

Barclays Africa Group annual results presentation for the year ended 31 December 2013

11 February 2014

Maria Ramos, Chief Executive Officer

Good morning and welcome.

In December, the world's leaders came to South Africa to place on record their admiration for Nelson Rohlihlala Mandela. But Africa has not only drawn the world's attention when it was time to pay tribute to one of its greatest leaders. The continent itself is firmly on the radar of every major economy in the world - from the European Union to China, from Japan to the United States.

This is because over the last decade, Africa has moved from being one of the world's economic problem areas to the world's economic opportunity. Investment is pouring into Africa and more is poised to come. That is why it is such an exciting time for us.

We are in many of the important growth spots on the continent. We are in the right place at the right time. Our newly realised Barclays Africa, positions us

- to seize these opportunities
- simultaneously support development in Africa
- and deepen the continent's financial markets

And in turn, we offer our clients deep local knowledge and presence and the expertise and support of a global bank. Hence, we have the ability to play a key role in empowering Africa:

- by reducing the costs of doing business,
- by providing and enhancing access to the continent and
- by being the bridge between local and global markets

Our strategy to become the 'Go-To' bank for our customers and clients across Africa is precisely this - to bring the best of our African businesses together with the best of our global franchise so that we are the first choice when clients and customers think about their banking needs.

Barclays Africa is much more than a name. It is now a reality, an aspiration and an ambition.

Our goals are ambitious and I recognise that we have some way to go. But I am confident that we are executing the right strategy and have the right plan in place. And we are on track to implementing our strategy.

Why can I say this?

- We have completed the Barclays transaction. This not only added well established businesses in a number of key African markets but also provided a singular management and Board focus on Africa.
- In South Africa, we have in place the plans and the people to regain a leading position in the retail market; and
- We have improved our ROE by 1.4 percentage points in line with our medium term plans.

This morning, I want to talk to you about how we will continue executing our strategy. I will focus on three important areas:

- First, my perspective on our business today and the macro-economic environment in Africa
- Second, the strategy and the specific performance targets this strategy will help us to achieve
- And finally, our medium term priorities - our plan for sustainable growth

David will then take you through the detail of our financial performance in 2013.

There is no denying that our business has been through a tough period. Over the past 3 years, we have dealt with significant external and internal change as we de-risked our business and built a better base for more sustainable earnings. We responded to changes in the regulatory environment. In our Corporate and Investment Bank, we continued to exit the private equity portfolio in response to Basel and Dodd Frank. Last year, we reduced our portfolio by 42% to R3.3bn. Our focus has shifted increasingly to our client and corporate franchise - that's why CIBW was able to grow net revenues by a strong 10%.

We also responded to a constrained economic environment in South Africa. We reduced our exposure to personal lending early and it now makes up only 4% of our total retail loan book. We have increased our provisioning significantly and continue to run a well capitalised balance sheet.

Throughout this period we have faced increasingly strong competition and we have lagged our peers in some important segments, particularly in Retail and Business Banking in South Africa. The plan we have put into place is addressing these issues. But for those areas in South Africa where (as I've just described to you) we deliberately took a prudent approach, we were right to do so.

Indicators point to economic growth remaining sluggish in the short-term. Overall lending to households in the economy slipped to a thirty month low and the pace of

general loans and advances is at its weakest since 2005. Potential further strikes, further Rand depreciation and additional pressure on consumer and business customers due to the interest rate hike pose additional risks to economic growth.

As a result, growth in the South African economy is projected to be 2-3% in 2014 - slower than the rest of Sub-Saharan Africa. Growth for the countries outside of South Africa (where we are present) is expected to be more than 6%.

I know that we are not the only corporate that is alive to the opportunities in Africa, so I am sure you and they don't need any more convincing, but Barclays Africa has a distinct competitive advantage which I will describe to you in a moment. Diversifying our business into Africa is a strategic necessity and opportunity, and critical to our long-term profitability.

We can already see some of the effects of our diversification strategy in our results. Revenue growth in the rest of Africa was 3 times higher than for the old Absa Group, clearly showing how much of a growth driver our new businesses are going to be.

Let me highlight some of our numbers:

- Our headline earnings growth has increased to 14% for Barclays Africa Group and 13.5% for the old Absa Group
- Our ROE improved to 15.5%, whilst meeting the new higher capital levels
- Impairments have reduced by 21% and we have managed to significantly reduce our non-performing loans and increase our general provisions. So the tide is turning, but we still have some way to go
- Our revenue growth of 8% is still too low and growth in our retail transactional business remains a challenge

We have a great deal more to do to gain a leadership position in the market, but I am confident that we can do just that.

