

Barclays Africa Group annual results presentation for the period ended 30 June 2014

30 July 2014

Maria Ramos, Chief Executive Officer

Introduction

Good morning and welcome to our results presentation for the six months ended 30 June 2014.

In February, I laid out a strategy and a clear execution plan to create the bank of choice for customers and clients across the continent, by bringing the best of our African businesses together with the best of our global franchise. We took the time to develop the right strategy for this bank and I said it would take us three years to execute it.

Today, I will talk to you about the progress we are making in executing against that plan and how we are advancing towards our goal. Six months in, I am delighted to tell you we are on course and gaining real traction in delivery.

Why can I say this? Because today, we are publishing results that are exactly where we wanted them to be and they truly reflect the momentum we have achieved in delivering our strategy. I will talk more to this later but I want to highlight some of our significant achievements which demonstrate that we are transforming the business in the right areas by executing the four strategic priorities we laid out in February.

Let me elaborate. I stressed that the turnaround programme for our Retail and Business Banking franchise in South Africa will be based on putting our customers at the heart of everything we do and every investment decision we make.

This is about improving the customer experience by simplifying processes, reshaping our branch network and investing heavily in our digital products.

- We are stabilising our customer numbers and are seeing growth in important areas like the core middle market and commercial segments
- We are delivering new digital products, like our new Payment Pebble in South Africa, and have further launches planned for this half
- We have upgraded self-service technology at scale, improved our multi-channel ability and reduced processing times

I also said that we have a compelling advantage in Corporate and Investment Banking; it is a key segment for us and we are growing it.

In the first half of this year, we grew our Corporate earnings by 17%, our investment banking by 30% and our CIB earnings outside South Africa grew 58%. After successful pilots we are rolling out new technologies, like Barclays.net, our online cash management system for corporate clients and, again our client model is significantly improving the customer experience and attracting new clients.

I spoke about our plan to capture the growth opportunity in Wealth, Investment Management and Insurance by building on our existing presence outside South Africa, specifically expanding our insurance business in East Africa.

We have done just that:

- We expanding our footprint and reach by securing a Life insurance licence in Kenya;
- WIMI's operations outside South Africa grew revenue by 39% and operational earnings by 36%; and
- We are making good progress on an entry for our insurance business into West Africa.

Finally, we have further built out the strength of our management team and continue to attract highly skilled talent. But, perhaps more importantly, we are making the right investments to retain this talent in the bank for the long term.

Today, I want to give you a sense of the excitement and drive we are seeing across our business for delivering on our strategy and how it is driving our results. In a moment, I'll have the opportunity to share with you a few more examples of the strong momentum we have created. It underpins the financial results that David will be presenting to you in detail later.

I will also speak again to our relationship with Barclays and the importance of our success in Africa for its growth. However, whilst I welcome the tangible delivery, I recognise that we are not alone in seeing the opportunity in Africa, and our absolute determination is to execute at speed.

Delivering on our commitments – post the Barclays Africa transaction

Now, let me remind you of the financial commitments we made in February:

1. To be top three by revenue in our 5 largest markets by 2016
2. A return on equity in the range of 18-20% from 2015
3. A cost income ratio in the low 50s by 2016
4. A revenue share of 20-25% from outside of South Africa by 2016

Our results show strong progress on our way to achieving these commitments, but let me take each of these briefly in turn.

First, we have grown our revenues by 7% year on year but it is clear that we will have to accelerate it further in order to achieve our commitment of becoming top 3 in our five largest markets. And, I'm convinced that there are more opportunities to leverage the competitive advantage we have on the continent through our local, regional and global expertise.

I also want to see a continued shift in the mix and composition of our earnings, away from a reliance on interest income towards non-interest income. I will not be satisfied until we have achieved this.

Second, our RoE has improved to 16.1% and we are confident we can achieve the necessary milestones this year on our way to the commitment of 18%-20% that we have made for 2015.

Thirdly, costs, you'll have noticed that our cost-to-income ratio has increased.

We are investing in people, marketing and projects:

- Investment in our people, to build our technical and leadership capability
- Investment in our marketing - to drive growth in new customers, retain existing ones, and increase our share of wallet
- Investment in projects - that will drive revenue or have a material impact on our cost base

Let me demonstrate. We continue to invest in our branch network and have upgraded our ATMs in 1 651 locations in South Africa with smart cash deposit devices.

