

Barclays Africa Group Limited
("BAGL")
South African Fixed Income Investor
Roadshow for BAGL
May 2017

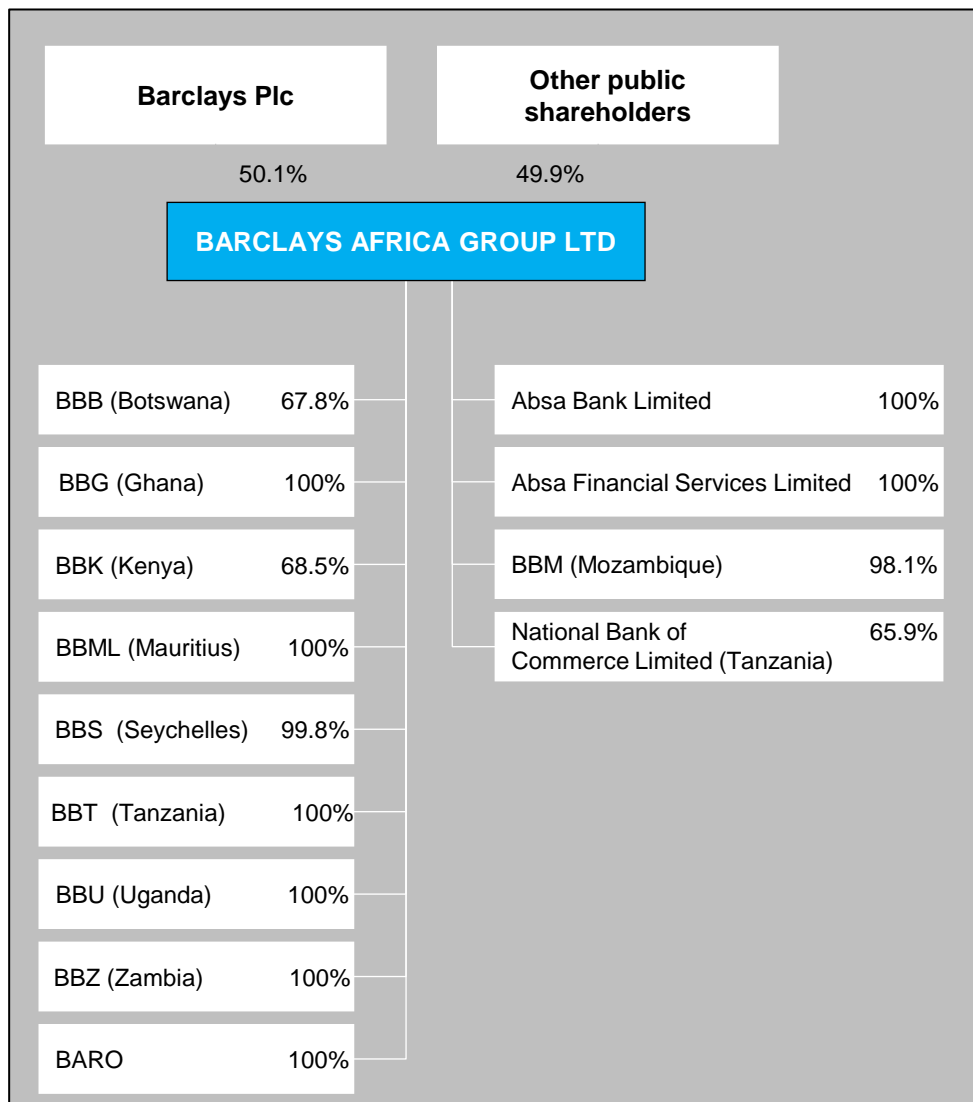


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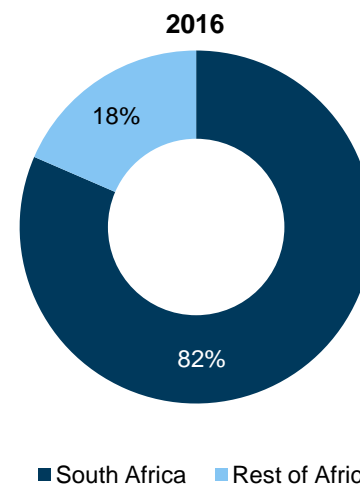
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1. Introduction to BAGL

