

# Barclays Africa transaction

Investor presentation

December 2012



# Agenda

- Highlights
- Strategic rationale
- Transaction details
- Impact on Absa
- Absa current trading
- Summary

## Transaction highlights

- Absa Group combines with Barclays African operations
- Accelerates One Bank in Africa strategy
- Improves Absa's earnings growth prospects, returns and diversity
- Absa acquires Barclays Africa Limited for 129.5m Absa shares, representing a value of R18.3bn
  - Barclays stake in Absa increases to 62.3% from 55.5%
- Price to book of 1.7x and 10.1x historical PE (1H12), no control premium as Barclays remains majority shareholder
- Requires approval of Absa minority shareholders and regulators
- Aim to complete the deal in 1H13

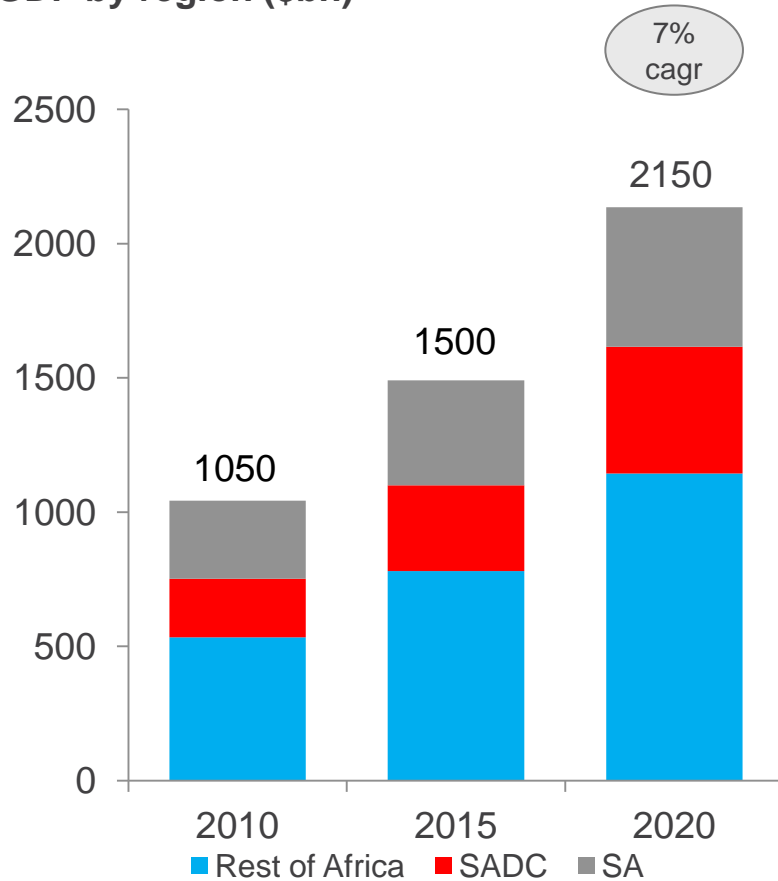
## A compelling strategic rationale

- A key step in realising One Bank in Africa ambitions
- Legal structure follows functional integration
- Diversifies earnings, significantly increasing rest of Africa contribution
- Enhances Absa's earnings growth prospects

