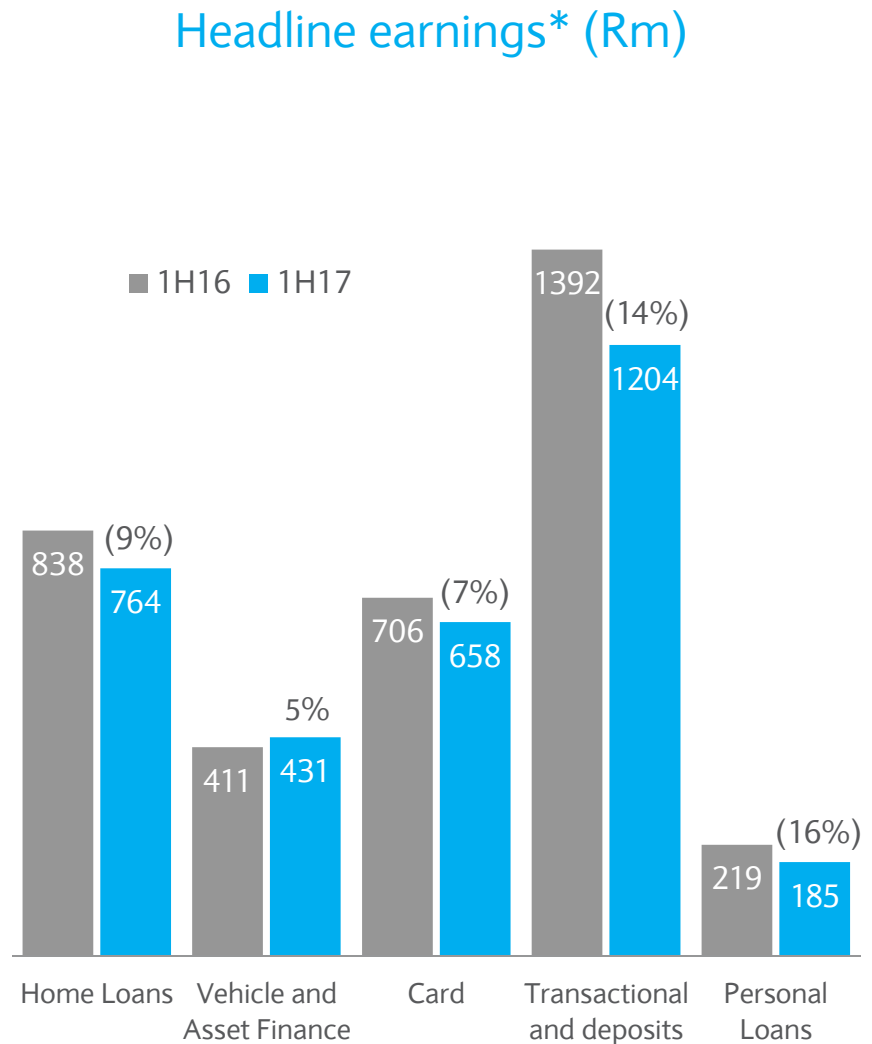
CIB underpins SA Banking growth

South Africa Banking headline earnings (Rm)