Consequently, a third, 34% of all customer cash deposits in the branch network are now occurring at these devices, helping to alleviate the pressure on branch queues and removing manual processing in branches. This all equates to increased productivity, reduced cost and a better customer experience.

Finally, the strong growth in our revenue outside of South Africa in the first half contributed almost a third of our total revenue growth. The share of revenue outside of South Africa increased to 20%, already within the range we have set as a target for 2016. So those are the results for the first half and David will expand on them in a moment. We were able to deliver these results because of the breadth of our thinking, our appetite for innovation and the way we play our competitive advantage. Now, I said that I would give you a few examples.

BAGL is delivering for the future

As we turn around RBB, we are using process improvements and the introduction of innovative products to improve the customer experience. Take Payment Pebble, a payments solution innovation that our business customers are really excited about. We already have over 2 200 merchants actively trading through this device and the volume of transactions processed via Pebble is doubling month on month and the number of devices taken up is growing by 18-20% every week.

Next month we will launch our Features Store, a wholly new approach to opening and managing your bank account online, which allows customers to choose the benefits that suit their needs.

We are also investing in seamless multi-channel capability. This means enabling our customers to commence a transaction in one channel and then completing it in another channel at their convenience. It requires a different way of working, where staff are multi skilled, work flexible hours and have intelligent tools at their disposal to support the customer. We call this concept our Skybranch.

We are also rolling out our fully digital current account opening process for our retail customers and account opening times have already reduced by 85%. By the way, we are doing something similar for our corporate customers, reducing the turnaround time for new accounts by 75%.

These are just some of the ways in which we're making life easier for our customers and creating the Go-To Bank.

In helping deepen and strengthen our relationships with corporate clients across Africa, our teams in Ghana, South Africa and the UK helped create a partnership between one of our global corporate clients, 600 local farmers and several NGOs.

To me, this is what a sustainable banking model is all about – we use our expertise to help economies develop, corporate clients to flourish and individuals to grow. Of course, we are also doing mainstream deals like taking the governments of Zambia, Kenya and South Africa to the market, or the German capital raising for Steinhoff, where we were joint bookrunner on the deal.

These are good examples for how we play our competitive advantage and bring together our local presence with the benefits of being part of a global group. We have always believed that Corporate and Investment Banking is a key segment where we demonstrate our competitive advantage. Our leadership in this segment has been recognised in the prestigious Euromoney Awards where we have been awarded both Best Investment Bank and, Best M&A House in Africa.

But our breath of thinking isn't just limited to future proofing our existing operations, we are also spotting future trends, particularly those which mold our industry.

Earlier this year we took a significant stake in a home-grown peer to peer lender with a robust and scalable platform. Known as crowd funding platforms, these have the potential to disrupt retail banking franchises and so being an active participant in the development of this emerging sector is critical to our future success. Bold thinking leads to new ways of collaborating and doing business with our customers' needs and ambitions firmly in mind.

In short, this is how we are helping Africa to Prosper.

A team to drive growth

So, we have established momentum in our business. We have created this momentum in the face of economic headwinds. What will set us apart is our ability to sustain this performance. That in turn will depend on the strength of our management team to motivate our people and the breadth and quality of our thinking.

I said to you in February that we would continue to develop and invest in our talent. And we have continued to build and strengthen our management teams across the bank in addition to building a very strong and flexible Executive team over the last 18 months.

We are building expertise not just in our technical disciplines but also in our leadership capability, in other words the way we do things. Our stated purpose is to help People achieve their ambitions in the right way. Our purpose and values are core to our Culture, and so we feel the same about delivering our own performance – it has to be done in the right way. This strengthened leadership bench and the alignment on our vision and our purpose that we have created is having a fantastic energizing effect on our organization. When I traveled to Ghana recently, the renewed excitement, passion and enthusiasm of our staff for achieving our objectives, was palpable.

The engagement with our staff during a townhall I held in Accra fed my own passion and determination about this business – and this is becoming the norm whether you travel to Lusaka, Nairobi or Gaborone – or if you talk to our people here in South Africa.