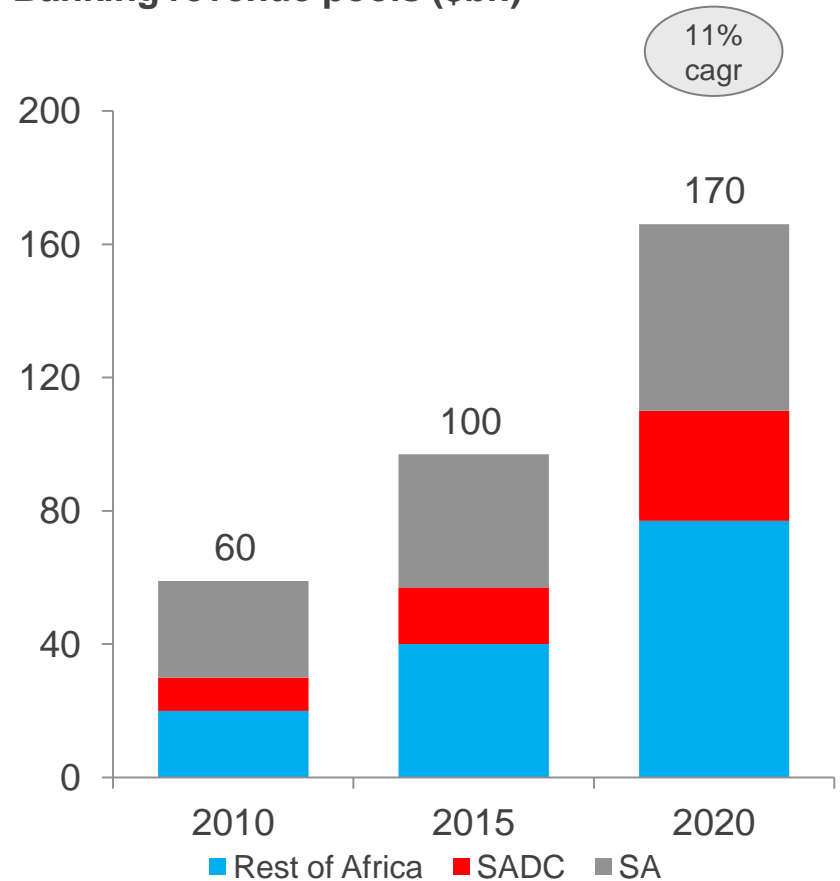
*Become Africa's "Go-To" bank*

# Banking revenue pools expected to grow faster than GDP

## GDP by region (\$bn)



## Banking revenue pools (\$bn)



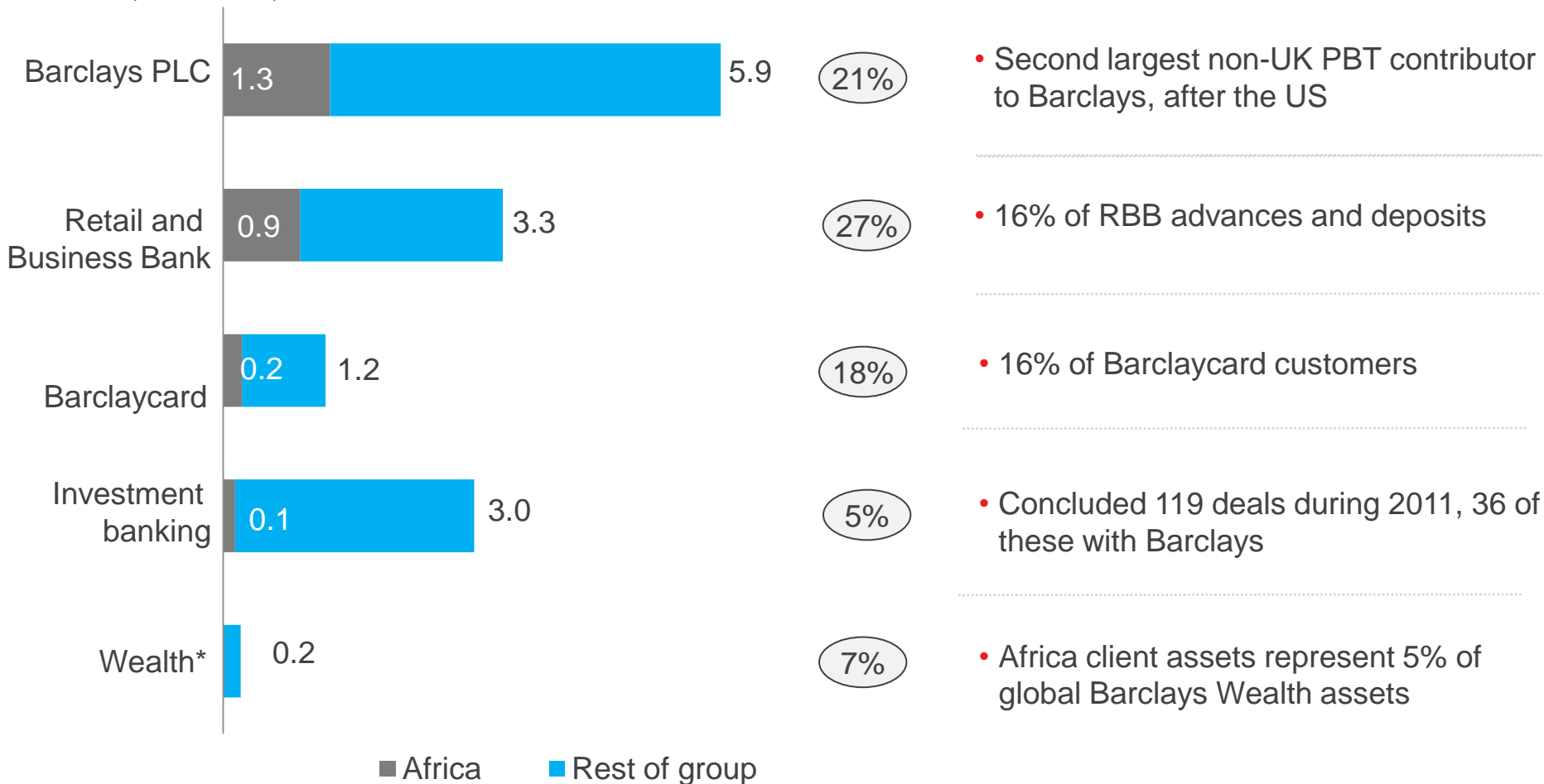
Source: Bankscope, Central bank data, IMF World Economic Outlook, Oliver Wyman analysis

# Africa is a strong contributor to Barclays

## Africa Contribution to Barclays

PBT (2011, £bn)

PBT contribution



Source: Barclays

Note: \* PBT contribution to the Group estimated in proportion to revenue contribution

# Accelerating One Bank in Africa strategy


- Corporate and Investment Banking
  - Single integrated Markets business
  - Substantial Corporate opportunity
- Bancassurance
  - Rest of Africa already profitable in 1H12
  - Enter East Africa in 2Q13
- Retail and Business Banking
  - Innovation/digital collaboration
  - Islamic banking and agri opportunities
- Leverage combined operating model

## A unique opportunity


- Barclays Africa is well diversified by geography and activity
- A leading franchise – top 4 by revenue in 7 countries
- Produces attractive returns
- Embedded in local communities
- Has a strong balance sheet
- Same policies and procedures, risk governance as Absa
- Limited integration risk
- Strong management team




# A leading African franchise

**Ghana** 


- Total assets: R8.3bn **4**
- CAR: 17.3%
- Profit before tax: R257m
- Barclays presence since 1917

**Uganda** 

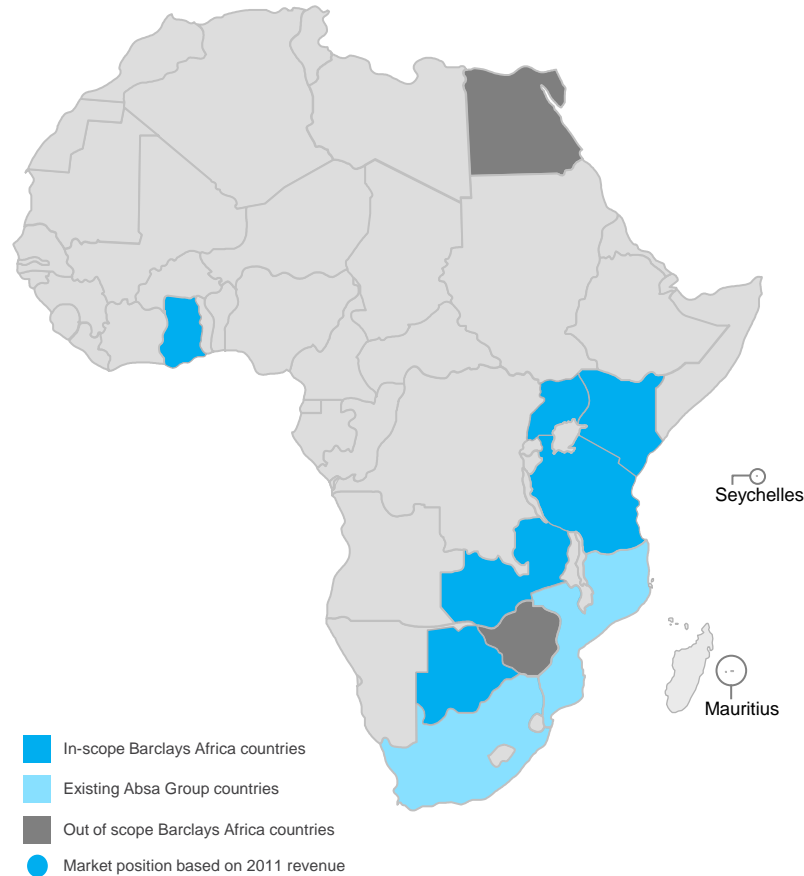
- Total assets: R3.8bn **4**
- CAR: 21.9%
- Profit before tax: R75m
- Barclays presence since 1917


**Zambia** 

- Total assets: R7.6bn **2**
- CAR: 17.3%
- Profit before tax: R140m
- Barclays presence since 1918


**Botswana** 

- Total assets: R12.7bn **1**
- CAR: 22.5%
- Profit before tax: R358m
- Listed, market cap: R6.2bn \*
- Barclays presence since 1950




**Kenya** 


- Total assets: R17.6bn **3**
- CAR: 22.0%
- Profit before tax: R596m
- Listed, market cap: R8.2bn \*
- Barclays presence since 1925

**Tanzania (BBT)** 

- Total assets: R2.7bn **7**
- CAR: 16.2%
- Profit before tax: -R28m
- Barclays presence since 1925

**Seychelles** 

- Total assets: R3.8bn **1**
- CAR: 26.3%
- Profit before tax: R48m
- Barclays presence since 1959

**Mauritius \*\*** 

- Total assets: R25.0bn **3**
- CAR: 27.9%
- Profit before tax: R185m
- Barclays presence since 1919

Source: Barclays

Notes: Figures are for 1H12, \* Market data as of 30/11/2012 (Source: Bloomberg), \*\*Financials shown on branch basis

## Barclays Africa – key numbers (1H12)

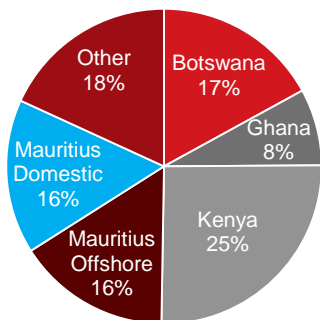
- Revenue R7.75bn (annualised)
- Attributable profit after tax R1.8bn (annualised)
- RoE 22.3%
- Assets R81.6bn
- Loans R38.3bn and deposits R60.5bn
- 409 branches and 845 ATMs
- Approximately 9,131 employees
- 2.2m retail customers

