



# Barclays Africa Group Limited (“BAGL”)

Fixed Income Investor Deal Roadshow

September 2017



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# BAGL Update

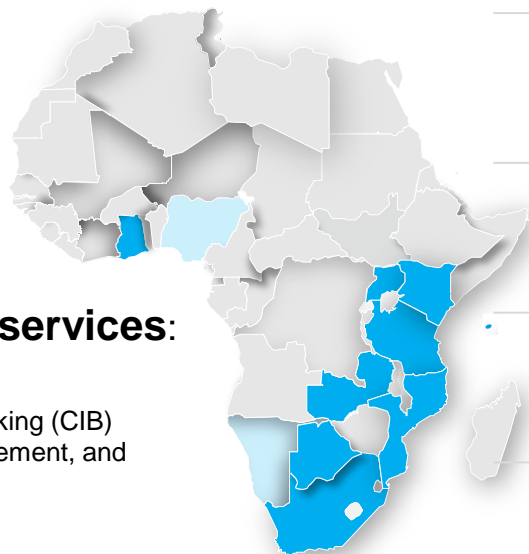


# BAGL at a Glance

We serve **11.6m customers**

in **12 African countries**

- 11 Subsidiaries
- 2 Representative Offices



providing diverse **financial services:**

-  Retail and Business Banking (RBB)
-  Corporate and Investment Banking (CIB)
-  Wealth and Investment Management, and Insurance (WIMI)

by leveraging an extensive **network**

-  **10,076** ATMs
-  **1,160** branches
-  **41,714** employees<sup>(2)</sup>

**R1.1 trillion**  
Balance Sheet

**R122 billion**  
Market Capitalisation

**16.8%**  
Return on Equity (RoE)

**55.6%**  
Cost to income Ratio

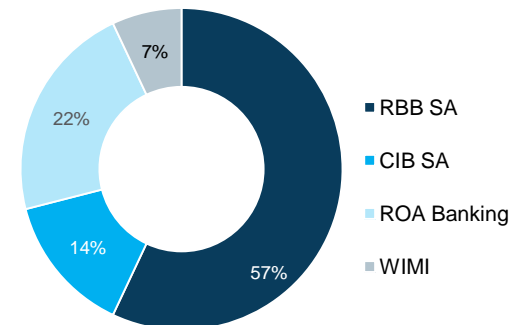
**7%**  
Growth in Headline Earnings

**118.9%**  
LCR

**13.7%<sup>(1)</sup>**  
CET 1 Ratio

**16.1%<sup>(1)</sup>**  
Total Capital Adequacy Ratio (CAR)

## Revenue Contribution Mix



Source: as at 30 June 2017.

1. Pre-normalised ratios. Normalised results are results as a consequence of the Barclays PLC sell-down.

2. Includes permanent and temporary employees.

# Barclays PLC Sell-Down

## March 2016

- On 1st of March 2016 Barclays PLC announced its intention to sell down their 62.3% interest in BAGL
- Barclays PLC announced that it was reducing its shareholding due to the recently introduced regulatory burdens specific and particular to Barclays PLC as a UK headquartered and globally significant financial institution
- Barclays PLC's intention was to reduce its shareholding in BAGL to a level which will permit Barclays PLC to de-consolidate BAGL from a regulatory perspective, prior to that, from an accounting perspective

## May 2016

- On the 4th of May Barclays PLC announced its intention to sell 103.6million ordinary shares representing 12.2% of BAGL's issued share capital. On the 5th of May Barclays PLC announced that they had sold 103,592,491 ordinary shares of Barclays Africa, bringing their holding to 50.1% of Barclays Africa's issued share capital

## February 2017

- Barclays PLC submitted an application to the SARB for approval to reduce its shareholding in BAGL to below 50%
- The application included the terms of the separation payment and transitional service arrangements which had been agreed between Barclays PLC and BAGL.
- The agreed terms provide for contributions by Barclays PLC to BAGL totaling £765 million (ZAR12.8 billion).
- This amount would be split between:
  - £515 million (ZAR8.6 billion) which has been earmarked for investments in technology, rebranding and other separation projects; £55 million (ZAR0.9 billion) to cover separation related expenses, of which £27.5 million was received in December 2016; and
  - £195 million (ZAR3.3 billion) (see note 1) to terminate the existing service level agreement between Barclays and BAGL, relating to the Rest of Africa operations acquired in 2013
- From the date on which Barclays PLC reduced its shareholding in BAGL to below 50% BAGL can continue to use the Barclays brand in the rest of Africa for 3 years and BAGL will receive certain services from Barclays on an arm's length basis for a transitional period, typically up to 3 years

## May/June 2017

- Barclays PLC and BAGL received the required regulatory approval from the Minister of Finance in South Africa to reduce its holding in BAGL to below 50%, the announcement also included the key terms agreed in the separation agreement
- Post this approval, Barclays PLC further reduced their shareholding to 23.4% through the largest book build in South African history
- In addition to the sale of shares on 31 May 2017, Barclays PLC will contribute the equivalent of 1.5% of Barclays Africa's market capitalisation, equating to approximately R1.85bn (based on BAGL's share price of R145.95 as at 30 May 2017), towards the establishment of a BEEE scheme
- A further 7% of Barclays PLC's holding will be taken up by the Public Investment Corporation at a later date, following receipt of the necessary regulatory approvals, reducing Barclays PLC's ownership to 16.4%.
- Over time Barclays PLC intends to reduce their shareholding in BAGL to 15%.