This energy comes from a shared passion for our customers and a shared belief in our business. That is why I am full of optimism for our future and confident in our ability to deliver on our commitments. This was also reflected in the outcome of the recent Barclays Strategy Review and its major re-organization.

A critical part of Barclays

Barclays PLC has fully endorsed our strategy on the continent. We are an integral part of Barclays and Barclays is an integral part of us. We are one of the four key business divisions; in fact, we are one of the two explicit growth businesses in which Barclays will invest for the future. This underlines the support that Barclays Africa enjoys from Barclays PLC, something I spoke about at length in February. This support is not only going to continue, but it is going to deepen.

I am determined

In conclusion – and as I am sure you are sensing – I'm absolutely determined that we execute our strategy at speed and that we deliver on our commitments. And I know every single one of my colleagues is too.

By the end of the year, we will have made:

- further progress in the turnaround of the Retail and Business Banking with a particular focus on our Business Bank franchise
- we will have significantly advanced the roll-out of our corporate business
- and completed our next phase of expanding our insurance business into East Africa

Together as a team, we are raising the metabolic rate of the organization and driving it to deliver these results. And we are well on our way to achieving the milestones we have set for 2014 and to the commitments we made. The examples I mentioned earlier lay proof to that. My clear mantra is: execute, execute, execute.

I have been in similar situations before and have seen how a good team can drive delivery and how a great team can transform a business. And, as I have told you, we have a great team. I'll now hand you over to David who will walk you through our detailed results.

David Hodnett, Deputy Chief Executive and Financial Director

Slide 4 - Introduction

Thanks Maria, I believe that our financial results support your conviction that we are on track. As usual, before unpacking our numbers, I'd like to make some key observations about our first half performance.

We met market expectations, producing solid 10% growth in headline earnings per share and 13% adjusting for our special dividend. Our Barclays Africa acquisition was earnings enhancing, adding 2.3% to our headline earnings per share. These operations made R2.1bn in headline earnings in the past year, a forward PE of 8.8 times on what we paid for them. Our RoE improved by 1.8% to 16.1%. While this benefited from our R6 billion special dividend last November, our return on assets also improved year on year.

However, the 16% RoE from our acquired operations remained below expectations, due to their substantial surplus capital and a high effective tax rate. Our capital position remains strong, with our 11.8% core equity tier 1 ratio above the 11% top end of our board range. And we continue to be very cash generative. This allowed us to declare a 14% higher dividend, ahead of our earnings growth. Most of our P&L themes remain the same as last year's. Revenue growth, especially non-interest income, remains moderate, with pressure in RBB and WIMI.

Our RBB customer base is stabilizing and even growing in important segments. Importantly, our growth outside of South Africa remains well above South Africa's and we continue to grow in the right areas, where we said we would, with good growth in CIB and targeted loan categories, such as vehicle finance and credit cards.

Our focus on quality loan growth and the substantial improvement in our collections, drove our lower credit loss ratio, which also gave us headroom to further invest for revenue growth. Positively, we continue to build our portfolio provisions and non-performing loans improved to 4.6% from 5.3%. We cautioned that our operating JAWS would be negative near-term, as we continue to invest in growth initiatives, while containing business as usual costs. However, our pre-provision profits grew 5% year on year and accounted for most of our earnings growth. We also continued to focus on improving the quality of our earnings, such as further reducing our Business Banking equities portfolio.

Slide 5 - Pre-provision profit drove earnings growth

Moving to our summary income statement. Our net interest income growth was largely due to 7% interest bearing asset growth, assisted by a slightly better margin. Non-interest income growth remains modest due to Retail and Business Banking fee income pressure. As I mentioned, lower credit impairments remain a positive driver and I'll highlight the substantial investment spend underlying our cost growth later.

The increase in 'Other' was largely due to 19% higher indirect taxation and 10% lower associate income. Our direct effective tax rate increased slightly to 29.2% and we see scope to reduce this.

Slide 6 – African acquisition enhanced revenue growth

Our 12% revenue growth from our operations across the rest of the continent was double our local growth. Growth outside of South Africa was double digit across all three divisions, with particularly strong 39% growth from WIMI. This was despite regulatory pressure and lower rates hurting margins in some countries, although revenue benefited from rand depreciation.