When I spoke to you 12 months ago I talked about our strategy for growth - it was an aspiration. I talked in particular about the importance of building an African franchise. Today represents a pivotal moment in that journey, because today is the first time we report as Barclays Africa Group.

It bears reiteration that the creation of Barclays Africa is a crucial strategic play. It's not a corporate tidying exercise, not a cost synergy story but, the platform on which we can build this franchise. Placing us in a privileged competitive position by combining a powerful local bank, a powerful regional bank, and a powerful global player.

Very few other banks can claim this and our strategy is built around this competitive advantage. Where we use this advantage for the benefit of our customers, that's where we become the 'Go To' bank.

As promised, let me lay it out for you in some detail.

Being Barclays in Africa has already proven hugely valuable to the franchise. Do you know, for example, how much Barclays is spending on innovation and transforming the business? It is a substantial R6.4bn world-wide - that's money on innovation we don't have to spend and the benefits are for our customers to reap. But it's not just technology and innovation where we benefit. The power of being part of Barclays helps us to bring African clients to the global financial markets and to provide access to global products; to give global client's access to Africa and; to help our South African clients to expand onto the continent

Let me give you a few examples:

- We did a 1bn US Dollar bond issue for Eskom and managed the issuance of a 465m Euro convertible bond for Steinhoff. These are just two examples of where we brought African clients to the global capital markets.
- An example where we provided local customers with access to leading global financial products is our premier credit card that we were only able to roll out across Africa with the help of Barclaycard
- Our investment bank helped Glencore list on the JSE - just one example of how we give global clients access to Africa
- Overall we serve about 170 global corporate clients in South Africa and about 650 on the rest of the continent. We added 90 new clients to this list last year
- These global relationships generated more than R500m in revenues - business that we would not have without being part of Barclays
- Our pan-African reach has also made it possible to help the expansion of South African corporates onto the continent, such as Foschini in Ghana where we support their strategic expansion
- And we continue to benefit from investments Barclays makes in infrastructure globally

I have often spoken about our leading foreign exchange platform BARX Africa that is based on Barclays' system. And now, we have just completed the pilot with Barclays.net (our full feature cash management platform - for our commercial customers, which will roll out in March).

I have taken the time to talk through this list of examples because I want to emphasise the point that being Barclays in Africa brings important benefits. Our group is stronger and has much better growth prospects and I'm happy that we are in a position to pass the benefits of our competitive advantage to our customers and clients. That is why we can have high ambitions for this business.

Today, I want to be specific about the scale of that ambition by setting out the targets we are determined to achieve over the next 3 years:

- To be top 3 by revenue in South Africa and our 4 biggest markets outside of South Africa - Kenya, Ghana, Botswana, and Zambia

- To achieve an ROE range of between 18-20%
- To reduce our Cost to Income Ratio to the low 50s
- To increase the revenue share from outside South Africa to between 20 and 25%

To achieve this we will, on average, grow faster than the market in segments where we have a competitive advantage - multi-national corporates, cards, payments, and bancassurance.

So, how do we make our strategy work for our customers, clients and for our shareholders? Let me turn to the plans we have put in place to realise the benefits from our strategy and our assets.

Our aim is to transform the business in the right areas by executing the right priorities. For us, that means focusing on 4 areas:

First is the turnaround programme for our Retail and Business Banking franchise in South Africa, and the build out across the continent. We will regain our leading position in RBB in South Africa. Why is that important? It is important because South Africa remains the biggest market and RBB the biggest business for us - contributing some 65% to headline earnings.

We are executing the 12 point plan that we shared with the market last year, focusing on:

- improving the customer experience
- enhancing and re-shaping the network and our channels
- stabilizing and investing in technology
- innovating and simplifying our products and processes
- intensifying our marketing approach on the back of the group-wide "Prosper" campaign

We are making the necessary investments into this plan: R1.2bn into the upgrading of our network and significant investments into innovation and digital banking. We have to execute the plan brilliantly to turn around the business - and I know that we can.

There are now clear indications that the transition is under way.

- You can see it in the fact that our customer attrition has stabilised with customer numbers increasing in important segments like the core middle market and the retail affluent
- You can see it in the fact that we moved from worst to best bank when it comes to the Ombudsman complaints
- You can also see it in the continued asset production growth in chosen areas such as home loans - where registrations increased by 16% - or vehicle finance, up 12% in a difficult environment; and
- You can see it in the strong demand evident since the beginning of the year for our new, simple, and fresh transactional banking offer

I must add that it is not just the front office that is changing - the improvement in impairments, for example, is due to a significantly better performance in collections.