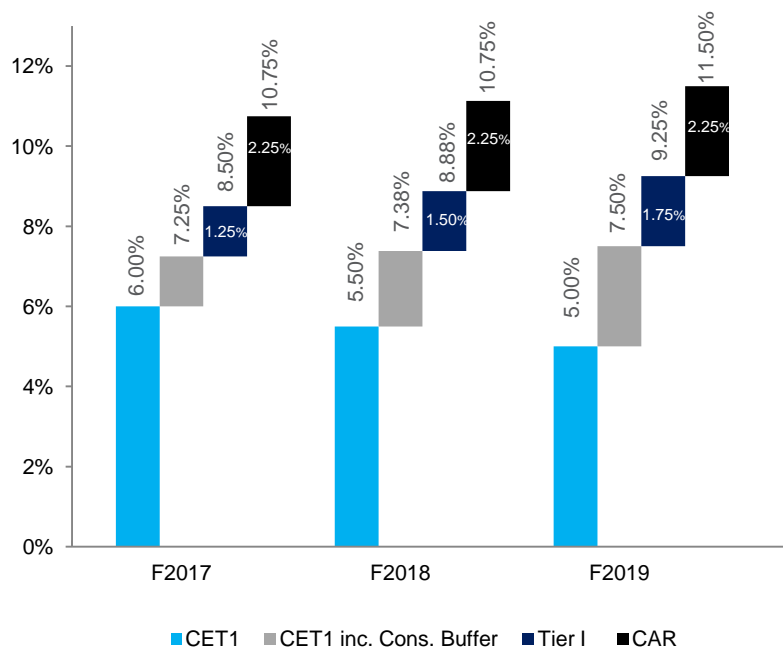
Source: SENS Announcements, 2017.

# Capital Position and Themes



# Phased-in Minimum Industry Requirements

## Industry Phase-in of SARB Minimum Capital Requirements



## South Africa Aligned to Basel III

### Individual capital requirements or Pillar 2B

- Bank-specific individual capital requirement
- Not disclosed externally
- Met with all components of capital

### D-SIB

- Systemic importance of banks
- Reflects higher loss absorbency requirements
- Met with all components of capital

### Capital Conservation

- Restrictions on dividends and other discretionary payments
- Met solely with CET1 capital

### Pillar 2A

- Systemic risk requirements
- Met with all components of capital

Source: SARB.

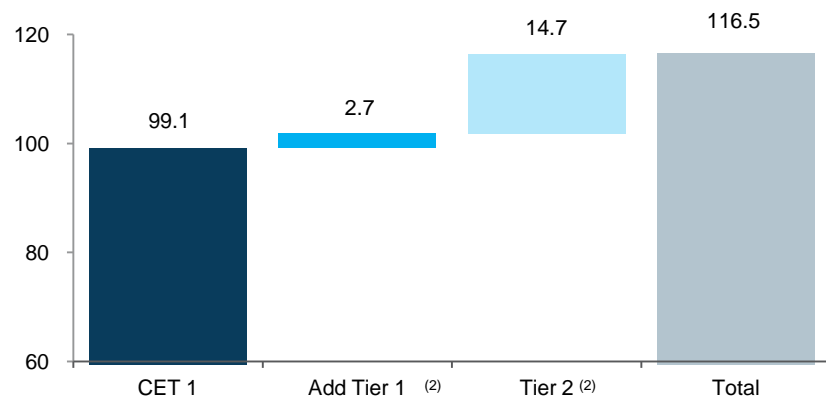
1. Grandfathering requirements may be subject to change following the introduction of the Recovery and Resolution Framework.

# BAGL Group Capital Composition – June 2017

Entity (As at Jun-17)	BAGL <sup>(1)</sup>	Absa Bank Limited	Residual	2017 Targets	BAGL	Absa Bank Limited	Regulatory Minimum 2019 <sup>1</sup>
Total Assets	R1.138bn	R948.52bn	R189bn				
Headline Earnings <sup>(3)</sup>	R7.618bn	R4.805bn	R2.813bn	CET1 – Regulatory minimum <sup>(1)</sup>	7.3%	7.3%	7.5%
<b>Common Equity Tier 1</b>	13.7%	14.1%		CET1 – Internal target	10.0–11.5%	10.0–11.5%	
<b>Tier 1</b>	14.0%	14.5%		Tier I	11.5-13.0%	11.0-12.5%	9.25%
<b>Total</b>	16.1%	17.4%		Capital Adequacy Ratio (CAR)	14.0–15.5%	13.5–15.0%	11.50%

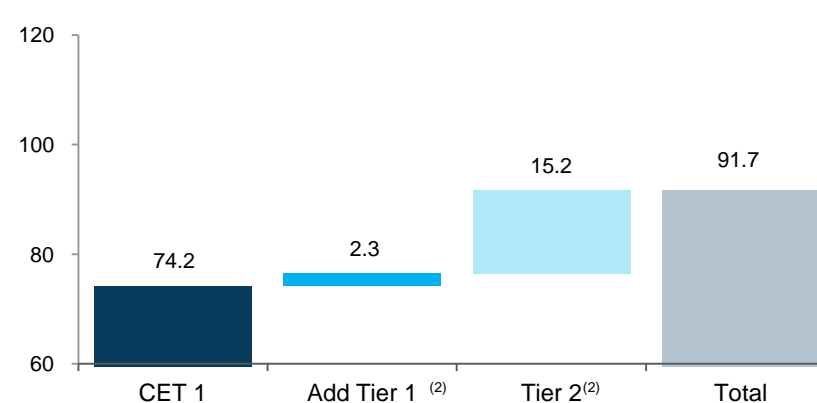
## BAGL Consolidated Capital Composition

Amount (ZARbn)



## Absa Bank Limited Capital Composition

Amount (ZARbn)



BAGL Basel III Tier II issuance is down-streamed to Absa Bank in the form of Basel III Tier II instruments. Tier II figures include a general allowance component for impairment losses.