*Note: The financial numbers presented are based on an aggregation of accounts*

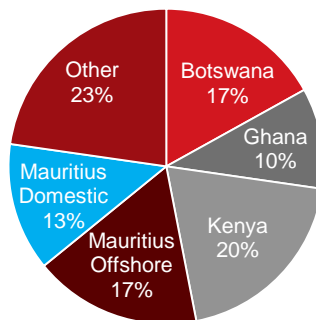
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# A well diversified portfolio (1H12)

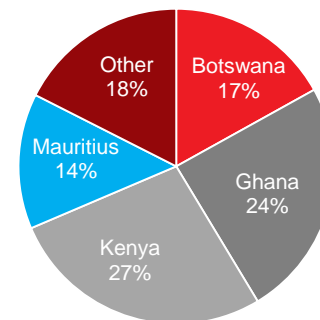
Loans by country



Deposits by country



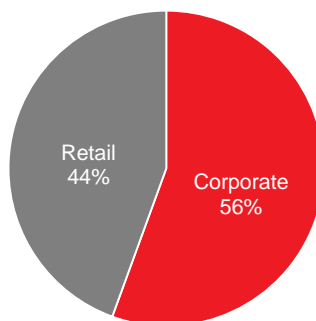
Profit after tax



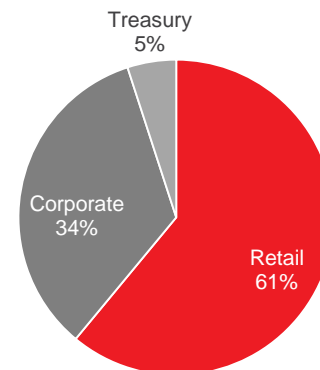
Loans by segment



Deposits by segment



Revenue by segment

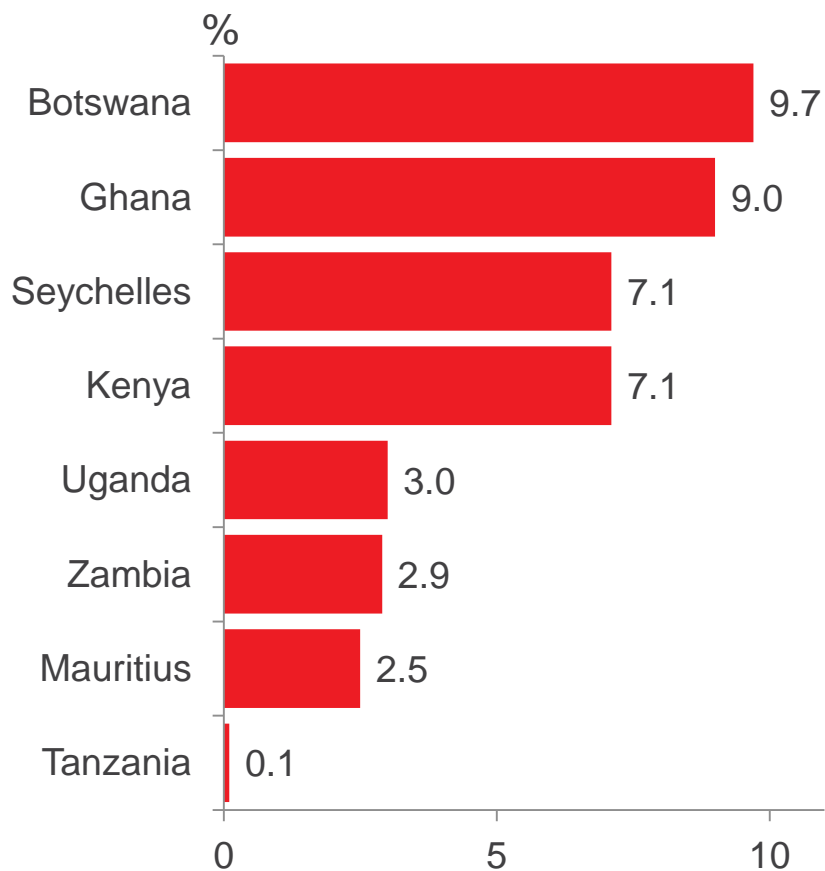


Source: Published financials, management estimates

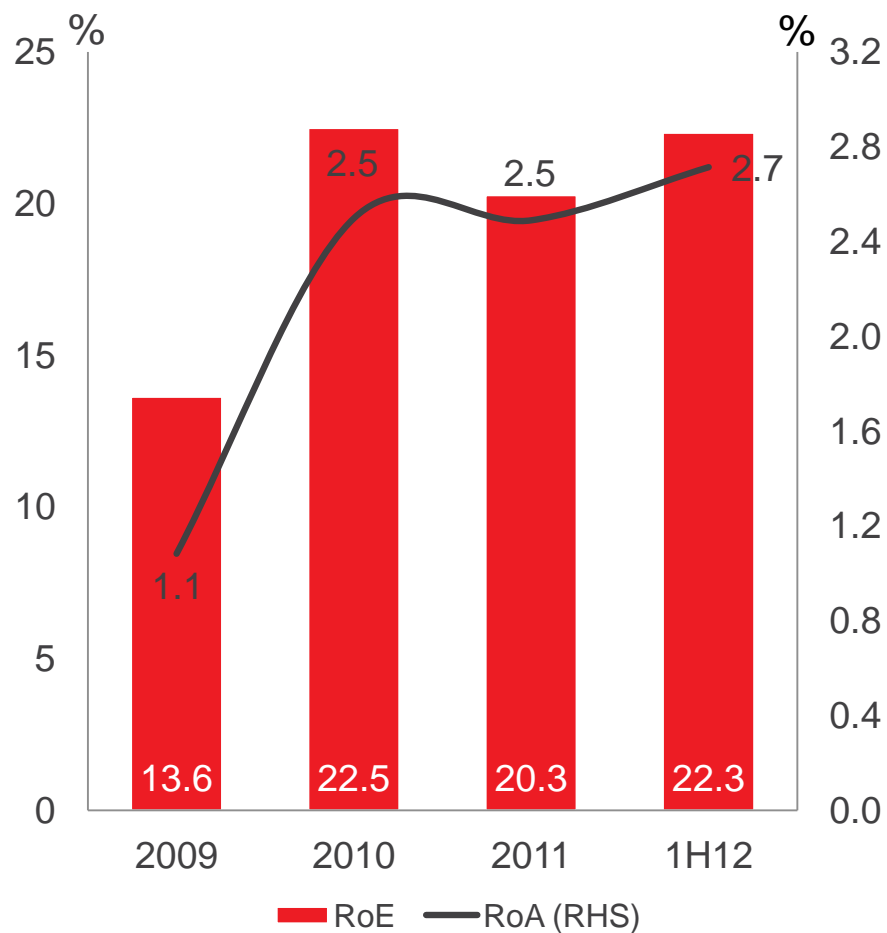
Note: Other includes Seychelles, Tanzania, Uganda and Zambia