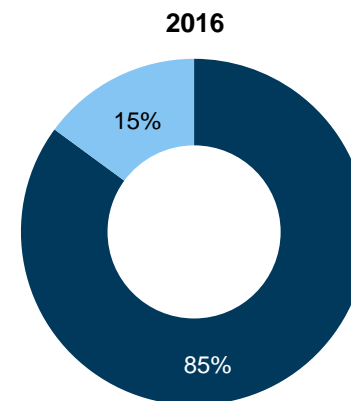
BAGL Group Structure



Headline Earnings per Geographical Segment



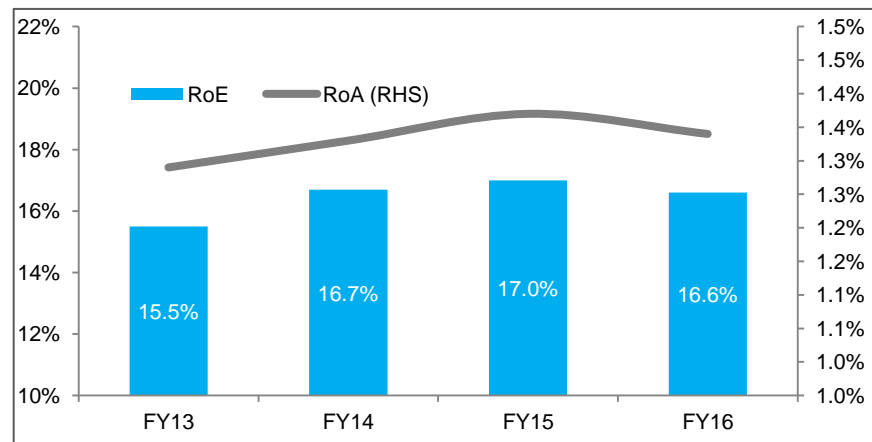
Total Assets per Geographical Segment



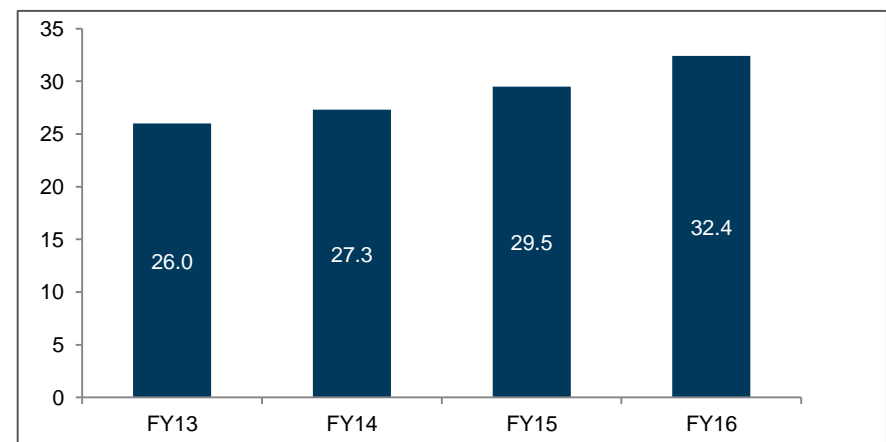
Source: BAGL 2016 Results

BAGL Fast Facts

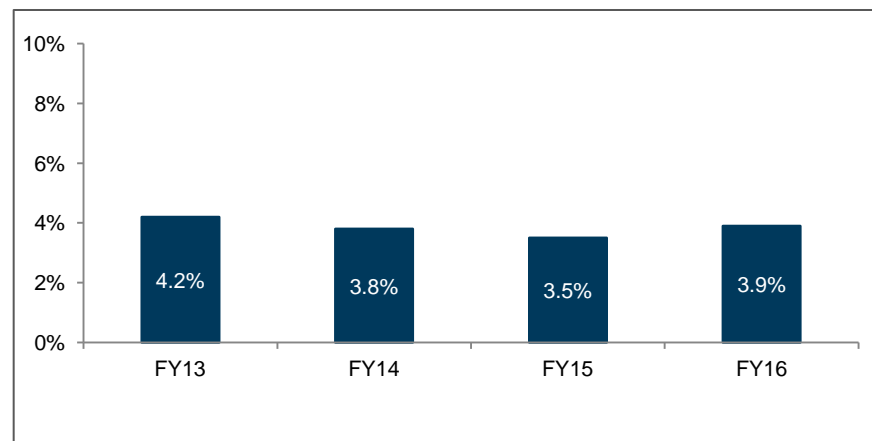
RoE & RoA Performance



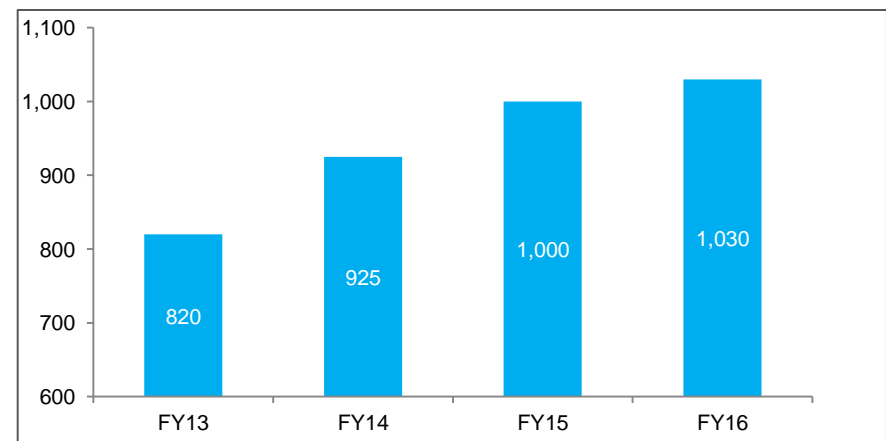
Pre-Provision Profit (Rbn)



Non-Performing Loans



Dividends Per Share (cents)



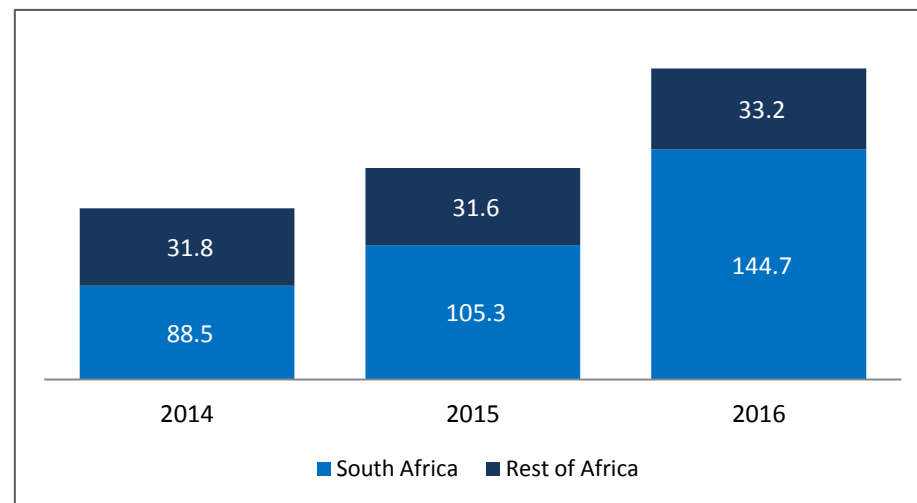
Source: BGA Results

Liquidity Management

Liquid Assets

- BAGL is fully compliant with regulatory liquidity requirements for 2016.
- The liquidity risk position remained healthy and within key limits and metrics. The average liquid assets for the year increased from R137bn at December 2015 to R177.9bn at December 2016. Absa Bank successfully applied for a committed liquidity facility (CLF) from the SARB, which is included in HQLA for LCR purposes from January 2016.
- Absa's 3-month average LCR for the fourth quarter of 2016 was 98%, well above the regulatory minimum of 70%.
- The portfolio of liquid assets comprises cash deposits, notes and coins held at the Central Bank and other Basel III eligible HQLA.