1. Regulatory minimum excludes Pillar2B and D-SIB as these are confidential Bank specific add-ons.

2. Regulatory adjustments apply to BAGL Tier II and AT1 for non-qualifying subsidiary CET1.

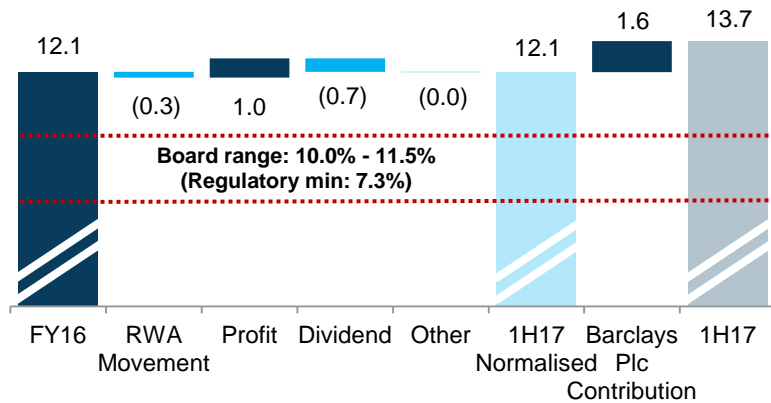
3. Headline Earnings FY16 was R14.98bn for BAGL and R9.78bn for Absa Bank Limited.

Source: Financials as at 30 June 2017.

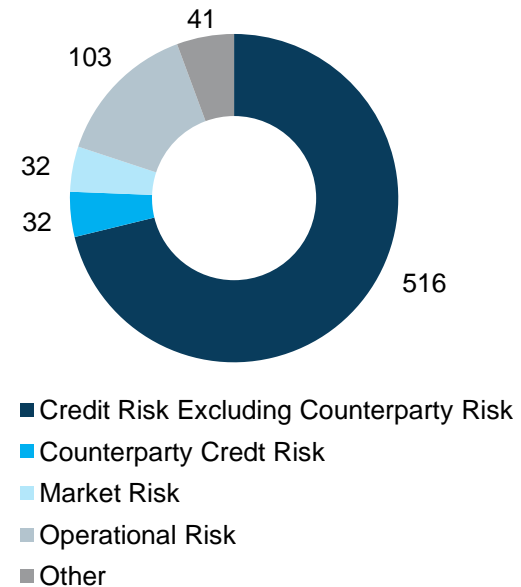


# Capital Levels Post Barclays PLC Sell-down

## Barclays Africa Group Common Equity Tier 1 Ratio (%)



## Risk Weighted Assets (R'bn)



### Leverage Ratio

- 8.1% (including unappropriated profits)<sup>2</sup>
- Board target  $\geq 4.5\%$
- Minimum Regulatory required leverage ratio 4.0%

### Dividend Policy

- Dividend Cover 1.9 times
- BAGL has signaled to the market that dividend cover would increase slightly in the medium term in light of economic and regulatory uncertainty

Source: Financials as at 30 June 2017.

1. Normalised results are results as a consequence of the Barclays PLC sell-down.
2. BAGL normalised leverage ratio is 7% as at 30 June 2017.