Our second area of focus is investing in Corporate Banking across the continent. There is a significant opportunity for us to expand our footprint in Corporate Banking across Africa. It's a segment where our competitive advantage plays particularly well. We have been investing in the right team and the right systems that will allow us to build out core products in SA and across the continent: foreign exchange, Corporate debt, trade finance and cash management. This investment will continue. After having built a solid platform and a stable franchise in South Africa we are rolling out our business model across the continent this year. Our intention is to significantly close the gap in corporate banking to the leading banks in every market in which we operate by 2016. The strong growth we have seen in term debt and documentary trade products in South Africa - with an increase of 25% and 32% in revenues respectively - and the 8% increase in transactional volumes speaks to the strength of our South African franchise. And outside of South Africa, our gross revenues grew 21% last year.

Third, is capturing the growth opportunity in Wealth, Investment Management and Insurance. We are building on our existing presence in Africa to expand our insurance business. Our next focus is East Africa. And, we will be realising the synergies of combining our Wealth and Investment Management businesses - a business with a total of R225bn of assets under management as of December 2013.

Fourth, we continue to invest in talent across our business. Not just at ExCo level - we have also made good progress in developing and investing in quality talent in the layers immediately below ExCo. We want to be recognised for our leadership bench strength. We want to be a destination for the best talent in Africa - a 'must-have' on any CV. But more needs to be done, particularly for us to achieve our employment equity targets in South Africa and deliver on our diversity agenda across the Group. My job is to hire and retain the best talent, to motivate the team, and to ensure they are pointed in the right direction.

The priorities I have set are underpinned by a transformational investment programme of over R3bn this year. More than a third of this will be invested into several large projects:

- transforming our branches, including creating paperless processes
- integrating and standardizing IT
- creating efficient processing hubs in the right locations,
- and investing into our digital capabilities

We will also spend R360m on regulatory changes to our organisation such as the continued enhancement of our control environment.

In South Africa, changing the positioning and perception of Absa based on a refreshed value proposition and service offering will support all these areas. We launched our "Prosper" campaign last year and we will intensify the campaign and also roll it out across the rest of Africa in the next 12 months.

It is important to emphasize that we see ourselves as a company deeply rooted in Africa. A great African company and a great African citizen. Our purpose is to help people achieve their ambitions - in the right way and we are embedding values in our organisation that will ensure we deliver on this promise.

Inherent in that promise is that we are committed to contributing to Africa's development - economic as well as social. As we execute on our priorities, I have no doubt that we will become the 'Go-To' Bank in Africa - the destination of choice for customers and clients.

Completing the creation of Barclays Africa Group was the last step in building the foundation for a bank that can deliver sustainable results across the continent. We de-risked the Absa business and improved the quality of earnings. And, thereby, created a sustainable stream of dividends.

I recognise that we have a big task ahead in order to deliver our strategy. But, the performance we report this morning is an early indicator that we are on track

Slide 4 - Our commitments

I have set out the commitments we will be measured by, so you will have the opportunity to judge us on what we have done for this new business. Let me list them once again.

Top 3 by revenue in our 5 largest markets; an ROE in the range of 18-20%; a cost-income ratio in the low 50s; and a revenue share of 20%-25% from outside of South-Africa.

Thank you.

Now, let me hand over to David to take us through our results.

David Hodnett, Deputy Chief Executive and Financial Director

Slide 5 - Introduction

Good morning.

Before unpacking our numbers, I'd like to make some key observations about our 2013 performance.

We met our three main commitments for the period. Diluted headline earnings per share increased 14%, slightly ahead of latest market expectations and we achieved the targets for our two large acquisitions, as Barclays Africa Limited was earnings accretive and Edcon's RoE met its cost of equity.

Both acquisitions enhanced our revenue growth, which improved in the second half, although our core retail transactional franchise remains under pressure. We flagged that our expense growth would increase given our investment spend. This was quite evident, despite funding this with cost reduction initiatives elsewhere.

While our credit impairments dropped materially off a very elevated base, our non-performing loan cover improved and we increased our portfolio provisions substantially.

Combining these elements, our return on assets increased noticeably, which highlights our improving underlying profitability.

We declared R7 billion in dividends and paid a R6 billion special dividend, and our capital ratios are still very strong and comfortably above our targets.

Slide 6 - Lower impairments drove earnings growth

As Maria mentioned, these are the first results for Barclays Africa Group, incorporating our acquisition of Barclays Africa Limited and the shares we issued for it.

Turning to our summary income statement, our earnings growth was largely due to 21% lower credit impairments. However, pre-provision profits grew by 5% to R26 billion, despite our cost growth exceeding revenue growth by 2%.

I will unpack these main items in more detail, but it is worth quickly mentioning some smaller items of interest.

The noticeable increase in 'other' reflects strong growth in indirect taxation, while we also cautioned that associates and JVs would decline, since 2012 included two non-recurring items totaling R139m. Non-controlling interests increased 20%, all due to higher minorities given an improved performance from our Tanzanian operation.