# Attractive returns

## RoRWA (2011)



## Profitability \*

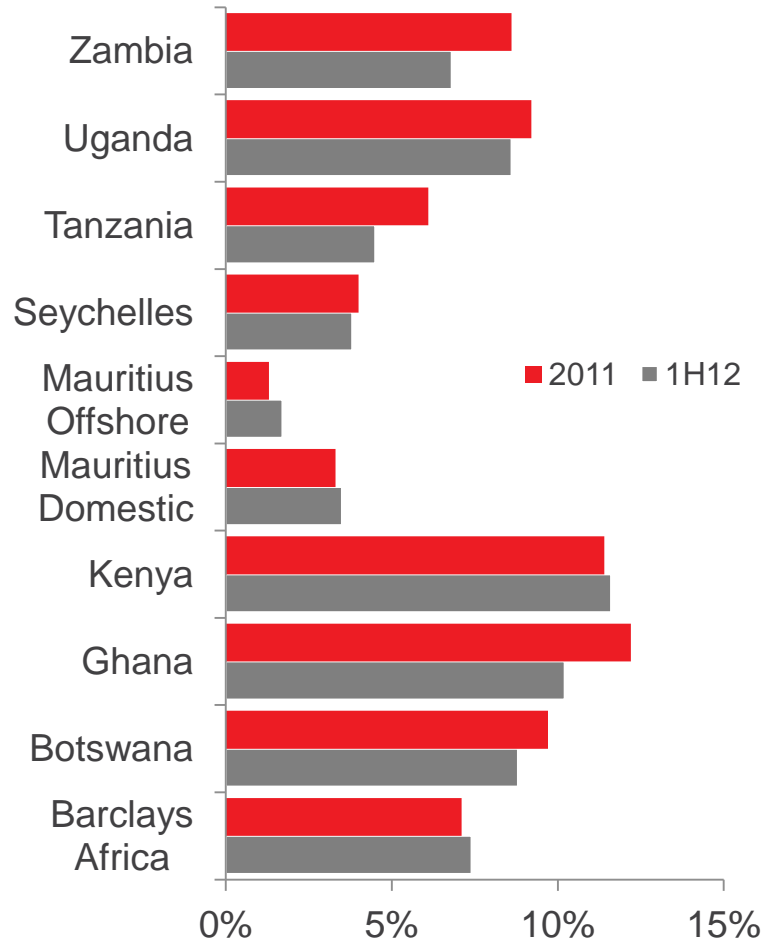


Source: Barclays

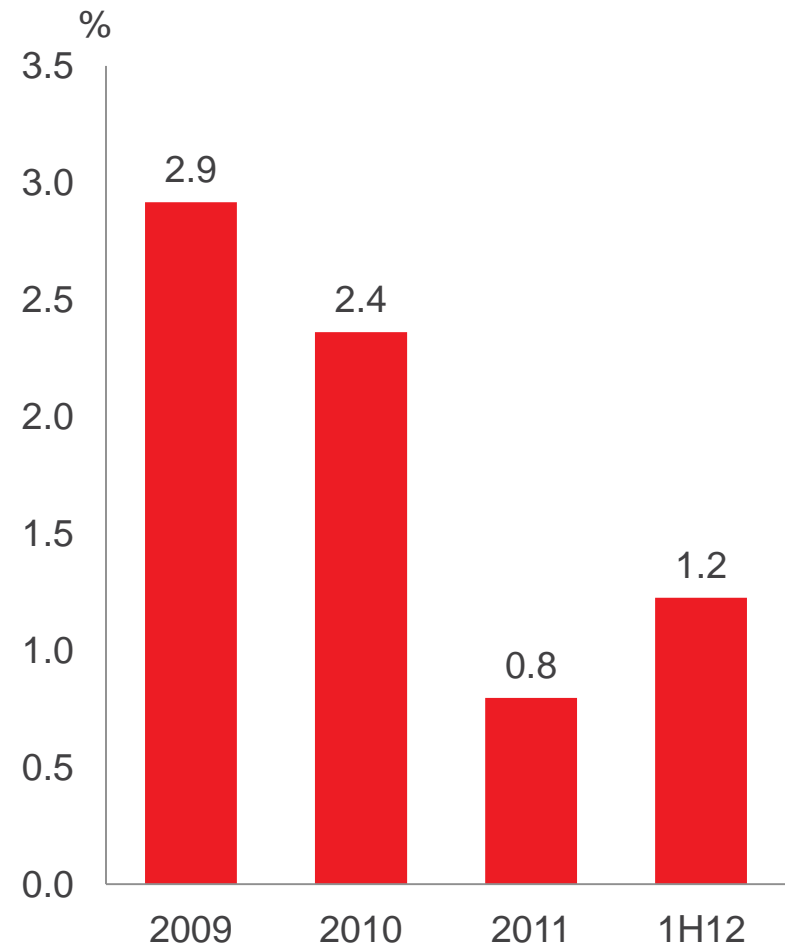
Note: \* 2010 excludes sale of custody business