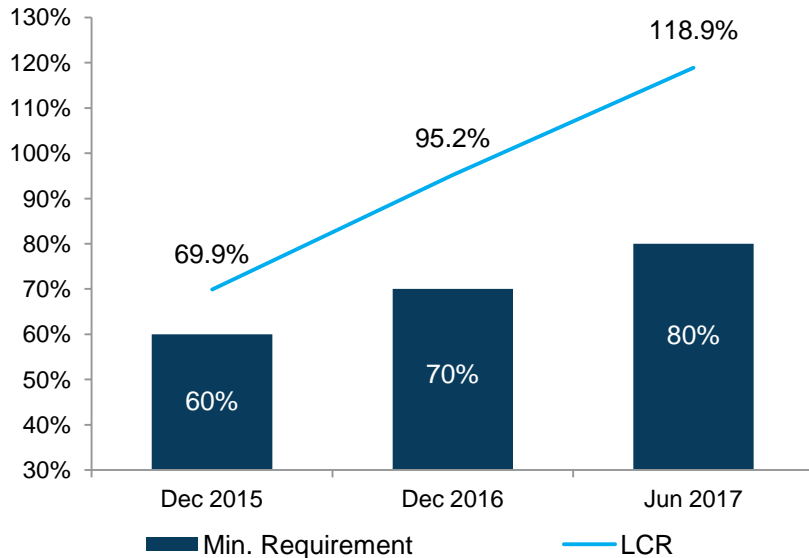


# Funding and Liquidity Management

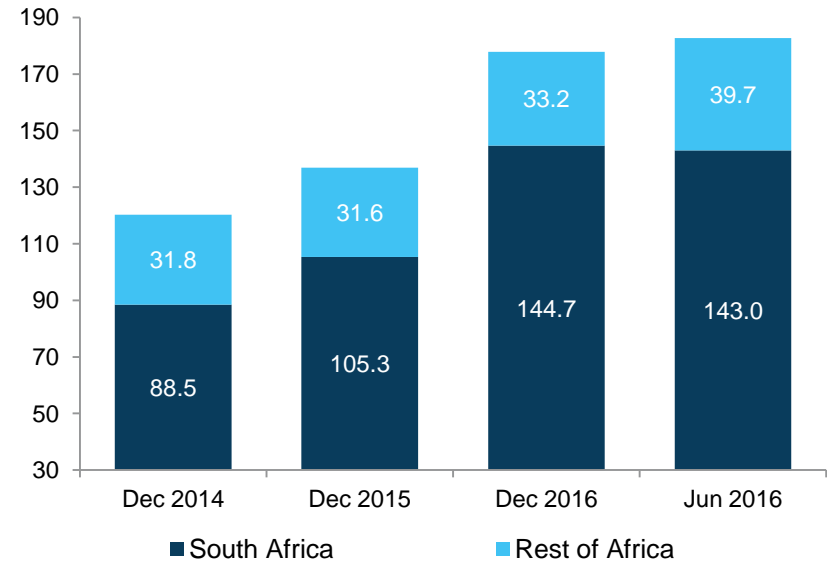


# Liquidity Position

**BAGL Liquidity Coverage Ratio (LCR)**



**BAGL Summary Liquid Assets and Reserves Position (Rbn)**

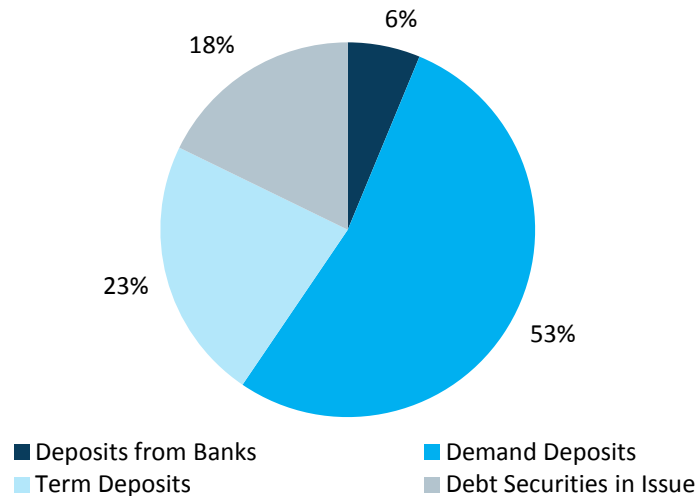


- The liquidity risk position remains healthy, within risk appetite and key metrics, and above minimum regulatory requirements
- As at 30 June 2017 the Group's sources of liquidity amounted to 33.1% of deposits due to customers
- The Group's targeted Liquidity Coverage Ratio (LCR) consistently maintains a buffer in excess of the regulatory minimum requirement
- The liquid assets increased from R177.9bn at December 2016 to R182.7bn at June 2017. Absa Bank successfully applied for a committed liquidity facility (CLF) from the SARB, which is included in High Quality Liquid Assets (HQLA) for LCR purposes from January 2016

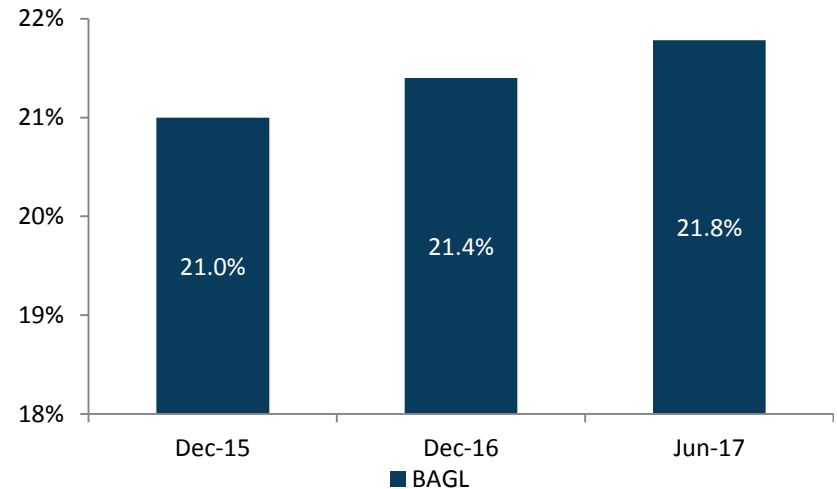
Source: Financials as at 30 June 2017.

# Funding

## BAGL Funding Composition June 17



## Long Term Funding Ratio



### Diversification:

- The Group has a well-diversified deposit base and concentration risk is managed within internal guidelines. Sources of liquidity are reviewed regularly to maintain a wide diversity of provider, product and term

### Structure:

- The Long Term Funding ratio increased marginally to 21.8% (Dec 2016: 21.4%) to optimise funding costs while continuing to match the growth in longer-term assets. Long term funding was achieved through a combination of funding instruments, capital market issuances and private placements
- The Net Stable Funding Ratio (NSFR) becomes effective on 1 January 2018, and the Group is expected to meet the minimum requirement of 100%