Slide 7 – Scope to improve revenue rankings in key markets

However, we see substantial scope to improve our rankings in revenue, with Ghana, Kenya and Zambia outside top 3 positions. We deliberately chose revenue targets for our 5 largest operations, to emphasize the need to improve our top line growth, which has been relatively modest in recent years.

Slide 8 – Non-interest income growth moderate

Non-interest income increased 5% to R13.5 billion, 44% of our total income. Despite growing just 3%, net fees and commissions still account for almost two thirds of our non-interest income.

Retail fees in South Africa grew 4%, due to strong 14% growth in card and 7% in merchant acquiring. These offset the impact of slightly lower customer numbers, transactions shifting to electronic channels and customers moving to Value Bundles. A similar migration to digital channels and lower customer numbers, plus reduced cheque payment volumes, limited Business Banking's fee growth to 3%, although electronic banking and cash fees grew 6% and 4% respectively.

Fees for RBB Rest of Africa grew 2%, with higher card transaction volumes and rand depreciation outweighing regulatory pressure and us proactively removing certain fees. CIB's net fees and commissions grew 4%, despite flat electronic banking transaction volumes in Corporate.

Investment Banking's non-interest income grew 14% to R2.4 billion, with 39% higher fees and 17% growth in Markets. Markets had strong growth from our Africa desk, in line with our strategy, and fixed income off a low second quarter 2013 base.

WIMI's moderate 5% growth reflects net premium income increases in Life and Short-term, particularly outside South Africa, offset by higher weather-related claims and surrenders. Revaluations remain an immaterial part of non-interest income as we continue to reduce our equity positions at current valuations.

Slide 9 – Solid lending growth outside of property

Our loan growth story has not changed, as we continue to grow where we said we would.

Our gross retail mortgage and commercial property finance books continue to decline.

Mortgages decreased 2% as we reduced NPLs, by over R5 billion, wrote new business at low LTVs and customer demand remained relatively muted.

CPF declined on repayments and early settlements, although its front book pricing improved.

Excluding these books, our gross loans grew 11%, which is broadly comparable to peers. Vehicle finance's 8% growth, including 16% in commercial was solid, but is expected to slow with declining retail car sales, although we benefit from having a higher share in the used car market.

Our 13% Card growth was largely due to healthy growth in the core portfolio with inflationary limit increases and steady performance from co-branded cards, offsetting a lower Edcon portfolio. We saw solid growth in some of our joint ventures, including Ford and John Deere's 12% and 29% higher production respectively, while Woolworths Financial Services grew 11% annualised this year.

We continue to focus on lower risk existing customers in Personal Loans. However, the market has slowed faster than we expected, which has improved our pricing ability. Within 'RBB other', Rest of Africa increased 8%, largely due to growth in payroll deducted personal loans. CIB had strong loan growth, adding R24 billion to our book, after substantial growth in the fourth quarter of 2013 and annualised growth of 8% this year. Most of this increase was term loans across a broad range of sectors and strong 49% constant currency growth outside of South Africa.

I want to re-emphasize that we continue to grow in our chosen areas and remain comfortable with our risk appetite. In fact our approval rates declined noticeably across most of our retail products, as consumers remain under pressure in an increasing rate cycle. Despite a weaker macro backdrop in South Africa, we still expect mid-single digit loan growth in 2014, albeit slightly less than we anticipated at the start of the year. This will impact our 2015 revenue more than this year's.

Slide 10 – Wider margin reflects several moving parts

Turning to our margin, which improved 11 basis points to 4.56%, there are several moving parts.

While loan pricing improved in Edcon, Home Loans and Personal Loans, it was offset by some pressure in Vehicle Finance and Card. Our loan margin benefited slightly from composition changes, given a decline in lower margin mortgages, stronger Vehicle Finance and Card growth, and a higher proportion of Corporate loans. A better funding mix, given solid deposit growth, less reliance on wholesale funding and the deposit endowment benefit from January's rate increase, outweighed increased competition in certain deposits. Higher South African interest rates also helped our equity endowment margin.

Our structural hedging programme contributed 4 basis points less, despite releasing R792 million to the income statement. Our cash flow hedging reserve decreased to R200 million after tax from 500 in December. However, liquidity interest risk management added 6 basis points to our margin. This month's 25 basis point increase in South Africa adds about R150m to our net interest income.