# Attractive risk-adjusted margins

## Net interest margins



## Loan loss ratio \*

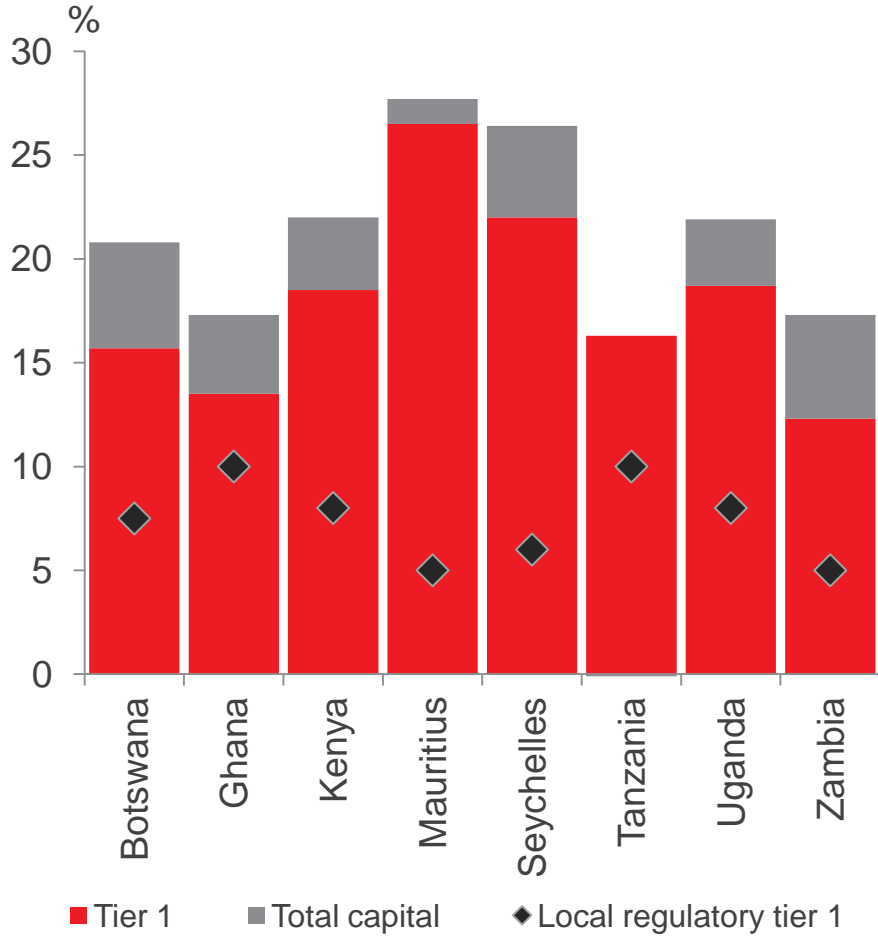


Source: published financials and management estimates

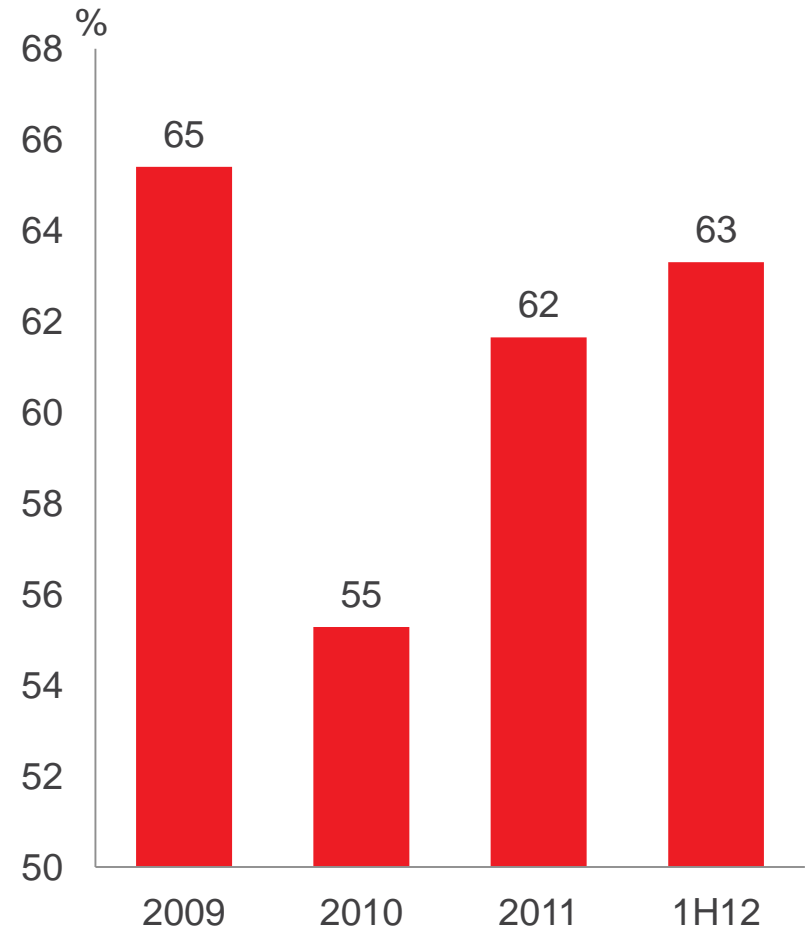
Note: \* Impairments/net loans to customers

# A strong balance sheet

## Capital ratios (1H12)



## Loan to deposit ratio



Source: Published financials; regulatory returns and consolidated reviewed financials


# Established Executive Committee team

**Chief Executive  
Barclays Africa,  
Africa Chief  
Strategy Officer  
Kennedy Bungane**



[Exp: 20/1/20]

**Chief of Staff  
Musa Motloung**




[Exp: 7/1/15]

**MD Mauritius  
Ravin Dajee**



[Exp: 20/5/20]

**Chief Risk  
Officer  
Robert Sack**



[Exp: 24/22/16]

**Retail Director  
Rajal Vaidya**



[Exp: 22/5/5]

**MD Zambia  
Saviour Chibiya**



[Exp: 19/2/19]


**MD Botswana  
TBA**

**General Counsel  
William Lewis**



[Exp: 28/14/7]

**Corporate Director  
John Gachora**



[Exp: 18/4/4]

**\*Chief Administration  
Officer, MD Kenya  
Adan Mohamed**



[Exp: 14/14/16]

**Head of Finance  
Jason Quinn**



[Exp: 16/4 /4 ]

**Head of Human  
Resources  
Chris Rosling**



[Exp: 25/25/5]

**Head of Treasury  
Trading  
Mike Christelis**




[Exp: 16/5/5]

**MD Egypt  
Ed Marks**



[Exp: 26/5/8]

**Chief Operating  
Officer  
Eric Modave**




[Exp: 14/6/3]

[Exp: #/#/#] = Years experience in Banking / Barclays Group / Africa

\*CAO – Administrative oversight of Ghana, Seychelles, Zimbabwe, Uganda, Mozambique, Barclays Tanzania, NBC Tanzania , Kenya, Namibia and Nigeria Rep office

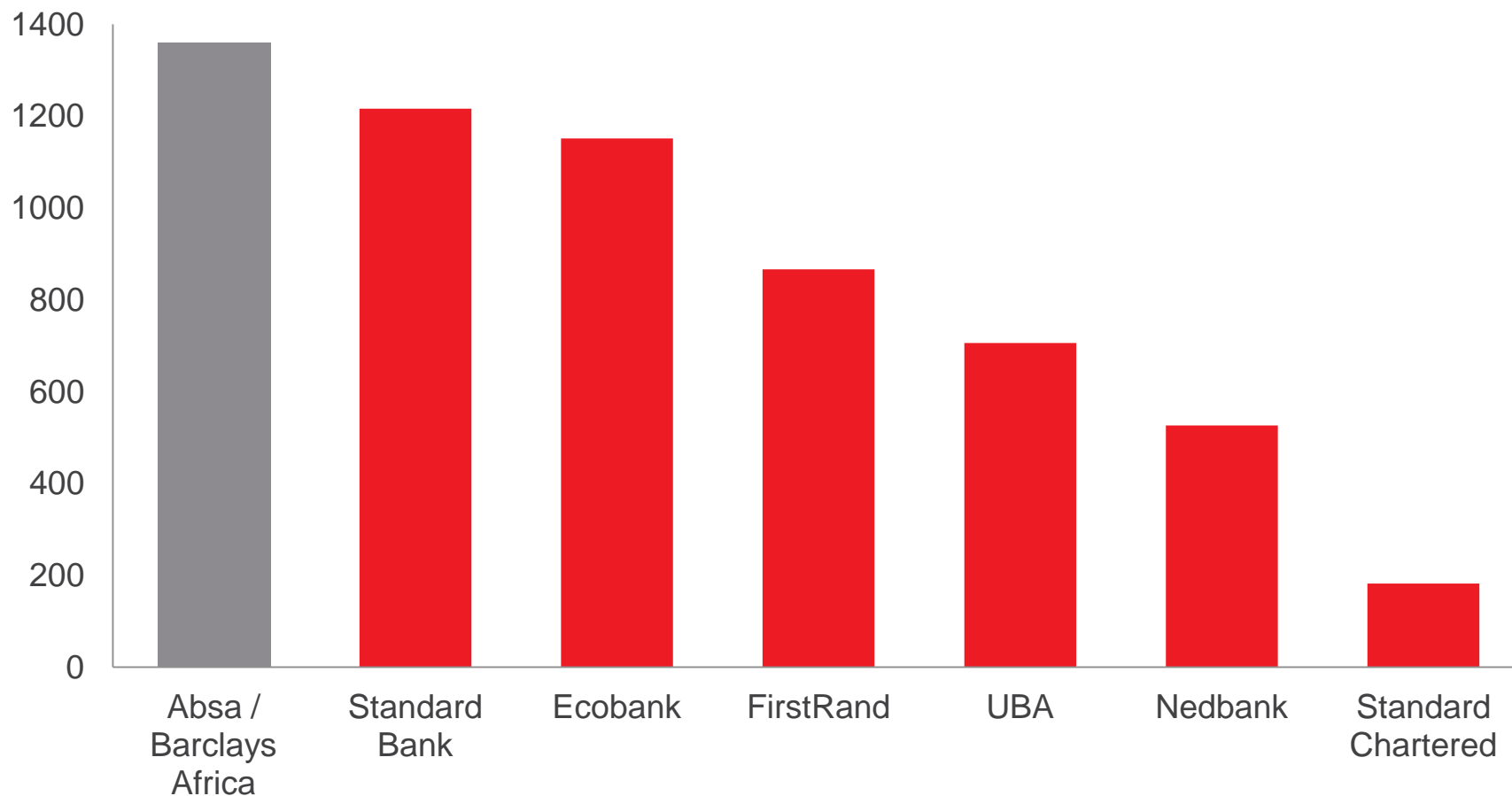
 Segment Head

 In-Country MDs

 Function Head

# A leading combined distribution network

Number of branches in Africa (2011)