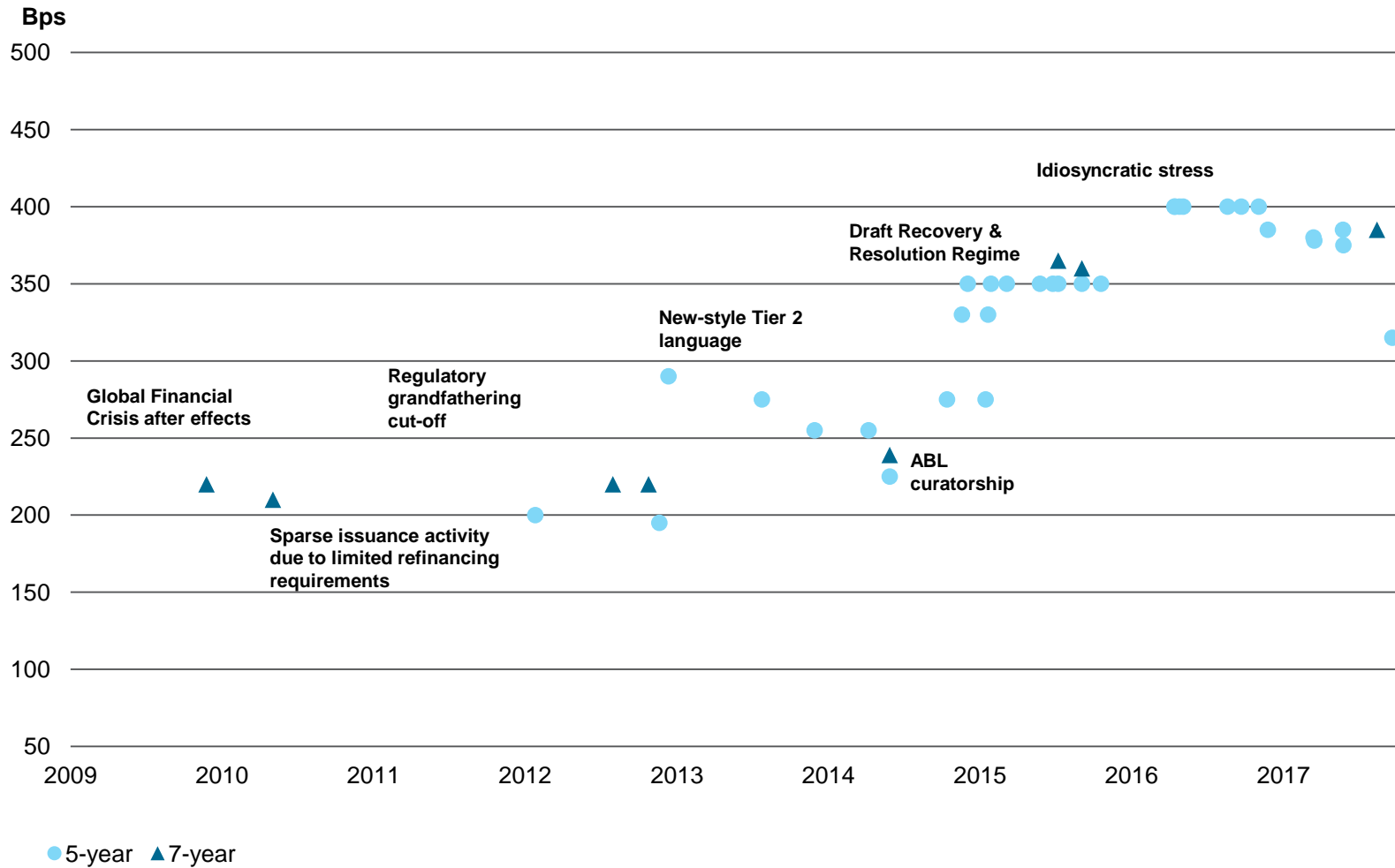
Source: Financials as at 30 June 2017.

Proposed Fixed Income Market  
Offering



# Previous Price Points

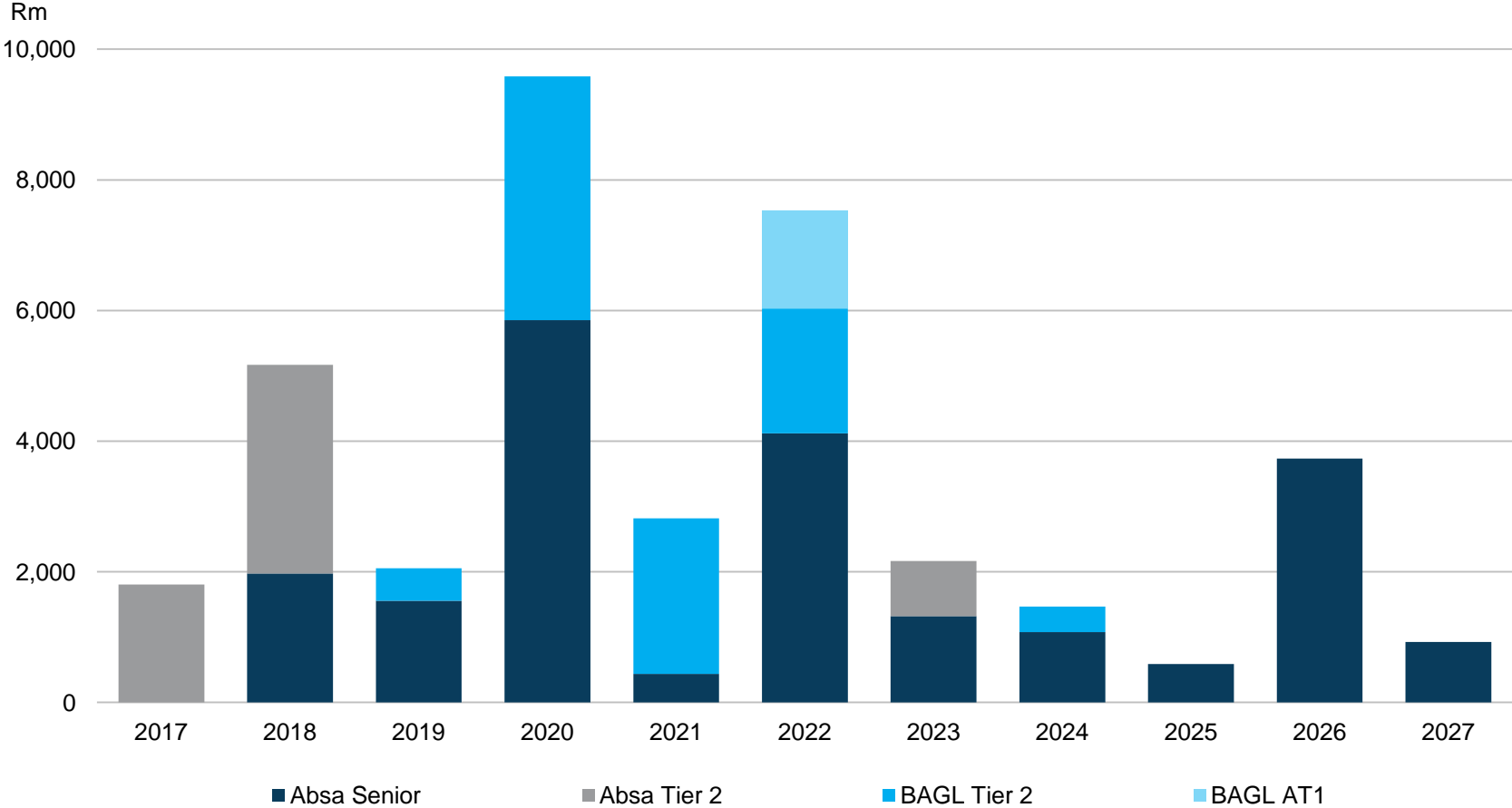
## Previous Pricing Points for Tier II Floating Rate Notes