Although our margin outside South Africa is higher, declining rates, increased competition and regulatory changes meant it reduced our Group's margin by 10 basis points. We still expect our 2014 margin to widen slightly year on year, particularly as we see another 25 basis point increase in South Africa this half.

Slide 11 – Secured loan credit impairments improved

Credit impairments fell 7% to R3.6billion. Retail secured loan credit quality in South Africa continues to improve as it benefits from good quality business written since 2010 and focused efforts to strengthen collections from 2012.

Although our unsecured retail charge was double the quantum of our secured impairments, we remain comfortable with our personal loans loss rate, which reflects our approach of not growing

this book over the past three years. Our Card loss ratio also remains within our expected range. However, we saw pressure in our Edcon portfolio.

Business Banking South Africa also improved further, with a significantly lower charge for commercial property offsetting provisions for a specific company failure. CIB's credit loss ratio remained low at 9 basis points, most of which was portfolio provisions. RBB Rest of Africa's charge dropped 13% in constant currency, driven by improved collections and reduced NPLs.

Slide 12 – Credit loss ratio and NPL cover improved

Our credit loss ratio improved more than expected to 118 basis points from 135. Remember, we calculate our ratio on customer loans and advances, excluding loans to banks and including collection costs of R94 million. For comparative purposes, doing the same as peers, our first half credit loss ratio was 100 basis points.

Our credit loss ratios for Mortgages and installment credit were better than we expected. Our mortgage NPL cover declined as our Legal portfolio LTV improved to outweigh some ageing in this book.

Our properties in possession fell to 187 properties with a value of R43 million. Vehicle finance's cover fell as we accelerated writing off aged NPLs that had higher cover. Our stock of repossessed cars is at its lowest level for several years, more than 70% below the 4800 in 2009.

While Card's loss ratio increased off a low base, it is still within our expectations and reflects a maturing book that we have grown 36% excluding Edcon since June 2011. Edcon's 15% charge is well above the top end of the through the cycle range we expected. Focus on credit quality has been key in managing this portfolio, as we implemented credit policy and strategic collection changes. Our NPL cover on the Edcon portfolio remains appropriate at 79%.

Personal Loans' credit loss ratio improved year on year, highlighting the benefit of focusing on low risk existing customers.

Credit impairments in Business Banking South Africa dropped 20%, with commercial property finance's ratio improving materially, to 0.4% from 1.1%. We are, however, seeing pressure emerge among smaller SMEs with turnovers below R3 million a year. And some stress in specific areas like smaller transport companies, construction, mining-related segments and even manufacturing. Our overall NPL cover improved further to 43%, in part due to mix changes.

Slide 13 – Continue to build portfolio provisions

Positively, we significantly increased our unidentified impairments to R429 million. This took our balance sheet portfolio provisions to R4.2 billion or 70 basis points of performing loans from 64 in December. We have improved this ratio by 18 basis points in the past 18 months.

In summary, over the past two years, we have actively reduced our NPLs from 6.4% to 4.6%, improved our coverage on the remaining NPLs to 43% from 33% and significantly increased our portfolio provisions to 70 basis points from 41. We provide additional detail on our credit quality in the appendix. Despite continued weakness in the South African economy, we expect our credit loss ratio to be comfortably below our through the cycle level this year, which is better than we initially thought.

Slide 14 – Higher cost growth reflects investment

As Maria highlighted, we will continue investing for growth this year, which is evident in our 9% higher costs. Our total cost growth was similar in South Africa and the rest of the continent, as well as across all our divisions.

Staff costs grew 11% and accounted for 53% of the total. Although our staff numbers remained flat, salaries increased 12% as salaries outside of South Africa grew 19%, due to high inflation and rand depreciation, Business Banking South Africa recruited 150 people to strengthen our front line, entry level staff were awarded higher wage increases and we continued to make more senior hires.

Incentives increased 18%, with share-based payments 34% higher, given a 22% increase in our share price in the half, while other staff costs declined 21% due to lower restructuring costs. Our non-staff costs grew 7% to R8.2 billion.

We continue to optimize our property portfolio. Although our property-related costs increased 7%, they include R190 million of branch restructuring provisions. Excluding this, they declined slightly. Rand depreciation saw our IT costs rise 7%, despite underlying efficiency gains. While our marketing costs grew just 10%, our spend in RBB locally and our operations outside of South Africa rose more than 30%, which was offset by exiting some sponsorships.