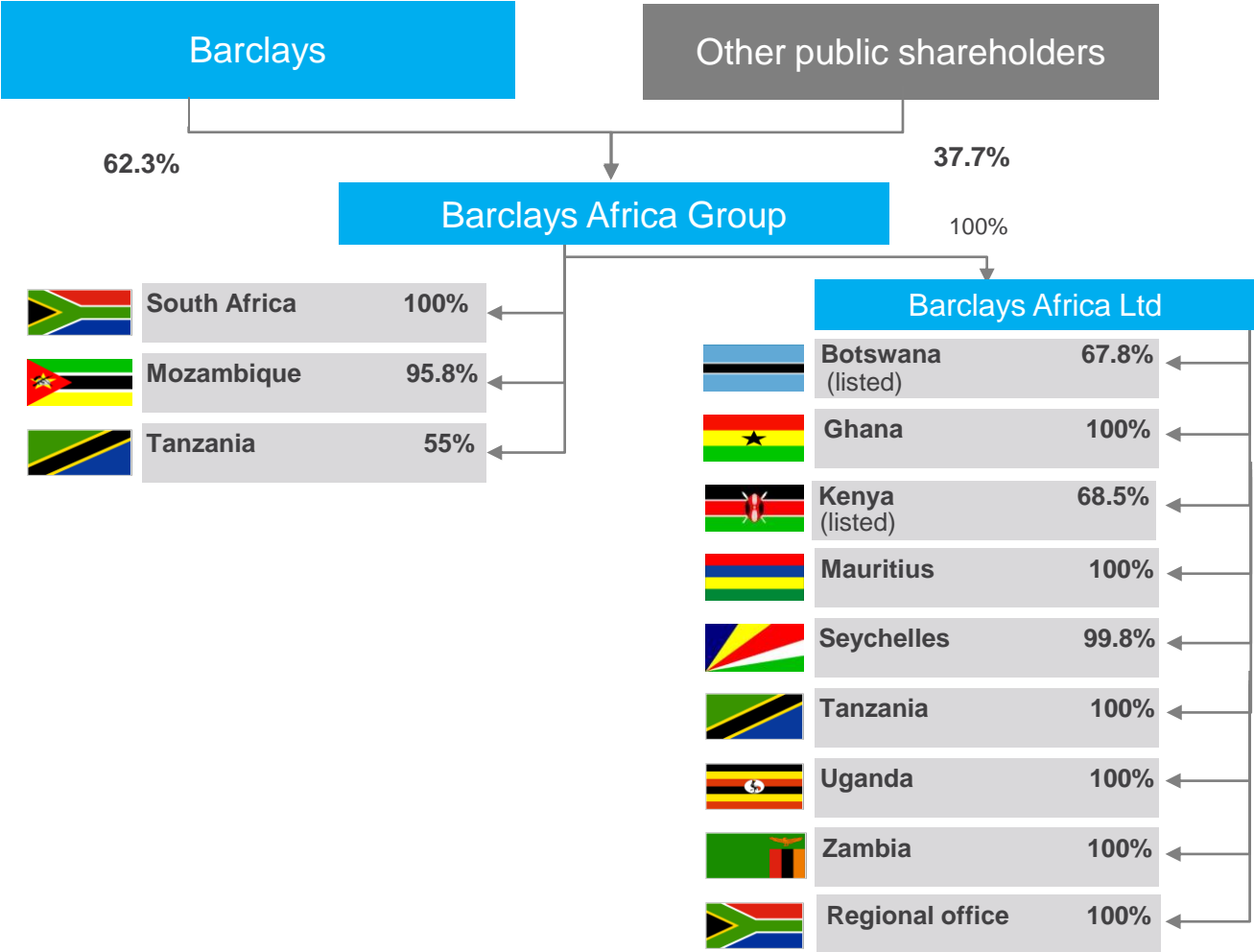
Source: Company reports



# Transaction details

- Category 2, related party transaction
- Effected by:
  - Transfer Barclays stakes in Botswana, Kenya, Ghana, Mauritius, Zambia, Uganda, Tanzania, Seychelles and Barclays Africa Regional Office to Barclays Africa Limited
  - Absa acquires Barclays Africa Limited for R18.3bn
  - Absa issues 129.5m shares to Barclays, based on a price of R141.50 per Absa share, taking its stake to 62.3%
- Change listing name to Barclays Africa Group and reconstitute board
- SARB will regulate Barclays Africa Group
- Several conditions precedent
- Accounting treatment: merger/predecessor accounting
- Aim to complete deal in 1H13

# Proposed structure post transaction



## Several conditions precedent

- Regulatory approvals for the transfer of the target companies
- Absa Group minority shareholders approve the transaction (50% + 1 vote)
- Absa Group shareholders, including Barclays, approve to allot and issue shares to Barclays (75%)
- Absa Group Shareholders, including Barclays, approve change of name to Barclays Africa Group (75%)
- Approval from the Minister of Finance and the Registrar of Banks in South Africa and the Financial Surveillance Department of the SARB
- JSE approvals for listing the consideration shares

## Key dates

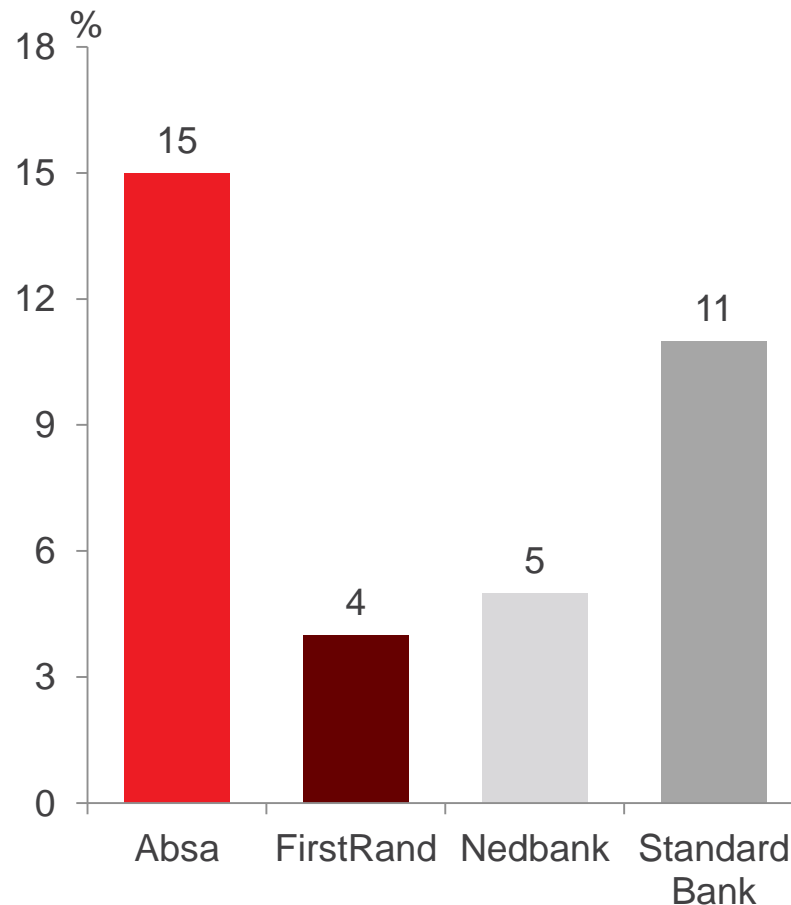
2012	6 December 14 December target	<ul style="list-style-type: none"><li>• Transaction announcement</li><li>• Circular posted</li></ul>
2013	12 February  25 February	<ul style="list-style-type: none"><li>• FY12 results</li><li>• Shareholder meeting</li></ul>
	First half	<ul style="list-style-type: none"><li>• Aim to complete transaction</li></ul>