Source: BAGL September 2017

Note: The graph references listed instruments for top 4 banks and excludes unlisted notes

# BAGL/Absa South Africa Debt Maturity Profile



Source: BAGL, Absa Sep 2017  
 Note: Graph excludes unlisted and structured notes  
 Graphed to call date where applicable. The call of subordinated instruments is subject to SARB approval

# Indicative term sheet

INDICATIVE BAGL TIER II SUBORDINATED ISSUANCE TERM SHEET		
Issuer	Barclays Africa Group Limited (“BAGL”)	
Manager & Dealer	Absa Corporate & Investment Bank	
Documentation	ZAR 30bn DMTN Programme	
Issuance listing & settlement	The Interest Rate Market of the JSE	
Issuer rating	Moody’s Investor Services: Aa3.za Standard & Poor’s National Long Term: zaA-	
Targeted issue size	R1bn with the option to upsize to R1.5bn subject to volume being within price guidance	
Instrument	Tier II Subordinated Notes	
Interest rate profile	Floating Rate	
Bond code	BGL18	BGL19
Term-to-maturity	10-year non-call 5-year + 1 day	12-year non-call 7-year
Maturity date	30 September 2027	29 September 2029
Call date	30 September 2022	29 September 2024
Pricing benchmark	3-month Jibar	3-month Jibar
Price guidance (bps)	[TBD]	[TBD]
Coupon months	December, March, June and September	
Proposed Auction date	26 September 2017	
Settlement / Issue date	29 September 2017 (t+3)	
Auction Methodology	Dutch auction with no feedback	
Allocation policy	All bids cleared at one clearing spread for respective notes BAGL reserves the right in its sole discretion to accept or reject offers made in accordance with the auction process	
Bookbuild times	09h00-11h00	










# Appendix



# South African Big Four Bank Credit Ratings

Ratings						
MOODY'S	Global LT Foreign Currency	Baa3 (Neg)	<b>Group: Ba1 (Neg)</b> <b>Bank: Baa3 (Neg)</b>	Bank: Baa3 (Neg)	Bank: Baa3 (Neg)	Group: Ba1 (Neg) Bank: Baa3 (Neg)
	Global LT Local Currency					
	Nat'l LT National Scale	<b>Group: Aa3.za</b> <b>Bank: Aa1.za</b>	Bank: Aaa.za	Bank: Aa1.za	Bank: Aa1.za	
STANDARD & POOR'S	Global LT Foreign Currency	BB+ (Neg)	-	Group: BB- (Neg) Bank: BB+ (Neg)	Bank: BB+ (Neg)	-
	Global LT Local Currency	BBB- (Neg)	-	-	-	-
	Nat'l LT National scale	zaAAA	<b>Group: zaA-</b> <b>Bank: zaAA</b>	Group: zaA- Bank: zaAA	Bank: zaAA	-
FitchRatings	Global LT Foreign Currency	BB+ (Stable)	-	-	-	Group: BB+ (Stable)
	Global LT Local Currency					Bank: BB+ (Stable)