Retail Banking SA remains a priority

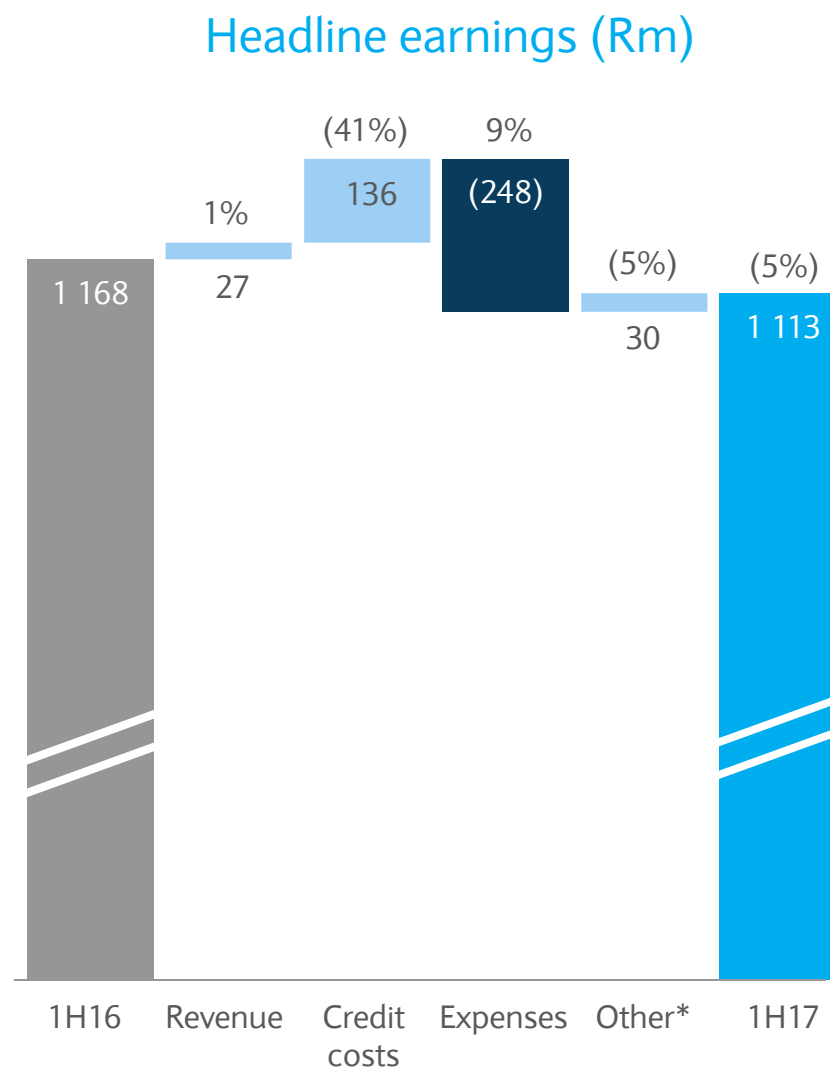
- Asset strategies aim to improve low loan growth
- Regulatory changes and higher liquidity premiums reduced net interest margin
- Progress in some targeted customer segments
- Continued cost management funded increased digital and marketing spend
- Credit quality improved across most books
- Returns remain solid



Note: * excludes Other, which is largely central costs and lost R150m

Continued investment in Business Banking SA

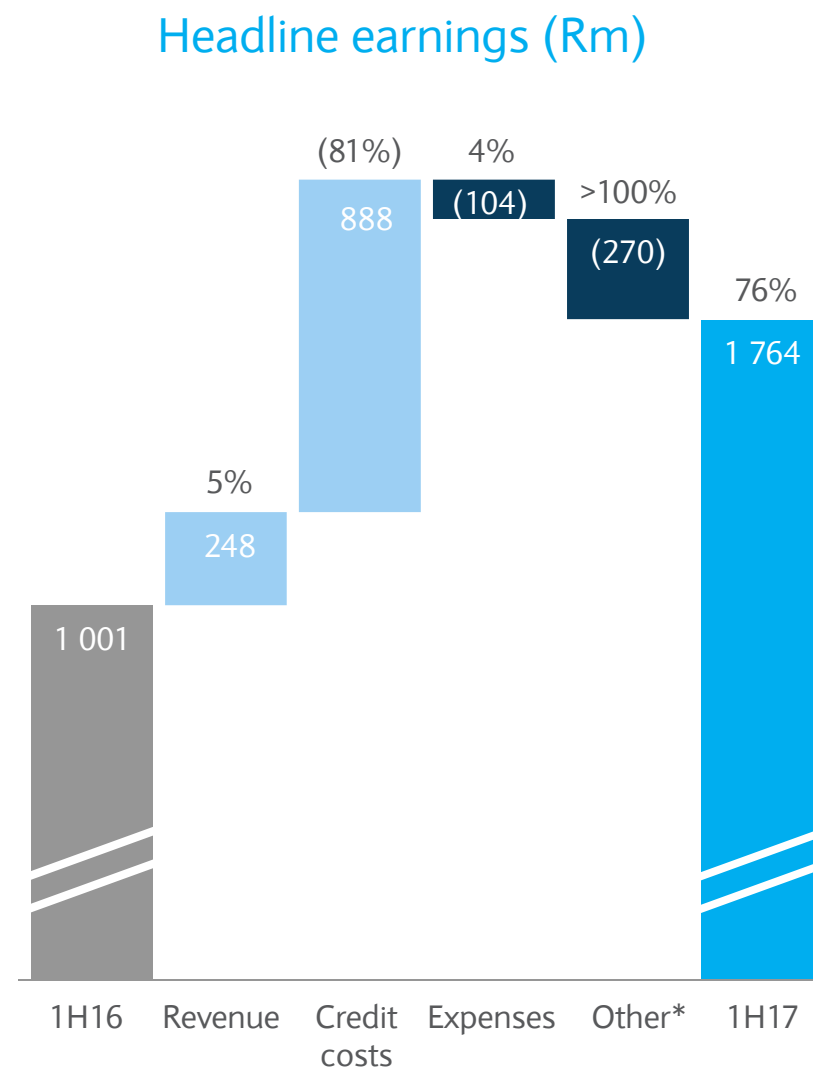
- Higher funding costs offset solid loan growth
- Robust underlying non-interest revenue growth
- Continued investment in electronic channels and frontline staff
- Lower new defaults and improved collections reduced credit costs significantly
- A large deposit franchise that produces attractive returns