# Impact on Absa

## Pro forma 1H12 impact:

- Headline EPS -1.1%
- Earnings accretive by 2013
- Rest of Africa 15% of earnings
- NAV per share -4.1%
- Tier 1 ratio -c.20bp; total -c.45bp
- Impact of predecessor accounting
- Loan to deposit ratio 85%

## Rest of Africa contribution to earnings



Source: Absa, Company reports

## Absa current trading

- FY12 trends similar to 1H12
- Improved FY12 cost to income ratio (YoY)
- Low to mid-single digit loan growth
- FY12 credit loss ratio around 1.5%
- Edcon acquisition effective 1 November 2012
- Strong capital position – 3Q12 tier 1 ratio 13.0%\*

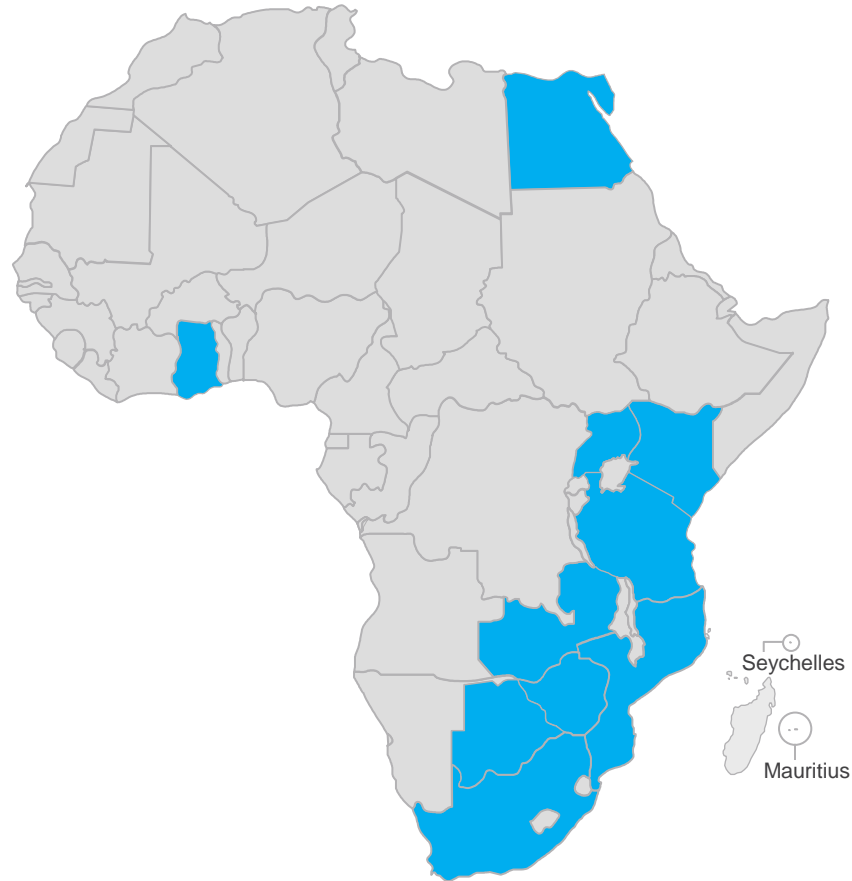
*Note: \* Excludes unappropriated profit.*

## Summary

- An opportunity to create a leading listed sub-Saharan African financial services group
- Compelling strategic rationale enhanced by a supportive macro environment
- Good for shareholders, customers and clients, colleagues and communities in which we operate

*Become Africa's "Go-To" bank*

# Questions and answers





# Snapshot of Barclays African operations in scope

Rm	2009	2010	2011	1H12
<b>Balance Sheet</b>				
Assets	76316	70451	82426	81636
Liabilities	68779	61686	72420	71706
Total equity	7537	8765	10005	9931
<b>Income Statement</b>				
Revenue	8113	8219	6845	3874
Operating costs *	5137	4392	3792	2081
Profit after tax (pre minorities) *	974	2668	1920	1113
RoE (%) **	13.6%	22.5%	20.3%	22.3%
Loan loss ratio (%)	2.92%	2.36%	0.80%	1.22%
Average ZAR/GBP rate	13.1	11.3	11.6	12.5

Source: management accounts

Note: The financials above have been prepared on an aggregated basis, \* 2009-11 takes into account pro forma BARO costs of R227m, 1H12 was R72m \*\* Excludes the sale of the custody business in 2010

# Botswana

BWP'm	2009	2010	2011	1H12
Total revenue	1,347	1,355	1,344	670
Customer loan impairments	204	162	116	67
Operating expenses	538	535	584	316
PAT	455	573	539	235
Contribution to Barclays Africa Portfolio PAT	41.3%	23.1%	25.9%	20.5%
Total loans	5,829	5,572	6,092	6,081
Total assets	11,798	11,669	11,363	11,587
Total deposits	9,590	9,348	9,093	9,504
ROE	53.4%	52.0%	39.9%	35.2%
ROE (excluding impact of sale of custody)	53.4%	46.0%	38.9%	35.2%
ROA	3.5%	4.9%	4.7%	4.1%
ROA (excluding impact of sale of custody)	3.5%	4.5%	4.6%	4.1%
Net interest margins	8.2%	8.8%	8.9%	8.8%
Non interest income / total income	24.0%	26.1%	26.6%	27.5%
Loan loss ratio	3.7%	2.8%	2.0%	2.2%
Cost / income ratio	39.9%	39.5%	43.5%	47.1%

Source: Published financials and management estimates

# Ghana

GHS'm	2009	2010	2011	1H12
Total revenue	188	242	227	133
Customer loan impairments	61	21	6	8
Operating expenses	152	115	106	64
PAT	(20)	59	83	56
Contribution to Barclays Africa Portfolio PAT	(8.9)%	11.3%	16.7%	20.2%
Total loans	514	436	589	714
Total assets	1,464	1,637	1,907	1,991
Total deposits	953	1,094	1,332	1,473
ROE	(12.8)%	27.9%	29.7%	35.4%
ROE (excluding impact of sale of custody)	(12.8)%	22.3%	29.7%	35.4%
ROA	(1.4)%	3.8%	4.7%	5.7%
ROA (excluding impact of sale of custody)	(1.4)%	3.0%	4.7%	5.7%
Net interest margins	11.4%	11.9%	9.3%	10.2%
Non interest income / total income	23.6%	30.9%	32.0%	32.5%
Loan loss ratio	9.9%	4.4%	1.2%	2.6%
Cost / income ratio	80.9%	47.4%	46.7%	48.1%