At 28.9%, our direct effective tax rate remains high and we see some scope to reduce this.

While revenue growth improved and headline earnings increased 18% year on year in the second half, I must emphasize this was off a low base in the previous year.

Headline earnings growth of 14% was less than the 20% increase in our attributable income, largely due to excluding the R138 million gain on the sale of our Custody and Trustee business and R388 million of negative fair value adjustments in investment properties in 2012.

Slide 7 - African acquisition enhanced revenue growth

"Old Absa's" revenue growth improved to 9% in the second half, from 3% at interims, taking it to a 6% increase for the year, which added R3 billion to total revenue.

Barclays Africa Limited's strong 18% revenue growth meant it contributed a third of our total increase and pushed our group to 8% top line growth.

Currency fluctuations have a greater impact on our enlarged group after last year's acquisition. Rand depreciation versus other African currencies increased our group revenue by 2.5%, our operating costs by 2.8% and headline earnings by 2.9% last year.

We provide detail on how currency changes impacted each of our Rest of Africa segments in our booklet.

Slide 8 - Improving revenue growth across divisions

All the divisions improved revenue growth in the second half.

There were some divergent performances within Retail and Business Banking's 9% annual growth. While Retail Banking South Africa increased 7%, it benefited from including Edcon for the full year. Excluding this it fell 1% year on year, on lower net interest income and transactional revenue.

Business Banking South Africa's underlying revenue fell slightly, largely due to weaker net interest income given a declining commercial property finance book and deposit margin pressure.

We had strong 23% growth from Retail and Business Banking in the rest of Africa, particularly its 30% higher net interest income, again benefiting from the weaker Rand.

CIBW's solid 11% growth includes its Custody and Trustee sale and strong Investment Banking and Corporate growth. Trading revenue was flat off a high base, with continued pressure on fixed income.

Financial Services' 8% increase reflects good progress in most areas, particularly Investments and the benefit of improved retail loan growth, while lower appetite for crop insurance and discontinuing non-core products impacted short-term insurance revenue.

I will talk to the large decline in our Head Office and other revenue later.

Slide 9 - Moderate non-interest revenue growth

Our non-interest revenue of R27 billion is slightly larger than net interest income after bad debts, despite our credit impairments falling materially.

Net fees and commissions account for the bulk of our non-interest revenue. Retail fees, the largest component, grew 5% to R10.8 billion. Retail's transaction mix continues to shift away from traditional channels towards electronic, which is positive longer-term although it dampens our revenue during this migration. Mobile banking customers increased 19% to 5.1 million and internet customers 13% to 1.4m, with particularly good growth in the rest of Africa. Lower customer numbers and pricing pressure from rolling out our Value Bundles dampened retail fees.

Despite lower cheque payment values in line with industry trends and cash management volumes, Business Banking South Africa's fees grew 2%. We continue to focus on core electronic banking, where fees grew 6%.

Fees for RBB outside of South Africa decreased, primarily due to us removing credit life and early repayment fees.

Financial Services' non-interest revenue increased 8% to R4.4 billion. Net premiums for Life Insurance in South Africa grew 5%, while net insurance premiums in the rest of Africa grew 34%. Distribution's net commissions rose 10%, reflecting the benefits of its new operating model.

Markets' net trading result in non-interest income fell 3% to R4 billion, although our total Market revenue rose 1%. Trading conditions in South Africa were tough in the second quarter, margins compressed in fixed income and FX, plus liquidity was constrained.

This performance shows the benefit of diversifying our trading away from fixed income, with good growth in commodities, equities and prime services. The Africa desk's net revenue increased 13% and accounted for almost a quarter of the total.

The 20% increase in other non-interest income was largely due to the sale of our Custody and Trustee business.

Slide 10 - Solid loan growth outside of property

Similar to the first half, our 7% higher loans belie solid growth in selected areas outside of our property-related books.

Gross mortgages fell 2%, as our legal book declined, which is a positive development. Our up to date mortgages grew 2%.

While total commercial property finance declined 2%, this was due to large repayments and our previous decision to reduce concentration risk here. Our front book payouts increased 34% and this book grew in the second half.

Excluding property lending, our remaining loans grew 15%.

In Retail, we achieved double digit growth in installment finance and credit cards. Vehicle finance had strong growth from partners like Ford and John Deere. Personal Loans continued to lose market share, as we focus on higher quality new business.

RBB in the rest of Africa grew loans 25%, although 80% of this was due to Rand depreciation.

CIB maintained its strong loan growth, adding R27 billion to our book. The bulk of this was term loans and much of Corporate's growth came in the fourth quarter, which bodes well for this year's revenue.