Professional and auditor fees grew 4%, with a 13% decline in business as usual fees. Investment in systems and processes increased amortisation 11%, although it remains low. These figures exclude certain IT investments which Barclays PLC is funding in the operations acquired last year.

The graph shows the various drivers of our increasing costs. Rand depreciation contributed 2% of the growth, so our constant currency costs grew 7%. However, it is clear that we are saving to invest. Cost efficiencies reduced our underlying cost growth to below inflation. While significant investment in growth initiatives pushed our overall growth to 9%.

Slide 15 – Crucial to achieve positive JAWS from 2015

Our JAWS were negative 1.6% for the half, increasing our cost to income ratio to 56.4%. We will continue to invest for growth this year. For instance, central costs in Retail Banking South Africa grew 45%, with substantial spend on our channels and 58% higher marketing spend.

Hence, we are unlikely to achieve positive JAWS this year, although our cost growth will slow given the higher base in the second half of 2013. It is critical to our RoE target that we achieve positive JAWS next year. Of course improving this also depends on increasing our revenue growth, particularly non-interest income.

Slide 16 – Deposit growth funded lending to customers

Turning to our balance sheet.

On the funding side, customer deposits grew R27 billion year on year. Our equity base declined by R1.4 billion predominantly due to last year's R6 billion special dividend. Our foreign currency translation and cash flow hedging reserves fell by R1,1 billion, while borrowed funds declined 10% as we redeemed R1.7 billion of subordinated notes in March.

On the asset side, we deployed these funds into R31 billion of customer lending, as other and liquid assets fell by R7 billion. Fitch recently awarded Barclays Africa Group Limited a long-term rating of A-, the same as Absa Bank's. To optimise our capital, we aim to issue Senior unsecured and tier 2 sub debt at Group level in the second half.

Slide 17 – Solid growth in most deposit franchises

Our deposits grew 5% to almost R600 billion.

CIB's deposits increased 3% and provided 40% of our total funding. Excluding the sale of our Custody business in the second half of last year, the growth was 6%. Corporate's average deposits outside of South Africa grew 50% to R48 billion, demonstrating its strategic focus and increased client penetration.

Retail deposits in South Africa grew 8%, as we maintained our leading market share. Investment products – largely Depositor Plus – grew 37%.

Business Banking South Africa remains an important net provider of deposits to the group. Deposit growth of 13% reflects their focus on particular segments, strong growth in agri and 61% higher savings and transmission deposits.

RBB deposits outside of South Africa were flat in constant currency as increased competition and 4% lower term deposits offset 9% growth in current and savings accounts.

Slide 18 – Capital levels remain strong

Our Group Core Equity Tier 1 ratio remains strong. Risk-weighted asset growth reduced our ratio by 0.8% in the half, although we continue to benefit from optimization efforts.

Importantly, we remain very capital generative, as retained earnings added 114 basis points to our Core Equity Tier 1 ratio in the first half. The R4.0 billion we paid in dividends reduced our ratio 67 basis points. The reduction in “other” was largely due to lower foreign currency translation and available for sale reserves. Our resulting Core Equity Tier 1 ratio of 11.8% remains comfortably above both regulatory requirements and our board range of 9.5 to 11.0%.

This strong capital position gives us confidence to pay out 55% of our earnings at the half year. We plan to deploy our surplus capital into growth opportunities such as CIB, Business Banking and WIMI outside South Africa and Corporate locally.

Slide 19 – RoE improved noticeably

Our RoE improved noticeably to 16.1% from 14.3%, comfortably above our 13.5% cost of equity. Although quite a lot of the improvement was a result of the special dividend, our return on assets improved 5 basis points and our return on risk-weighted assets 10 basis points to 1.27% and 2.14% respectively.

As I emphasized, achieving positive JAWS is a key driver in improving our RoE next year. Also, the RoE from our operations outside of South Africa remains below our medium-term targets, due to substantial surplus capital, some loss making operations and a high effective tax rate. We see scope to improve all three. Although demanding, we remain on course to achieve our Group RoE target next year.

Slide 20 – Well diversified group

Moving onto our divisional performances, the benefits of having a diversified earnings base remain apparent.