Note: * includes other operating expenses, taxation, non-controlling interest and non-headline items

Substantial growth from CIB South Africa

- Continue to grow revenue through diversification
- Focus shifts to transactional revenue as loan growth slows
- Significant improvement in credit impairments
- Cost growth contained despite further investment in IT
- Separation from Barclays PLC is proceeding to plan

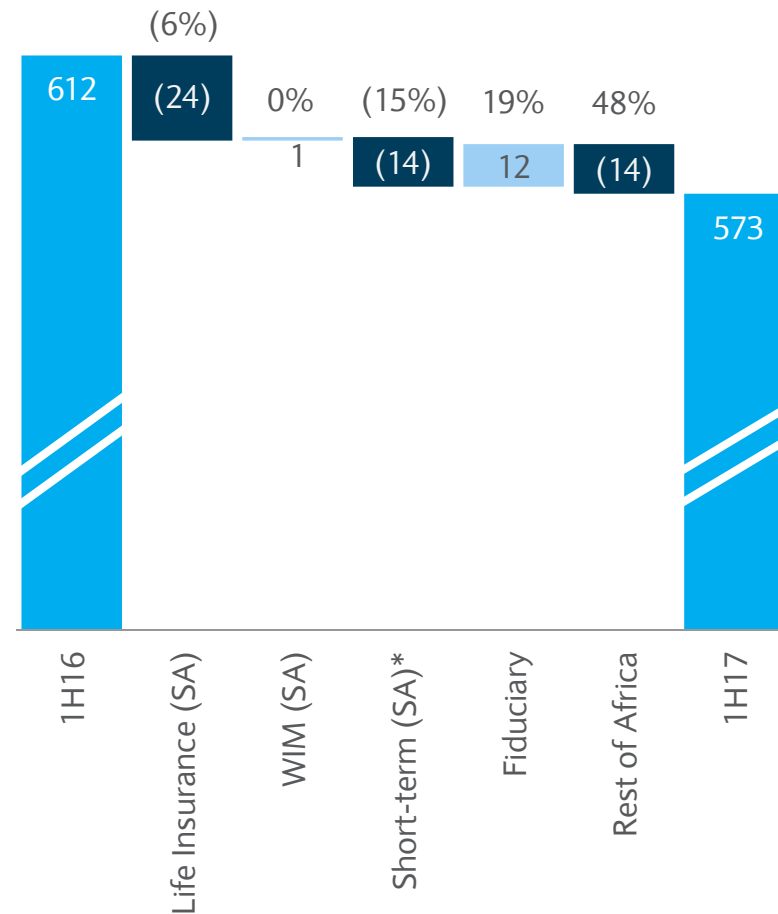


Note: * includes other operating expenses, taxation, non-controlling interest and non-headline items

Natural disaster claims reduce WIMI earnings

- Earnings fell due to claims on two catastrophic events
- Life South Africa impacted by single premium guaranteed product and new business strain
- Continued growth in assets under management
- Underlying short-term claims and underwriting margin improved in South Africa
- Life returned to profitability in rest of Africa, while short-term was loss-making