Slide 11 - Improving momentum in quality new business

New business in our South African vehicle finance, mortgage and personal loans operations grew 13% year on year to R70 billion, although this growth slowed during the second half to 7% off a higher base.

Importantly, I want to re-emphasise that having been cautious in our lending for years, we have not increased our risk appetite late in the cycle to produce this growth.

For example, 16% growth in mortgage registrations is due to returning to the originator channel and improved turnaround times. It is very clear from the graph on the right that we continue to book lower LTV business than the market. We wrote 26% of LTVs of 90% and below, but only 13% of the R7 billion the sector wrote at 91 to 100% LTVs in the third quarter.

There are graphs in the appendix that demonstrate our focus on writing good quality new business, be it in Personal Loans or Vehicle Finance, where our approval rates fell

last year. (As an example, we accepted 33% of fixed rate microloan applications in December from 47% at the end of 2012.)

With South African interest rates likely to rise further and consumers under pressure, we expect mid-single digit loan growth in SA this year, with stronger growth from our non-property and corporate lending.

Slide 12 - Wider margin largely due to Edcon

There are lots of moving parts in our margin story, as our group net interest margin improved 20 basis points to 4.48%.

The main reason was an improving mix that shifted toward higher margin products. In particular, including Edcon for the full period had a positive impact of 13 basis points.

Loan pricing had a negligible impact on our margin.

As expected, our deposit margin compressed, due to lower interest rates, increased competition and a small mix effect. Our deposits grew 8% year on year, in part due to launching investment products like Depositor Plus, which brought in R18 billion of deposits across RBB.

The lower average prime interest rate also reduced our endowment benefit on capital.

We continue to hedge in order to maintain a more stable margin through the interest rate cycle. Although our cash flow hedging contributed R1.6 billion, this was R500 million less than we released to the income statement in 2012.

Higher average swap rates meant our cash flow hedging reserve declined to R500 million after tax, from R2.4 billion last December. This will be released to our income statement over the next 2 to 3 years, if market rates remain at current levels.

We estimate the recent 50 basis point rate hike will increase our net interest income by around R300 million.

CIBW improved our margin by 8 basis points, after 2012's 15 basis point decline, as our Investment Bank and Corporate margins both widened slightly.

Our operations outside South Africa added 7 basis points, largely due to stronger growth in its book that has higher margins, which outweighed slight pricing pressure in RBB due to regulatory changes and competition.

We expect our net interest margin to increase over the next three years.

Slide 13 - Far lower asset-backed credit impairments

At the same time as our margin improved, our credit loss ratio normalized from 2012's elevated level. Credit impairments for our secured retail loans in South Africa fell by 59% or R3 billion. Within this, our vehicle finance improved due to good collections and lower commercial asset finance delinquencies. I will cover mortgages in some detail shortly.

Business Banking's credit impairments in South Africa also dropped sharply off a high base, particularly in commercial property finance.

The picture of credit quality across our unsecured lending is more varied.

Although Personal Loans' charge grew 28%, its 6.2% credit loss ratio is within our expectations and stacks up well versus the industry. This reflects our focus on improving the quality of this book over the past 3 years.

We are seeing some early strain in our Card book, where impairments doubled, although its 3.3% credit loss ratio is also well within a reasonable range.

We have annualized the growth in Edcon's credit impairments in this graph, since it was in our 2013 numbers for the full year. We see some pressure in this book, as its credit loss ratio increased to 11.9%. I will show that we increased our portfolio provisions and NPL cover on this portfolio significantly.

Excluding Rand depreciation, credit impairments in RBB outside South Africa actually fell 4% as its credit loss ratio decreased to 1.8 from 2.5%, due to improved collections and lower NPLs.

While CIBW's charge more than doubled, its remains relatively small and includes an additional portfolio provision.

Slide 14 - Credit loss ratio and NPL cover improved

Our 1.2% credit loss ratio was lower than we guided, with our 74 basis point charge in mortgages slightly better than our earlier expectations. As expected, our second half group charge of 107 basis points was well below the 135 basis points at interims, reflecting normal seasonality and a strong focus on collections. Our post write off recoveries increased 25% to R1.1 billion, which also helped our impairments.

Positively, we increased our overall cover of NPLs noticeably to 42% from 38, due to far higher cover of 81% on the Edcon portfolio and increases in RBB rest of Africa and

CIBW. Our NPL mix also had a positive impact, given the decline in mortgages. Just to remind everyone, our cover excludes interest in suspense.

With our credit loss ratio slightly below our through the cycle level and consumers still under pressure, plus given expectations of modest economic growth and rising interest rates, we don't expect our credit loss ratio to improve this year.