Source: Moody's / S&P / FitchRatings

# Tier II Instrument Overview

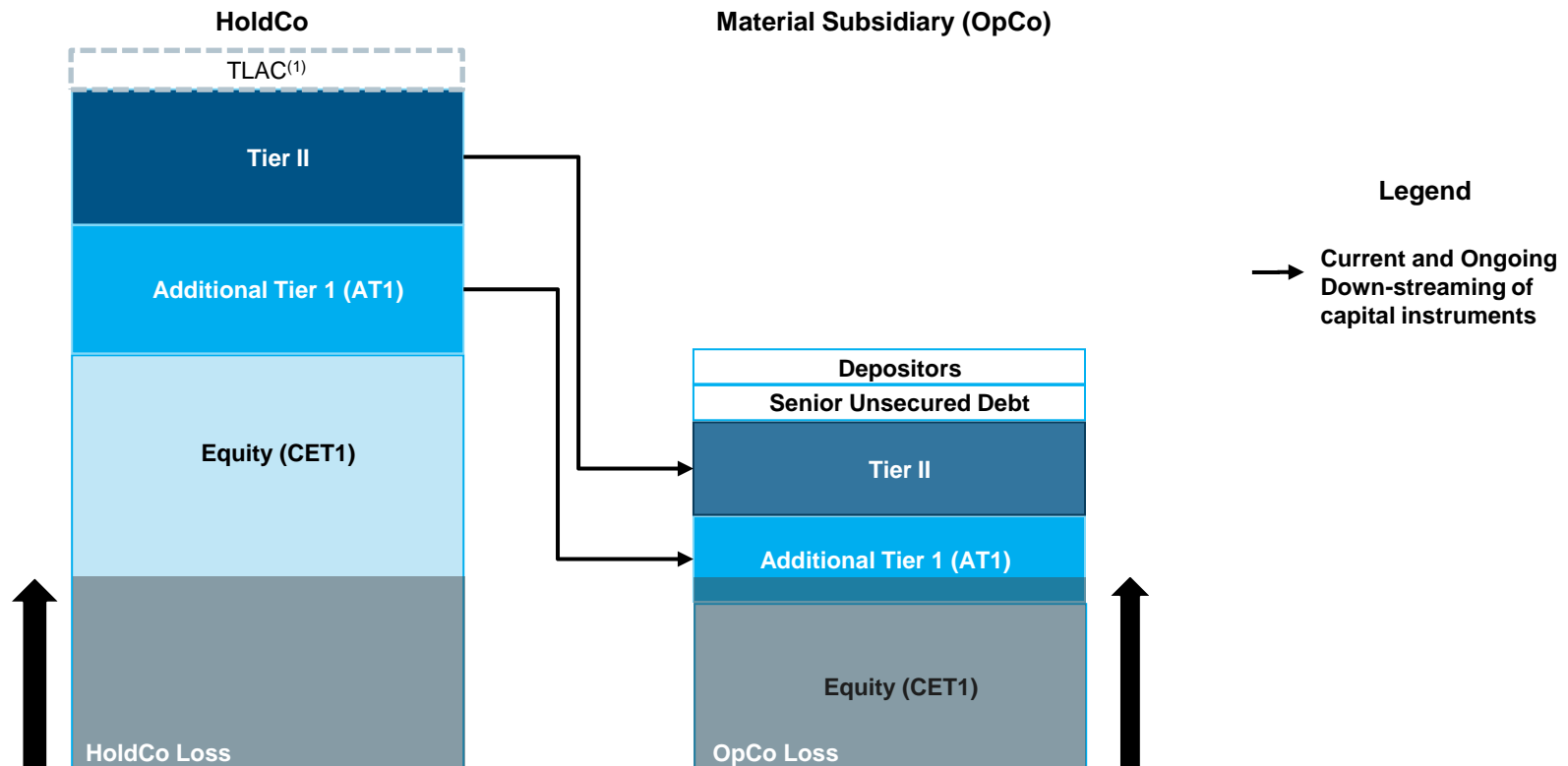
Shared Features	Tier II	Example of reference language used in BAGL's Subordinated Tier II 10NC5 + 1 Day APS (BGL16*)				
<b>Callable</b>	<ul style="list-style-type: none"> <li>After 5 years</li> <li>No explicit or implicit indications that the instruments would or might be called, redeemed or purchased</li> </ul>	<table border="1"> <tr> <td>(a) First Optional Redemption Date</td> <td>17 March 2022</td> </tr> <tr> <td>(b) Optional Redemption Date(s)</td> <td>Any Interest Payment Date after the First Optional Redemption Date</td> </tr> </table>	(a) First Optional Redemption Date	17 March 2022	(b) Optional Redemption Date(s)	Any Interest Payment Date after the First Optional Redemption Date
(a) First Optional Redemption Date	17 March 2022					
(b) Optional Redemption Date(s)	Any Interest Payment Date after the First Optional Redemption Date					
<b>Coupon step-up</b>	<ul style="list-style-type: none"> <li>Not allowed</li> </ul>	<table border="1"> <tr> <td>43. Prior consent of Registrar of Banks required for any redemption prior to the Maturity Date</td> <td>Yes</td> </tr> </table>	43. Prior consent of Registrar of Banks required for any redemption prior to the Maturity Date	Yes		
43. Prior consent of Registrar of Banks required for any redemption prior to the Maturity Date	Yes					
<b>Point of Non-Viability (PoNV)</b>	<ul style="list-style-type: none"> <li>Contractual trigger                             <ul style="list-style-type: none"> <li>BAGL elects to issue write-off instruments at Point of Non-Viability (PoNV)</li> <li>The trigger event for Tier II capital instruments shall be at the discretion of the Registrar as envisaged in regulation 38(12)(a)(i)</li> </ul> </li> <li>Statutory                             <ul style="list-style-type: none"> <li>The terms of the instrument state that once the statutory legislation for South Africa has been implemented, this legislation replaces the contractual terms of the instrument</li> </ul> </li> </ul>	<table border="1"> <tr> <td>48. Write-off upon the occurrence of a Non-Viability Trigger Event specified by the Registrar of Banks in terms of Regulation 38(11) or 38(12) of the Additional Tier 1 Capital Regulations or the Tier 2 Capital Regulations, as the case may be</td> <td>                     Yes                     <ul style="list-style-type: none"> <li>In accordance with Condition 11.12 of the Terms and Conditions and Regulation 38(11)(b)(i) or 38(12)(a)(i) of the Tier 2 Capital Regulations, upon the receipt by the Issuer of written notice from the Registrar of Banks of the occurrence of a Non-Viability Trigger Event:                             <ul style="list-style-type: none"> <li>a) the Principal Amount and all accrued unpaid interest owing in respect of the Notes of this Tranche, on the date of receipt of such notice, shall be written-off permanently, in full or in part on a <i>pro rata</i> basis (in the case of a write off in part) in accordance with the Capital Regulations and to the satisfaction of the Registrar of Banks; and</li> <li>b) the Issuer's obligations in respect of the Principal Amount and all accrued unpaid interest arising in respect of the Notes of this Tranche that are written off shall be extinguished.</li> </ul> </li> </ul> <p>To the extent that a Statutory Loss Absorption Framework is implemented in South Africa, and the Tier 2 Notes are subject to such Statutory Loss Absorption Framework, the Issuer will, following consultation with the Registrar of Banks, dis-apply the non-viability loss absorption Condition referred to in Condition 11.12 and this paragraph of the Applicable Pricing Supplement, provided that such disapplication would not result in a Capital Disqualification Event.</p> </td> </tr> </table>	48. Write-off upon the occurrence of a Non-Viability Trigger Event specified by the Registrar of Banks in terms of Regulation 38(11) or 38(12) of the Additional Tier 1 Capital Regulations or the Tier 2 Capital Regulations, as the case may be	Yes <ul style="list-style-type: none"> <li>In accordance with Condition 11.12 of the Terms and Conditions and Regulation 38(11)(b)(i) or 38(12)(a)(i) of the Tier 2 Capital Regulations, upon the receipt by the Issuer of written notice from the Registrar of Banks of the occurrence of a Non-Viability Trigger Event:                             <ul style="list-style-type: none"> <li>a) the Principal Amount and all accrued unpaid interest owing in respect of the Notes of this Tranche, on the date of receipt of such notice, shall be written-off permanently, in full or in part on a <i>pro rata</i> basis (in the case of a write off in part) in accordance with the Capital Regulations and to the satisfaction of the Registrar of Banks; and</li> <li>b) the Issuer's obligations in respect of the Principal Amount and all accrued unpaid interest arising in respect of the Notes of this Tranche that are written off shall be extinguished.</li> </ul> </li> </ul> <p>To the extent that a Statutory Loss Absorption Framework is implemented in South Africa, and the Tier 2 Notes are subject to such Statutory Loss Absorption Framework, the Issuer will, following consultation with the Registrar of Banks, dis-apply the non-viability loss absorption Condition referred to in Condition 11.12 and this paragraph of the Applicable Pricing Supplement, provided that such disapplication would not result in a Capital Disqualification Event.</p>		
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<b>Ranking</b>	<ul style="list-style-type: none"> <li>Senior to Equity and AT1</li> </ul>					
<b>Maturity</b>	<ul style="list-style-type: none"> <li>At least 5 years</li> </ul>					
<b>Accounting treatment</b>	<ul style="list-style-type: none"> <li>Recognised and disclosed as a liability</li> </ul>					
<b>Distributions</b>	<ul style="list-style-type: none"> <li>Non-discretionary</li> <li>Not deferrable</li> </ul>					