Source: Published financials and management estimates

# Kenya

KHS'm	2009	2010	2011	1H12
Total revenue	23,397	26,025	26,339	13,696
Customer loan impairments	513	1,200	729	459
Operating expenses	13,882	14,049	13,597	6,924
PAT	6,091	10,599	8,073	4,267
Contribution to Barclays Africa Portfolio PAT	50.9%	36.7%	32.8%	32.9%
Total loans	93,543	87,147	99,072	101,100
Total assets	165,151	172,415	167,029	168,899
Total deposits	125,869	123,826	124,207	122,484
ROE	27.3%	43.8%	25.7%	33.4%
ROE (excluding impact of sale of custody)	27.3%	28.1%	26.6%	31.1%
ROA	3.6%	6.3%	4.8%	5.1%
ROA (excluding impact of sale of custody)	3.6%	4.6%	4.8%	5.1%
Net interest margins	9.4%	10.0%	10.4%	11.6%
Non interest income / total income	36.9%	39.8%	38.0%	34.5%
Loan loss ratio	0.5%	1.3%	0.8%	0.9%
Cost / income ratio	59.3%	54.0%	51.6%	50.6%

Source: Published financials and management estimates

# Mauritius

MUR'm	2009	2010	2011	1H12
Total revenue	3,604	4,781	2,979	1,555
Customer loan impairments	568	603	56	194
Operating expenses	1,853	1,791	1,575	818
PAT	1,085	2,378	1,180	545
Contribution to Barclays Africa Portfolio PAT	22.0%	21.2%	13.4%	12.0%
Total loans	49,514	43,829	45,876	45,845
Total assets	86,731	92,450	91,690	93,811
Total deposits	73,486	79,670	68,718	69,160
ROE	15.7%	31.1%	14.5%	13.7%
ROE (excluding impact of sale of custody)	15.7%	13.8%	14.5%	13.7%
ROA	1.1%	2.7%	1.3%	1.2%
ROA (excluding impact of sale of custody)	1.1%	1.2%	1.3%	1.2%
Net interest margins	2.4%	2.7%	2.1%	2.4%
Non interest income / total income	35.7%	52.9%	37.8%	32.0%
Loan loss ratio	1.0%	1.3%	0.1%	0.8%
Cost / income ratio	51.4%	37.5%	52.9%	52.6%

Source: Published financials and management estimates

# Seychelles

SCR'm	2009	2010	2011	1H12
Total revenue	324	323	373	220
Customer loan impairments	31	(18)	10	(0)
Operating expenses	206	161	159	78
PAT	69	132	154	83
Contribution to Barclays Africa Portfolio PAT	3.7%	2.8%	4.0%	3.8%
Total loans	1,339	1,154	1,081	1,083
Total assets	5,103	5,786	6,458	6,885
Total deposits	4,527	5,043	5,622	5,977
ROE	17.6%	27.4%	28.1%	28.9%
ROE (excluding impact of sale of custody)	17.6%	27.4%	28.1%	28.9%
ROA	1.2%	2.4%	2.5%	2.5%
ROA (excluding impact of sale of custody)	1.2%	2.4%	2.5%	2.5%
Net interest margins	4.0%	3.7%	3.5%	3.8%
Non interest income / total income	33.7%	39.5%	44.3%	44.5%
Loan loss ratio	2.1%	(1.4)%	0.9%	(0.1)%
Cost / income ratio	63.7%	49.7%	42.7%	39.5%

Source: Published financials and management estimates

# Tanzania

TZS'm	2009	2010	2011	1H12
Total revenue	44,271	52,407	50,263	25,700
Customer loan impairments	12,752	11,968	(298)	3,071
Operating expenses	35,454	45,322	48,953	28,295
PAT	(4,220)	(3,428)	170	(5,666)
Contribution to Barclays Africa Portfolio PAT	(2.1)%	(0.7)%	0.0%	(2.3)%
Total loans	232,266	221,408	261,075	266,577
Total assets	433,407	514,087	607,307	513,270
Total deposits	328,717	401,677	439,811	402,075
ROE	(8.0)%	(6.1)%	0.3%	(19.5)%
ROE (excluding impact of sale of custody)	(8.0)%	(8.4)%	0.3%	(19.5)%
ROA	(0.9)%	(0.7)%	0.0%	(2.0)%
ROA (excluding impact of sale of custody)	(0.9)%	(1.0)%	0.0%	(2.0)%
Net interest margins	6.5%	6.5%	5.3%	4.5%
Non interest income / total income	33.7%	45.8%	43.8%	51.6%
Loan loss ratio	4.8%	5.3%	(0.1)%	2.3%
Cost / income ratio	80.1%	86.5%	97.4%	110.1%

Source: Published financials and management estimates

# Uganda

UGX'm	2009	2010	2011	1H12
Total revenue	115,890	129,664	145,013	78,480
Customer loan impairments	8,402	21,088	14,218	3,728
Operating expenses	117,758	97,814	105,598	43,417
PAT	(4,687)	9,729	21,190	19,746
Contribution to Barclays Africa Portfolio PAT	(1.5)%	1.2%	3.1%	5.2%
Total loans	486,036	495,831	488,326	452,616
Total assets	996,898	1,143,776	1,209,785	1,146,553
Total deposits	726,873	866,740	905,996	814,750
ROE	(3.0)%	5.8%	12.0%	20.2%
ROE (excluding impact of sale of custody)	(3.0)%	1.2%	12.0%	20.2%
ROA	(0.5)%	0.9%	1.8%	3.4%
ROA (excluding impact of sale of custody)	(0.5)%	0.2%	1.8%	3.4%
Net interest margins	8.2%	8.4%	8.2%	8.6%
Non interest income / total income	40.1%	39.3%	40.5%	40.7%
Loan loss ratio	1.7%	4.3%	2.9%	1.6%
Cost / income ratio	101.6%	75.4%	72.8%	55.3%

Source: Published financials and management estimates



# Zambia

ZMK'm	2009	2010	2011	1H12
Total revenue	643,800	608,531	522,725	280,339
Customer loan impairments	299,685	63,384	17,681	997
Operating expenses	408,544	464,838	358,501	168,777
PAT	(42,944)	73,813	60,884	62,812
Contribution to Barclays Africa Portfolio PAT	(5.5)%	4.2%	4.2%	7.8%
Total loans	1,970,271	1,721,139	1,864,501	2,097,004
Total assets	3,630,065	4,191,043	4,622,193	4,634,494
Total deposits	2,247,375	3,177,138	3,638,726	3,441,351
ROE	(12.5)%	20.7%	15.4%	28.6%
ROE (excluding impact of sale of custody)	(12.5)%	11.3%	15.4%	28.6%
ROA	(1.1)%	1.9%	1.4%	2.7%
ROA (excluding impact of sale of custody)	(1.1)%	1.0%	1.4%	2.7%
Net interest margins	11.9%	9.2%	7.4%	6.8%
Non interest income / total income	37.1%	47.1%	42.4%	48.6%
Loan loss ratio	12.7%	3.4%	1.0%	0.1%
Cost / income ratio	63.5%	76.4%	68.6%	60.2%

Source: Published financials and management estimates