Slide 15 - Most NPL categories continue to decline

Our total NPLs fell by almost R5 billion, improving from 5.9% to 4.7, our lowest level since 2008. Almost all categories improved, with vehicle and asset finance at particularly low levels. Edcon increased by R1.1 billion, since there were no NPLs in the base, after buying the net book in November 2012.

Slide 16 - Better mortgage NPL construct

Despite dropping by R5.3 billion, mortgages were 46% of our NPLs. However, we have dealt with our mortgage issues raised in 2012.

The construct of our mortgage NPLs has improved materially, in both our pre-legal and legal books. Legal fell by R3.3 billion, with a notable drop in the insolvent book that attracts a high NPL cover. Hence our NPL cover on mortgages decreased to 27.8% from 28.5.

We also took a stricter view to only cure restructured accounts after customers make six consecutive payments, which decreased our cures. While we continue to reduce our legal book, it has aged slightly to an average of 25 months from 23 months in June, due to lower write offs.

We continue to reduce our portfolio of properties in possession, which are at the lowest level since the mid-2000s.

Slide 17 - Decreasing mortgage NPL inflows bode well

Mortgages flowing into NPLs continue to improve, falling 25% year on year by value and volume. Importantly, these are lower LTV mortgages than the previous inflow from loans written in the mid-2000s. Obviously, this bodes well for our future mortgage impairments.

Our focus on writing good quality, low LTV new business is very evident in the significant improvement in our vintage curves on the right, which reconfirms that we are not sacrificing credit quality to grow our book late in the cycle.

Slide 18 - Increased portfolio provisions significantly

Positively, despite our lower credit impairments, we increased our balance sheet portfolio provisions by 35% or R1 billion to R3.8 billion.

Doing so improved our portfolio provisions to performing loans from 52 basis points to 64, our highest level for many years.

In summary, over the past two years, we have actively reduced our NPLs levels, improved our coverage on the remaining NPLs and significantly increased our portfolio provisions.

Slide 19 - Higher cost growth reflects investment

As previously indicated, we are investing more for growth, with full year operating costs rising 10% and 15% in the second half. This pushed our cost to income ratio to 56.3%. Excluding Edcon, which was included for the full year, total costs grew closer to 7%.

Staff costs increased 11% to account for 53% of the total. Salaries grew 7%, due to slightly higher headcount, inflationary pressures and rand depreciation. Total incentives increased 26% reflecting the previous year's reduction and a substantial recovery in RBB's earnings. We continue to invest in our people, with training costs rising 33%.

Our non-staff costs increased less than 9% to R15.8 billion. In a challenging environment, we continue to focus on opportunities within our cost base to fund further investment. For example, optimizing our property portfolio kept the increase in our property-related costs to 2%. And, by leveraging off Barclays' capabilities and systems, our business as usual technology spend fell 6%.

Our marketing costs increased 19% as we launched our Prosper campaign, an important element in turning around Retail and Business Banking.

Although our amortization of intangible assets grew 44%, it remains relatively low and reflects increased investment in systems.

Other costs, included a substantial drop in negative fair values on investment properties, outweighed by significantly higher Edcon administration costs. Travel costs increased noticeably, as the rest of Africa operations were added, although this is an area of focus in 2014.

Slide 20 - Currency and strategic investments increased costs

Unpacking our costs further, Rand depreciation against other currencies in Africa added almost 3% to expense growth. Without this, our constant currency increase in expenses was closer to 7% and below 5% excluding Edcon.

Our growth in professional fees is an indicator of higher investment spend. Importantly, although these increased substantially, much of it was spent on strategic initiatives, for project delivery and investment in digital, mobile applications and systems. Examples include end to end processing in RBB, our Absa Online platform, Barclays.net and a new short-term insurance platform. Our strategic spend more than doubled to R669 million, almost half of our pro fees excluding legal costs and credit bureau fees. Within our business as usual pro fees, regulatory costs are certainly increasing.

We plan to increase our strategic investments by a third this year, to constitute around two-thirds of our total pro fees, which we expect to decline somewhat.

Slide 21 - Capital ratio above target

Moving to our capital! Several factors influenced how our Core Equity Tier 1 ratio evolved over the year.

Implementing Basel 3 from 1 January reduced our common equity tier 1 ratio by 59 basis points, slightly less than the 70 basis points we expected, due to changes in how the Reserve Bank implemented specific elements.

Growth in our risk-weighted assets reduced our ratio by 1.3%, although our RWA optimization efforts offset 60% of this. As an example, exiting part of our non-core private equity portfolio released over R8 billion in RWAs.

Acquiring Barclays Africa Limited was slightly capital enhancing, which was better than we originally thought.

We remain very capital generative, with earnings adding over 2% to our Core Equity Tier 1 ratio.

Our strong capital ratio allowed us to pay a R6 billion special dividend that reduced our ratio by 107 basis points. When combined with the ordinary dividends we paid, it effectively offset the capital we generated.