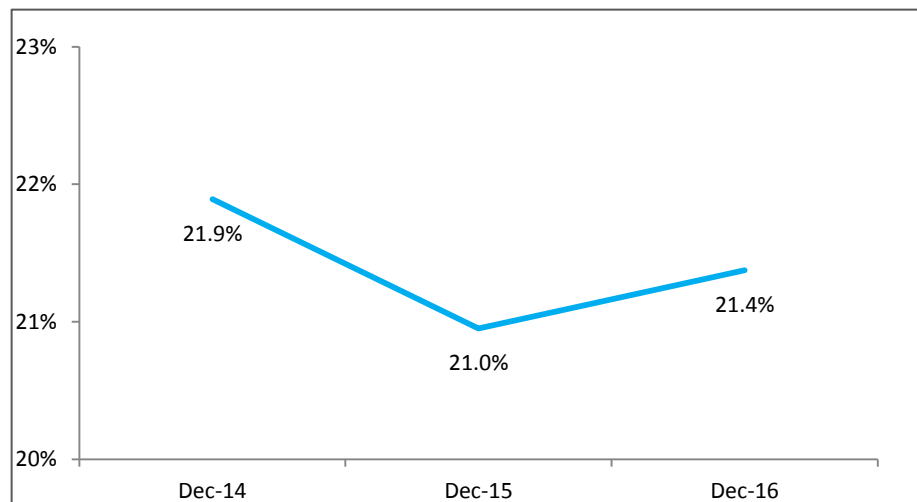
BAGL Liquid Assets and Reserves Position (Rbn)



Funding

- 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.
- The Group's long-term funding ratio remains in line with risk appetite.
- Barclays Africa entities are predominantly deposit-led banks and whilst these deposits are very stable they are generally of a short term contractual nature.
- The weighted average remaining term of wholesale funding has gradually increased from 9.16 months in 2007 to 15.3 months at 31 December 2016 as a result of a prudent funding strategy as guided by Basel III Net Stable Funding Ratio (NSFR) requirements.