Strong growth from Business Banking South Africa and CIB offset WIMI and RBB Rest of Africa's slightly lower earnings and a larger decline at head office. Note that RBB Rest of Africa's underlying profit before tax grew 24%, which was dampened by 39% higher tax.

Retail Banking South Africa grew in line with our overall group.

Slide 21 – Retail Banking SA turnaround continues

Retail Banking South Africa's 3 year turnaround is on track. Its results were driven predominantly by the continued rebound in Home Loans, where earnings increased to R799 million from R154, due to lower impairments and costs.

Vehicle and Asset Finance earnings increased 2% due to solid loan growth outweighing higher impairments and costs, plus margin pressure.

Card excluding Edcon increased headline earnings 3% on the back of solid book growth, dampened by higher impairments off a relatively low base. Acquiring turnover increased 22%, while issuing volumes grew 8% to underpin double digit non-interest income growth. Our Edcon portfolio lost R97 million, due to the significantly higher credit impairments I covered earlier. We remain committed to this relationship and are investigating several additional opportunities with Edcon that should improve our returns medium-term.

Transactional and deposit earnings declined 2%, given slightly lower non-interest income. This reflects the pressure point in our retail fee income and customer numbers, as well as the removal of internet banking fees and transactions migrating to bundled offerings and electronic channels. Solid 9% deposit growth drove increased net interest income.

In a difficult market, Personal Loans grew 8% due to price increases in the second half of last year and lower credit impairments.

Slide 22 – Retail customer trends turning

Overall, South African retail customer numbers are showing early signs of stabilisation. Excluding Sekulula accounts, Mass declined 3% mainly due to higher closures in the first half. Growth in new to bank Mass customers was flat. Our middle market customer base declined 1% year on year, but grew slightly this year. New to bank middle market customers rose 5%.

Affluent customers increased 8%, including migrations from the middle market and new to bank customers growing 78%. Given the change in our customer mix and the closure of dormant accounts, our revenue and profit per customer increased.

Positively, our Rewards customer base continues to grow strongly, rising 34% to over 1.6 million.

Slide 23 – Stabilising Business Banking SA

Our focus this year is to stabilise Business Banking South Africa and gear it up for growth. Headline earnings increased 19% due to smaller losses in our equity portfolio and 20% lower credit impairments. Our equity portfolio decreased by R1.4 billion to R2.6 billion reflecting good progress on disposals. Its improved performance reflects profits from disposals and increased returns on its rental portfolio.

Credit impairments improved due to lower defaults and improved recoveries, while we grew portfolio provisions substantially and increased our NPL cover. However, 2% core revenue growth was disappointing, particularly the flat non-interest income.

We are piloting Barclays.net in Business Banking to materially improve our cash management platform and lift our non-interest income trajectory.

Loans also declined 1% due to 4% lower commercial property finance. Total debt payouts increased by 12%, although run-off remained a challenge. Momentum improved in the second quarter with a healthy pipeline and payouts increased 34% from the first quarter.

Slide 24 – Positive early signs in customer numbers

Our Business Banking customer trend is similar to Retail's, with slowing losses and growth in the right places.

While our total customers decreased 2% to 384 thousand, the decline slowed further in the first half. Our transactional franchise is starting to show early signs that the core business is turning and customer attrition slowing.

Hiring additional relationship managers, a renewed focus on understanding our customers and equipping our staff to have quality engagements drove the improving trend. Although our SME or Enterprise customers declined, we increased our Commercial customer base, which produces the majority of our Business Banking revenue.

Slide 25 – CIB strategy on track

CIB's strategy is on track, with improving momentum and 24% headline earnings growth. Revenue growth was predominantly due to strong balance sheet momentum from the second half of 2013 and a good trading performance. Total operating costs increased 8% with South Africa's business as usual spend below inflation at 4%, as a result of tight cost control.

Business transformation and strategic spend more than doubled, as we continue to invest in systems and processes. Opportunities outside of South Africa remain a focal point of CIB's strategy, including increasing client penetration, investing in key talent and improving product delivery, mainly through technology and innovation. Rolling out CIB across Africa delivered strong growth off a low base.