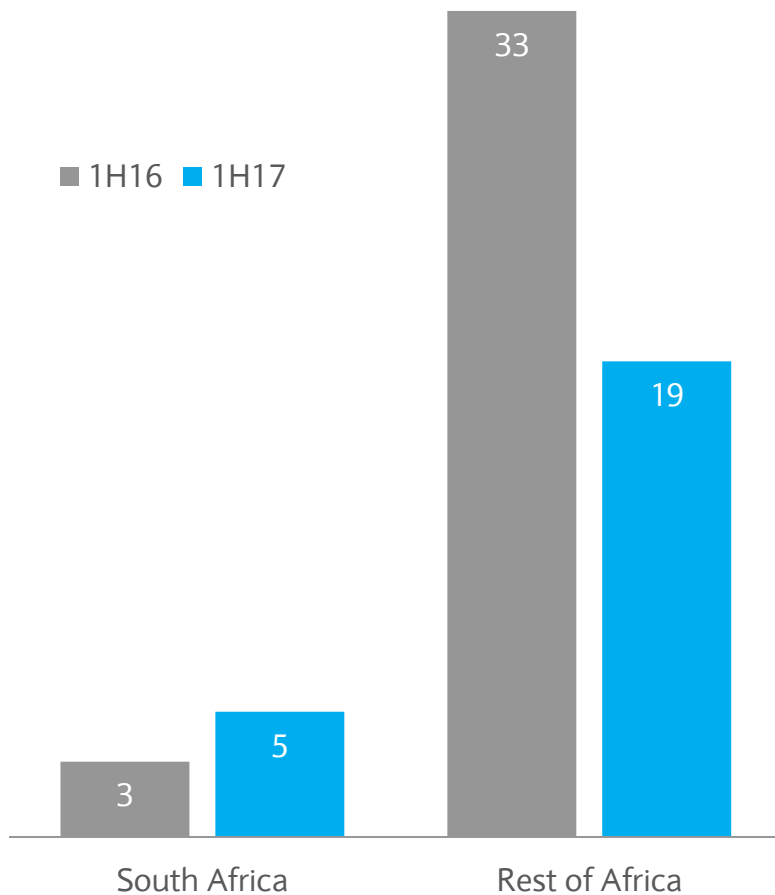
Change in continuing line headline earnings (Rm)



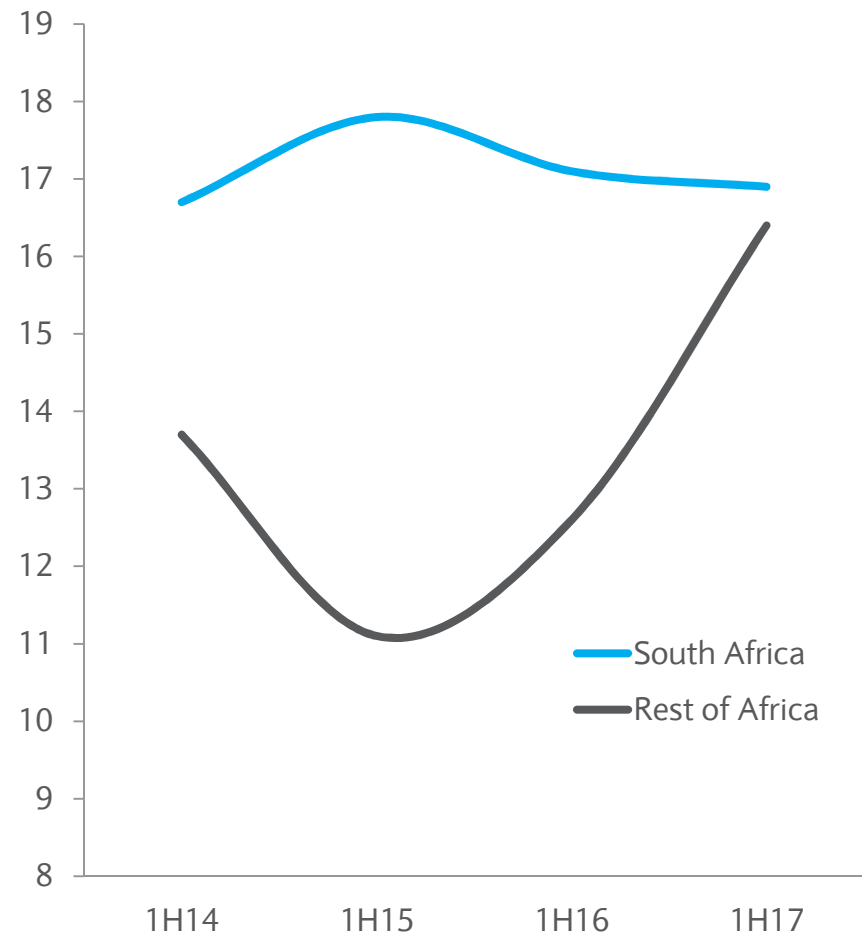
Note: * excludes terminating lines

Strong Rest of Africa growth improves its returns...