BAGL Long Term Funding ratio

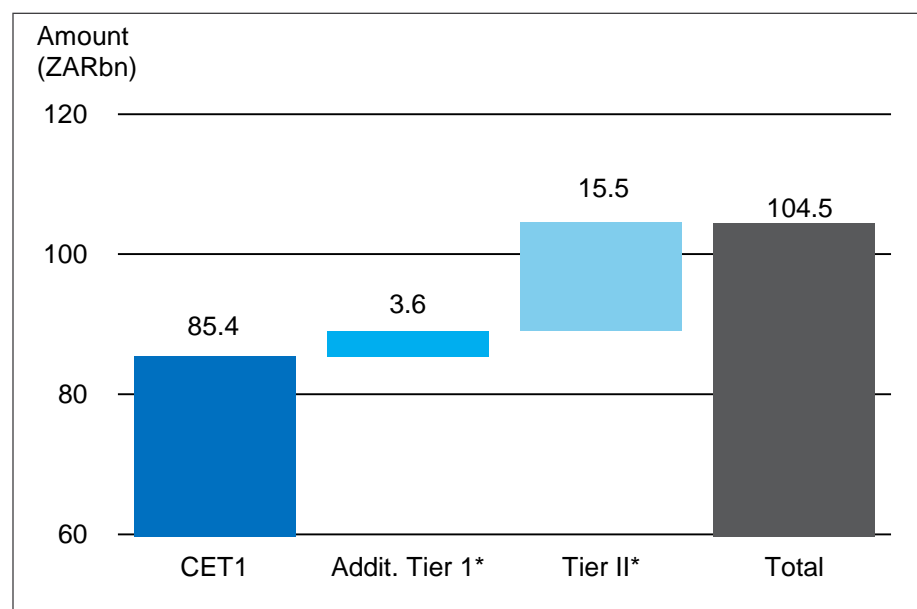


BAGL Group Capital Composition – December 2016

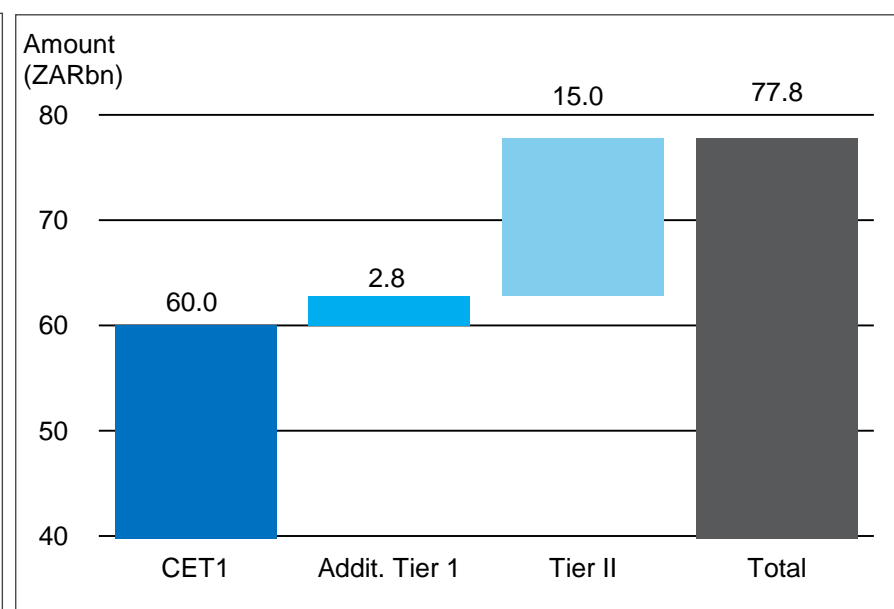
Entity (As at Dec-16)	BAGL	Absa Bank Limited ²	Residual
Total Assets	R1.101bn	R918bn	R183bn
Headline Earnings	R14.980bn	R9.778bn	R5.202bn
Common Equity Tier 1	12.1%	11.6%	0.5%
Tier 1	12.6%	12.2%	0.4%
Total	14.8%	15.1%	(0.3%)

2016 Entity Targets	BAGL	Absa Bank Limited ²
CET1 – Regulatory minimum ¹	6.88%	6.88%
CET1 – Internal target	9.5% - 11.5%	9.0% - 10.5%
Capital Adequacy Ratio (CAR)	13.0% - 15.0%	12.5% - 14.0%

BAGL Consolidated Capital Composition



Absa Bank Limited² Capital Composition



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. Absa Bank Limited includes subsidiary undertakings, special-purpose entities, joint ventures, associates and offshore holdings.

* Regulatory adjustment to BAGL Tier II and AT1 for non-qualifying subsidiary CET1

The Barclays separation will result in a short term capital benefit

Update on Barclays PLC sell-down and separation

Since 1 March 2016, when Barclays PLC announced its intention to reduce its shareholding in BAGL to achieve accounting and regulatory deconsolidation, we have worked jointly to ensure the best outcome for all of our stakeholders.

Shareholders are advised that Barclays PLC has submitted an application to the South African Reserve Bank for approval to reduce its shareholding in the Group to below 50%. The application, which also requires the approval of the Minister of Finance, based on the advice from the Registrar of Banks, includes the terms of the separation payments and transitional services arrangements, which have been agreed between Barclays PLC and BAGL.

The agreed terms provide for contributions by Barclays PLC to BAGL totaling £765 million (ZAR12.8 billion) (see note 1), primarily in recognition of the investments required for the Group to separate from Barclays PLC. These contributions, comprise:

- £515 million (ZAR8.6 billion) (see note 1) in recognition of the investments required in technology, rebranding and other separation projects;
- £55 million (ZAR0.9 billion) (see note 1) 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.

As part of the agreed terms, from the date on which Barclays PLC reduces its shareholding in BAGL to below 50%:

- BAGL can continue to use the Barclays brand in the rest of Africa for three years; and
- BAGL will receive certain services from Barclays on an arms' length basis for a transitional period, typically up to three years.

The expectation is that the financial contributions will neutralize the capital and cash flow impact of separation investments on the Group over time. However, the separation process will have an impact on BAGL's financial statements for the next few years, most notably by increasing the capital base in the near-term and generating endowment revenue thereon, with increased costs likely over time as the separation investments are concluded. Consequently, BAGL will start to report normalized results that better reflect the underlying performance of the Group once the contributions have been received.

In addition, Barclays PLC has agreed to contribute an amount equivalent to 1.5% of BAGL's market capitalization (ZAR2.1 billion) (see note 2) towards the establishment of a larger broad-based black economic empowerment scheme. Further details on this will be communicated in due course