Our resulting Core Equity Tier 1 ratio of 11.9% remains comfortably above regulatory requirements and our board target range of 9.5 to 11.0%.

Having completed our Africa transaction, we will establish a funding programme at Barclays Africa Group level, to optimize the management of liquidity and capital requirements across the group.

Slide 22 - Strong dividend growth

Our strong capital position allowed us to declare a 20% higher ordinary dividend, ahead of headline earnings growth, based on our internal capital generation, strategy and growth plans.

Our ordinary dividend per share has grown 17% compound since 2009, which we believe is attractive. We expect to remain cash generative and aim to produce sustainable growth in our dividends.

Slide 23 - Underlying returns improved

Our return on equity improved from 14.1% to 15.5%, exactly the same level as our return in 2009.

Importantly, however, our return on assets increased noticeably from 1% to 1.3% over this period, which is close to the recent peak in 2011.

The improvement in our underlying profitability was largely due to our credit loss ratio normalizing from a high of 1.7% in 2009, although today's effective tax rate is also about 5% higher than 5 years ago.

To improve our RoE in the next few years, we need to generate positive JAWS by growing our non-interest revenue or increasing our leverage.

As Maria mentioned, we expect our RoE to improve to between 18% and 20% medium-term.

Slide 24 - Strong divisional earnings growth

Looking at our divisional performances, we had a strong rebound in Retail and Business Banking's earnings, which increased 41% to R8.0 billion, 65% of our earnings excluding head office.

Retail Banking in South Africa grew 36%, largely due to significantly lower mortgage credit impairments, as its pre-provision profits increased just 2%.

Business Banking in South Africa had strong 64% earnings growth, which benefited from substantially lower losses in equities, while its core business rose 24% on lower credit impairments.

RBB outside South Africa owed half of its 35% earnings growth to Rand depreciation and the rest to strong net interest income growth and higher pre-provision profits.

CIBW's earnings declined 4%, reflecting lower private equity revaluations, a higher effective tax rate, some non-recurring gains in 2012 and difficult trading conditions in Markets. However, its profit before tax increased 9%, given strong revenue growth and keeping business-as-usual cost growth below inflation.

Financial Services earnings rose 8%, as strong growth from Investments, Fiduciary and rest of Africa outweighed lower short-term insurance earnings.

Our divisional earnings rose 23%. However, our head office earnings fell by R900 million, due to the impact of swap rates on the ineffective portion of our hedge and a number of one-off items in 2012, such as profit on disposal of fixed assets and lower indirect tax. There are also higher funding costs as we increase the number of owned properties.

Slide 25 - Retail Banking SA turnaround continues

Retail earnings rebounded 36% after falling 19% in 2012, reflecting a return to stability of leadership, structure and strategy, as we position the business for its turnaround.

The R1.9 billion positive swing in Home Loans was the key driver of our retail earnings growth, as credit impairments fell sharply from 2012's elevated levels. This reflects the substantial work in improving our collections and recovery processes and our focus on writing quality new business in recent years that I detailed earlier.

Personal Loans' earnings decreased 35%, due to higher credit impairments and lower revenue, given increased prepayment and margin pressure due to improving the quality of its portfolio and low interest rates. It will take time for its improved new business volumes and pricing to become evident.

Vehicle and asset finance's 33% earnings growth reflects solid 12% loan growth, lower credit impairments and cost containment. Its main focus in 2013 was on improving service offerings and the quality of its book, with its retail market share stabilizing since March.

Card's total earnings grew 5% to R2.0 billion, largely due to the inclusion of Edcon for the full year. Acquiring revenue grew its revenue grew 8% to R2.2 billion as we expanded our merchant footprint. Launching our Payment Pebble mobile point of sale

offering this year should further strengthen our leading share in acquiring. Solid book growth and stable margins drove a double digit rise in net interest income, while credit impairments increased notably but remained well within acceptable levels.

The Edcon portfolio was bedded down and met our return hurdles for the year, despite higher credit impairments, low interest rates and modest loan growth after acquiring additional tranches of the book. Our strategic partnership extends beyond just the loan book and includes employee banking, merchant acquiring and putting ATMs in stores.

Retail Bank's earnings fell 56% given continued revenue pressure and higher operating costs, as we transform our branches. Our customer numbers continued to decline, albeit at a slower rate, falling to 8.8 million from 9.7. Most of this was due to closing 850 thousand Sekulula accounts after losing the government social security tender in 2012. New account openings improved 3% to 750 thousand, marginally above the non-Sekulula accounts we closed. Positively, core middle market and affluent customers increased on a combination of new acquisitions, migrations and lower closures.

Deposits increased 6% to R135 billion to retain our leading market share, as we launched new products that grew strongly.