Headline earnings growth * (%)



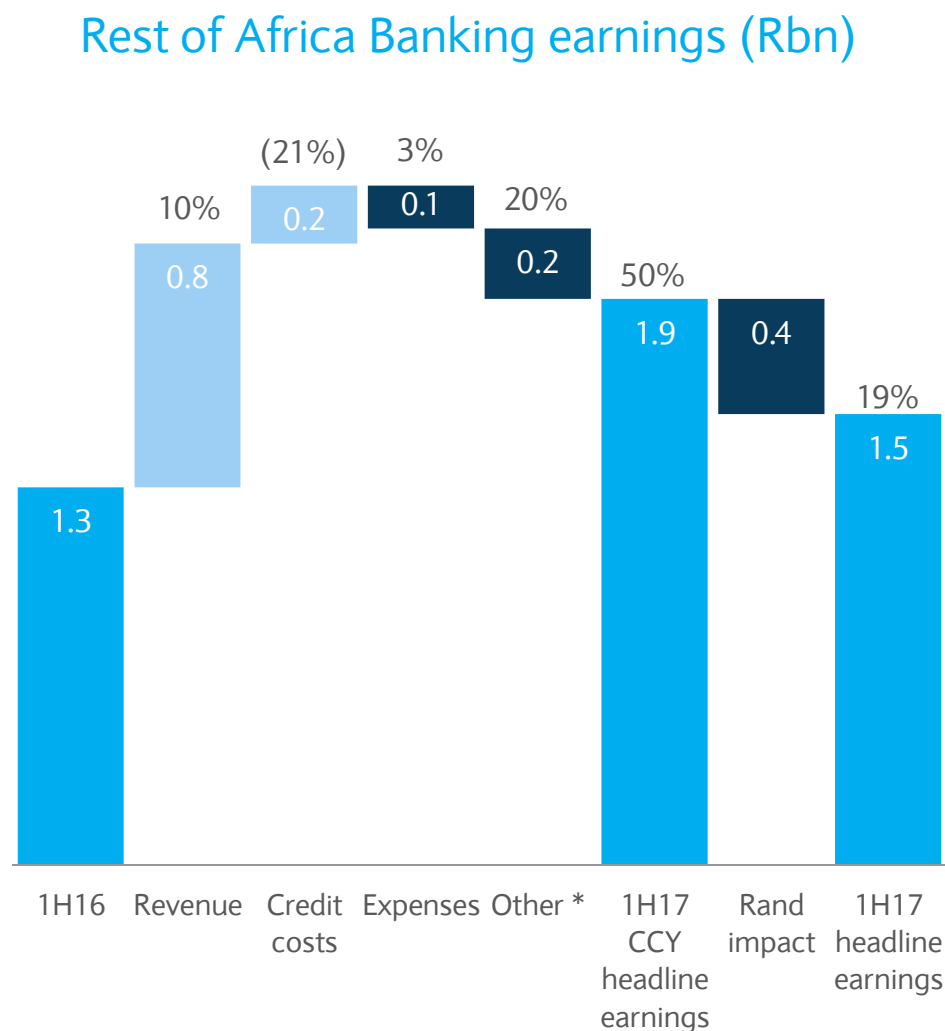
Return on equity (%)



Note: * normalised

... reflecting CIB's performance

- Strong growth outweighed Rand appreciation
- Continued to benefit from a well diversified portfolio
- Regulatory changes and tough macro backdrop reduced RBB revenue
- Substantial revenue growth and lower credit costs in CIB
- Focus on managing the separation from PLC



Outlook for 2017 unchanged

- Low to mid-single digit loan growth, with CIB above RBB
- Net interest margin is expected to decline slightly
- Slower revenue growth likely to produce negative JAWS, despite continued cost management
- Credit loss ratio is expected to improve from 2016
- RoE is likely to be similar to 2016
- Rest of Africa growth should exceed South Africa's
- Dividend cover is likely to increase slightly medium-term

Disclaimer

Forward-looking statements

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