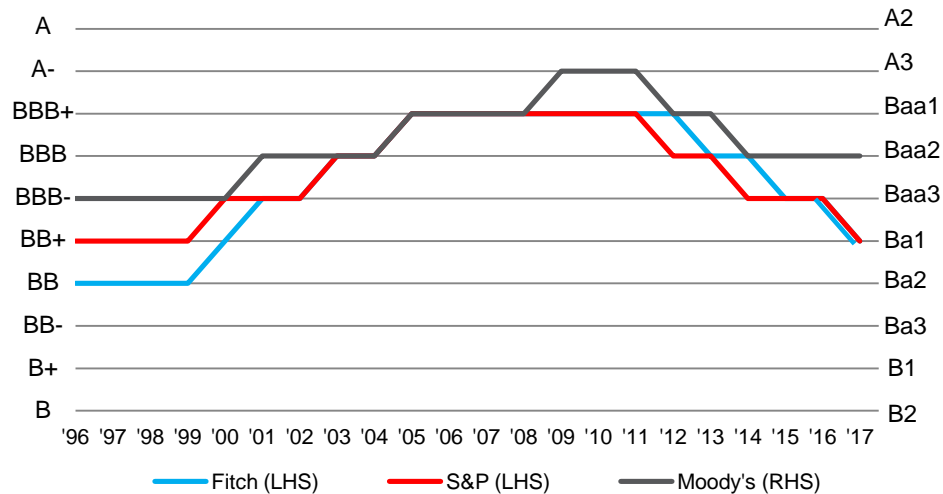
Notes

- (1) Sterling amounts converted to ZAR at 16.78, which was the closing rate on 31 December 2016
- (2) Based on a BAGL share price of ZAR168.69, which was the closing price on 31 December 2016

2. Credit Rating

South African Sovereign Credit Rating

History of South Africa's Long Term Foreign Currency Ratings



South African 5-year CDS








South Africa's recent rating action

- S&P:** Cut SA's Foreign Currency rating to below investment grade status on Monday 3rd April 2017 from BBB- to BB+ and lowered its local currency rating to BBB-, while retaining a Negative Outlook.
- Fitch:** On Friday 7th April 2017, Fitch downgraded both the Foreign Currency and Local Currency ratings to BB+, giving SA its first sub-investment grade Local Currency rating. Fitch assigned a Stable Outlook, suggesting that no further downgrades can be expected from them in the near future.
- Moody's:** Moody's placed SA on review for a downgrade, suggesting that a further downgrade is imminent. The credit rating agency stated that the cabinet reshuffle had put economic growth, policy shifts and fiscal growth at risk.
- CDS Spreads:** Despite the negative Sovereign rating action, SA's 5 year CDS is trading at 2015 levels.

Source: Barclays Research

South African Big Four Bank Credit Ratings

Comparable Senior Credit Ratings						
MOODY'S	Global LT Foreign Currency	Baa2 *	Bank: Baa2 *	Bank: Baa2 *	Bank: Baa2 *	Group: Baa3 * Bank: Baa2 *
	Global LT Local Currency					
	Nat'l LT National Scale		Bank: Aa1.za	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	zaAA-	Group: zaBB+ Bank: zaA	Group: zaBB+ Bank: zaA	Bank: zaA	
FitchRatings	Global LT Foreign Currency	BB+ (Stable)				
	Global LT Local Currency					