Source: Basel, SARB, BAGL 2017

\* The example has been provided for illustrative purposes only, based on the BGL16 APS

# SA Approach to Loss Absorption

- South Africa as a member of the G20 subscribes to the FSB key attributes of effective resolution regimes which reinforces the hierarchy of claims and the concept of No Creditor Worse Off (NCWO) than under liquidation
- The South African Reserve Bank (SARB) has released a whitepaper<sup>(2)</sup> covering the recovery and resolution framework which incorporates (NCWO) principles



Figures above are shown for illustrative purposes.

Note: All capital issuance at Holding Company is down-streamed to operating entities.

1. Depending on guidance by the SARB, a TLAC layer could be added to the stack in the near future.
2. Resolution Framework Whitepaper released by the SARB, 20 August 2015.

# Quick Links

## Basel / FSB / EBA

- **Liquidity Coverage Ratio (Jan 2013)** - <http://www.bis.org/publ/bcbs238.htm>
- **Net Stable Funding Ratio (Oct 2014)** - <http://www.bis.org/bcbs/publ/d295.htm>
- **TLAC** - <http://www.financialstabilityboard.org/wp-content/uploads/TLAC-Condoc-6-Nov-2014-FINAL.pdf>
- **MREL** - <https://www.eba.europa.eu/documents/10180/1132900/EBA-RTS-2015-05+RTS+on+MREL+Criteria.pdf>
- **Leverage Ratio** — <http://www.bis.org/publ/bcbs270.pdf>
- **Key Attributes of Effective Resolution Regimes for Financial Institutions** - [http://www.fsb.org/wp-content/uploads/r\\_111104cc.pdf](http://www.fsb.org/wp-content/uploads/r_111104cc.pdf)

## SARB / NT

### • Regulations

- Banking Legislation - <https://www.resbank.co.za/RegulationAndSupervision/BankSupervision/BankingLegislation/Pages/default.aspx>

### • Latest Guidance Notes

- Committed Liquidity Facility - <https://www.resbank.co.za/Lists/News%20and%20Publications/Attachments/6888/G5%20of%202015.pdf>
- Loss Absorption – <https://www.resbank.co.za/Lists/News%20and%20Publications/Attachments/7942/G6%20of%202017.pdf>

### • Working Papers

- Resolution Framework - <http://www.treasury.gov.za/publications/other/RFFI/2015%20Resolution%20Framework%20Policy.pdf>

# Contacts

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