Slide 26 – Core divisions growing strongly

Our CIB model produced strong growth across all core businesses. Investment Banking's 35% higher net revenue reflects the benefits of our integrated global model. We are gaining momentum outside of South Africa, where we lead the debt league tables because of our global links.

Markets revenue increased 17% off a low base, including South Africa growing 14% with our client flow model delivering as volatility normalised. Outside South Africa, improved foreign exchange and bond trading increased revenue by 25%, despite regulatory constraints in certain countries.

We expect to see further Markets revenue growth once Front Arena and BARX, our multi-asset e-trading platform, are rolled out to all key jurisdictions. Corporate net revenue grew 10% and remains a key area for delivery for us. Although its growth to date has largely been balance sheet-led, we expect future growth from non-interest income, as we implement Barclays.net and further improve client service.

Slide 27 – Bancassurance investing in sales capacity ...

Our integrated Wealth and Investment management businesses are reported together for the first time. WIMI grew profit before tax 3%, while headline earnings declined marginally. Equity markets positively impacted profits with investment returns on shareholder funds increasing 36%.

Wealth and Investment Management earnings grew 11% due to improved margins, while assets under management declined 6% to R219 billion, as we closed Absa Mortgage Fund Managers and exited administration-only business in the second half of 2013.

Excluding this, assets under management increased 7%. Employee benefits continued its turnaround, with 17% revenue growth and 82% higher earnings. Short term insurance earnings increased 11%, but the margin achieved in the South African insurance entity remained too low at 1%.

WIMI's operations outside of South Africa continue to grow strongly, with net premium income increasing 50% to R322 million. Life insurance earnings in South Africa fell 1%, due to a once off gain of R52m on asset-liability matching in 2013, which will reduce future volatility. Distribution lost R49 million, given 10% lower net revenue and continued investment to expand capacity. Gross production was in line with the prior year. We continue to implement pro-active steps in our credit life practices and adviser remuneration models to ensure that our operations are sustainable long-term.

Slide 28 – ... evidenced by growing new business and footprint

Solid growth in new business volumes and a lower cost of capital saw our embedded value of new business increase 29% in Life. While new business flows remain strong, retention remains challenging, given high lapses. Our investment in the Distribution business is shown by the increase in our adviser footprint and expanding our tied financial planner distribution remains a focus area for future growth.

Slide 29 – Operations outside of South Africa enhance growth

As Maria pointed out, while recognizing that South Africa remains the bulk of earnings, our Barclays Africa acquisition has accelerated our growth.

Operations across the rest of the continent generated almost half our earnings growth in the first half and our customer numbers grew 6% this year. The acquisition continues to enhance our headline earnings per share. While its RoE is less than required, we see scope to improve this noticeably medium-term. We have a profitable Retail franchise outside of South Africa, which we will continue to grow and digitise.

And we are establishing a Business Bank, hiring teams in country and rolling out systems. CIB offers a substantial growth opportunity, although we need to roll out our Corporate platform and trading systems before its full earnings power becomes evident. While WIMI's contribution is smaller, we have shown that we can land bancassurance on the back of Barclays' strong banking operations.

Before handing back to Maria, I would like to re-iterate our expectations for the rest of the year. Despite modest GDP growth in South Africa, we still see mid-single digit loan growth this year, although less than we initially expected, particularly in retail. Our net interest margin should increase year on year, due to rising interest rates in South Africa. And our credit loss ratio is likely to improve slightly, given our better than expected first half. Investing for growth and pressure on Retail and Business Banking fee income mean we are unlikely to improve our cost to income ratio this year.

However, our cost growth should slow given the high base in the second half of 2013. Combining these factors, we expect our RoE to improve further in the second half.

I would like to echo Maria's sentiments and believe that the numbers and guidance we have shared today demonstrate we are on track. Our focus is on executing our strategy. I now hand back to Maria to close.

Maria Ramos, Chief Executive Officer

Our commitments stand firm

Thank you, David, and thank you to the team for all your hard work and support.

Before I open the floor to questions, let me now conclude today by reiterating our commitments.

1. To be top three by revenue in our 5 largest markets
2. An ROE in the range of 18-20%
3. A cost income ratio in the low 50s
4. A revenue share of 20-25% from outside of South Africa

We are firmly on track to deliver these. David and I look forward to addressing you all again next year and reporting back on our journey to deliver the 'Go-To' Bank.