* On Watch: Possible Downgrade

Source: Moodys / S&P / FitchRatings

3. Additional Tier I Instrument Overview

Additional Tier I - Salient Features

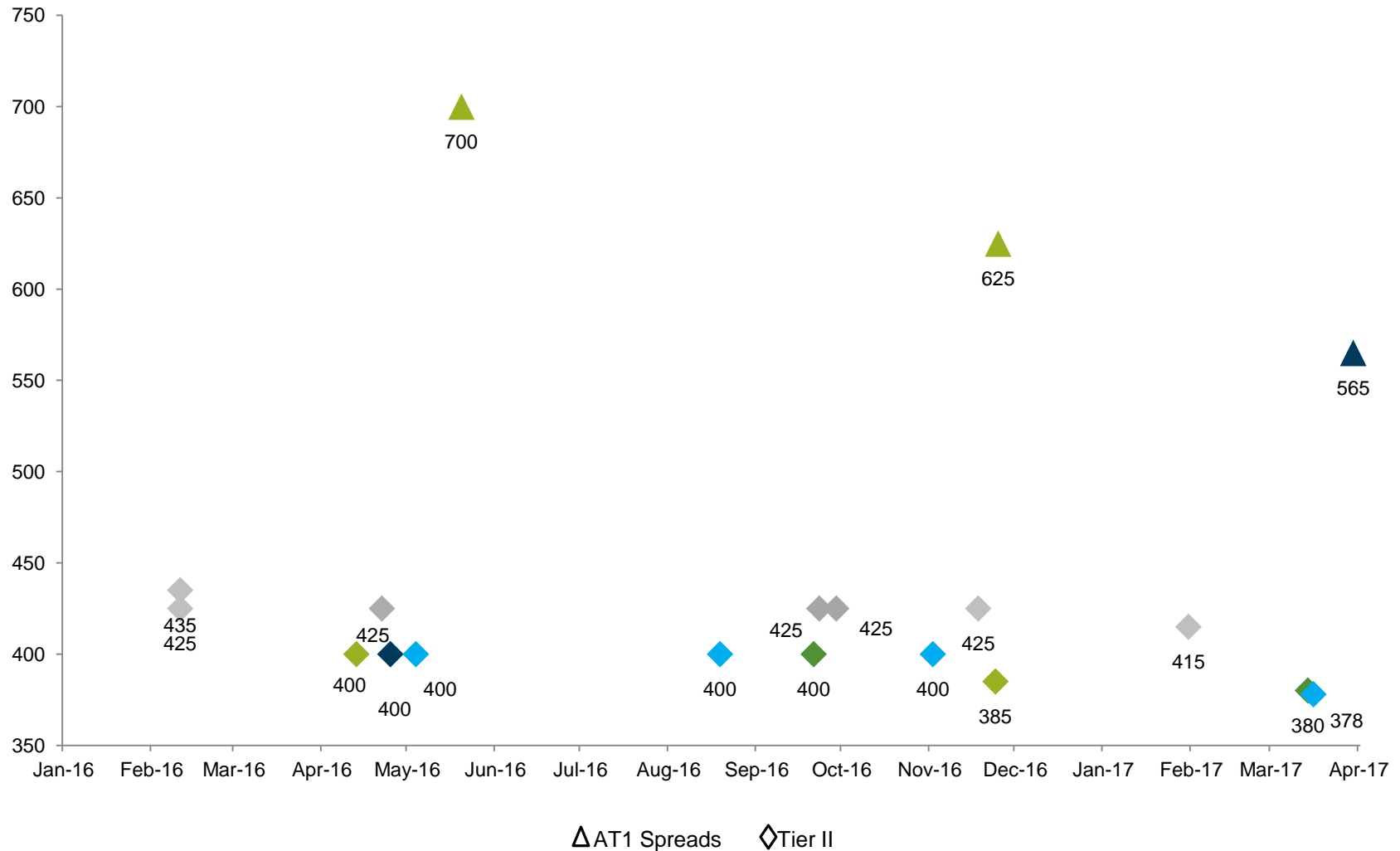
Salient Features	Additional Tier I
Ranking	<ul style="list-style-type: none"> • Senior to equity only • Subordinated to depositors, general creditors and other subordinated debt of the bank (Tier 2)
Maturity	<ul style="list-style-type: none"> • Perpetual with no step-ups or other incentives to redeem
Callable	<ul style="list-style-type: none"> • After 5 years, at the option of the issuer, receiving prior supervisory approval • No explicit or implicit indications that the instruments would or might be called, redeemed or purchased
Distributions	<ul style="list-style-type: none"> • Fully discretionary and therefore loss absorbing – Going concern instrument • Non cumulative (cancellation of distribution does not constitute an event of default) • Dividend stoppers are allowed (subject to Recovery & Resolution Framework confirmation)
Coupon step-up	<ul style="list-style-type: none"> • Not allowed
BAGL Balance Sheet treatment	<ul style="list-style-type: none"> • Accounting: Equity • Tax and legal: Debt
Point of Non-Viability (PoNV)	<ul style="list-style-type: none"> • BAGL elects to issue write-off instruments at Point of Non-Viability (PoNV) • Trigger point for instruments accounted for as equity is at the regulators' discretion, (if accounted for as a liability, at regulators discretion or at CET1 \leq 5%) • The terms of the instrument will state that once the statutory legislation for South Africa has been implemented, this legislation replaces the contractual terms of the instrument