Turning around our transactional banking franchise is a priority that will take some time, although most of the building blocks for this are in place, from revamping our pricing to improved marketing, digital offerings, innovation, and sales and service levels. Absa Rewards grew 39% to over 1.4 million customers.

Excluding Edcon, costs grew 6%, reflecting tight cost control while starting to invest in product marketing and our branch transformation, plus increased incentives in line with Retail's improved performance.

Slide 26 - Strong Business Banking SA growth off a low base

Business Banking earnings in South Africa increased 64% to R1.7 billion, reflecting 24% growth in its core franchise and lower losses in its equity portfolio. Credit impairments reduced 42%, with a notable decline in commercial property finance and an improved overall book construct as we implemented a more rigorous approach to identifying potential defaults earlier.

Net interest income declined slightly given a lower commercial property finance book, due to run off and higher repayments, rather than the strong new business I mentioned earlier. Term loans grew 4% reflecting cross selling to customers with standalone products, and agricultural loans, where we remain the market leader, were 3% higher.

Positively, deposits grew 11% despite continued competition, as we enhanced specific products, improved market segmentation, introduced new term offerings and grew agricultural deposits 20% after a strong harvest season.

We continue to focus on growing our electronic banking, where volumes increased 5% which helped to offset pressure on cheque and cash management volumes. Rolling out Barclays.net to customers will enhance our electronic offering significantly.

A tight focus on costs kept core expense growth well below inflation, despite investing in our people, platform and products.

Slide 27 - Bancassurance maintains high returns

Bancassurance grew net operating income 10% to R1.7 billion. Short-Term Insurance was the only exception to an otherwise strong performance by all the businesses. Severe weather conditions reduced our underwriting margin in South Africa to 0.2%, although short term still produced an underwriting surplus. This decreased our overall net operating income growth from 23% to 10%.

Highlights include 56% growth in operating income from the rest of Africa, the 26% higher Investments earnings and the turnarounds in employee benefits and distribution. Employee benefits more than doubled headline earnings, while distribution broke even and increased its support for in house Absa products.

Operations in the rest of Africa grew net premium income 34% to R495m.

Life Insurance increased its embedded value of new business by 18%, as a result of increased sales from the branch channel and improved bank volumes.

Absa Investments exceeded revenue of R1 billion for the first time. Its growth in net operating income is due to the increase in retail equity and balanced mandates. The change in its asset under management composition was instrumental in increasing average margins to 56 basis points from 50.

We integrated our operations with Wealth during the year into a business we will report as Wealth, Investment Management and Insurance in future.

Slide 28 - Benefit of diversifying CIBW

CIBW's net revenue increased 8% excluding the gain on its Custody and Trustee sale, driven by strong growth in Investment Banking and Corporate.

Investment Banking increased its revenue by 37%, on the back of strong loan growth in targeted sectors. Its fee income benefited from further integration globally and across Africa to convert a good deal pipeline. Our M&A business grew significantly off a low base, ending 2013 ranked third in South Africa by volume according to Dealogic.

Corporate's underlying net revenue increased 14% reflecting improved client coverage, competitive pricing and increased product offerings. Term debt and trade finance revenue grew 25 and 32% respectively. Rest of Africa gross corporate revenue grew 21% on increased transactional flows in trade and higher debt balances.

Markets revenue increased slightly off a high base, thanks to our strategy of reducing our reliance on our large Fixed Income business. Exchange Traded Products performed well with the launch of the New Plat ETF in April. It is the largest platinum ETF in the world with 28 tons in assets.

Our focus on cash equities and prime services yielded good results, with revenue increasing significantly on both. Africa Trading is now fully integrated across the continent after making key hires and starting the rollout of common systems.

We exited non-core businesses, selling our Custody and Trustee business, which has allowed us to simplify and refocus on our core corporate banking. And we sold our 73% interest in the Absa Capital Private Equity Fund, which reduced our portfolio 42% to R3.3 billion.

Slide 29 - Barclays Africa Limited acquisition earnings accretive

As I mentioned earlier, our Barclays Africa acquisition is performing in line with expectation, with headline earnings increasing 14% to R1.9 billion. Thus, it enhanced our 2013 diluted headline earnings per share by 1.2% and improved our revenue growth. It also improved our core equity tier 1 ratio slightly. Rand depreciation was a noticeable driver of its performance, although it also reduced its return on equity to 16%, due to 31% growth in its equity base.

Retail and Business Banking is the bulk of our rest of Africa business, accounting for almost three-quarters of its earnings.

We see substantial opportunities in Corporate, Business Banking and Markets, which have historically not been a focus across the continent. Bancassurance also offers us strong growth potential, off a relatively low base.

Thank you.

[End]