Source: Basel, SARB, BAGL

Previous Price Points

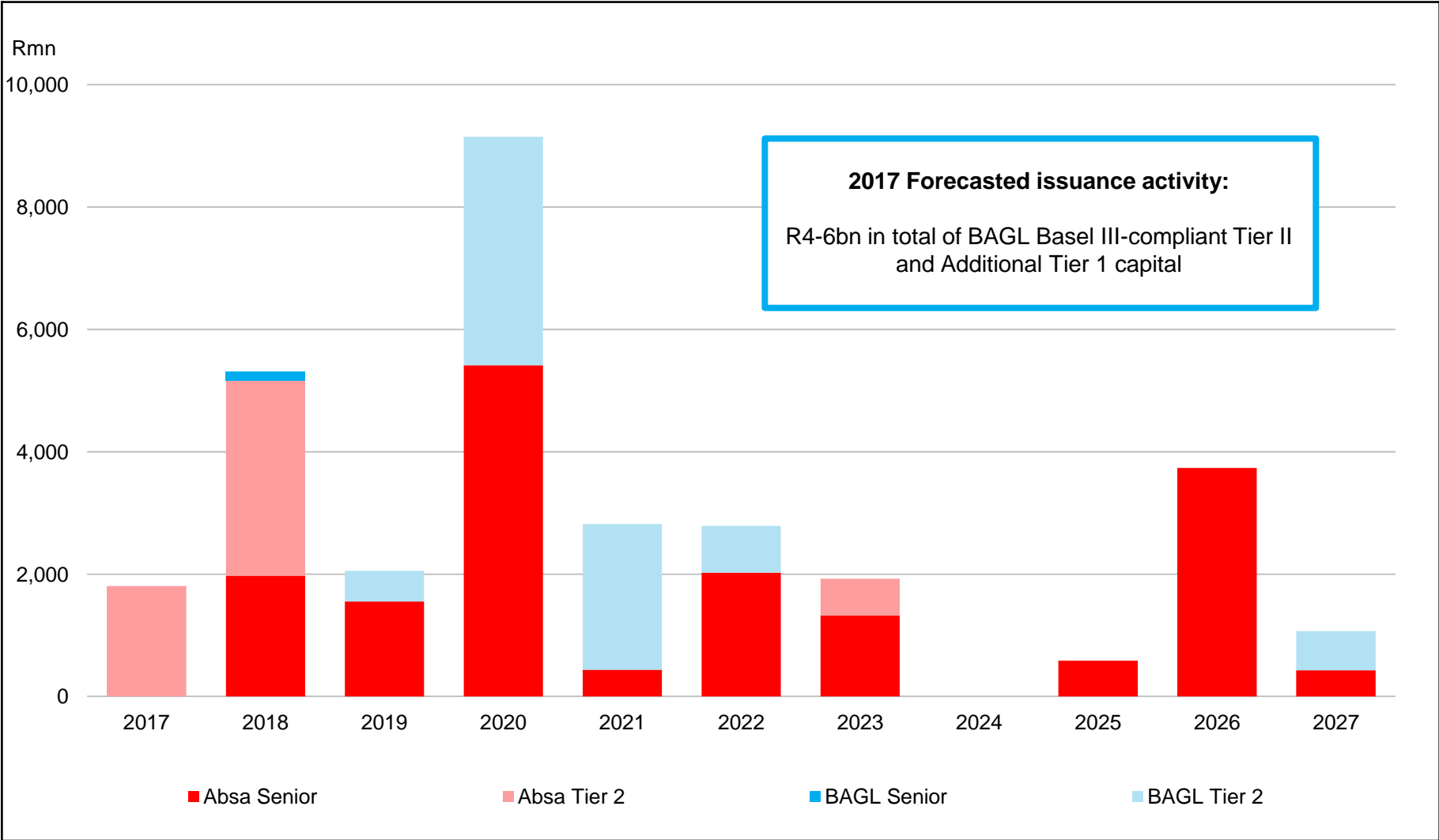
Previous pricing points for PerpNC5 AT1 vs, 10NC5 Tier II floating rate notes

Spreads (bps)



Source: JSE Issuance Data, May 2017

BAGL/ABSA Debt Maturity Profile



Source: BAGL, Absa May 2017
 Note: Graph excludes unlisted and structured notes
 Issuance figures above are indicative and subject to change

4. Appendix

S&P Mapping Scale And Methodology

On 3 April 2017 Standard and Poor's (S&P) downgraded the South African Sovereign. S&P do not rate financial institutions above the foreign currency rating of the sovereign, and accordingly lowered the national scale ratings of seven South African financial institutions on the 5 April 2017.

- Absa's national scale rating was lowered to 'zaA' from 'zaAA-'
 - S&P equates the local currency and foreign currency long term rating when applying their mapping principals; Absa is therefore constrained to BB+, in line with South Africa's global foreign currency rating
 - BB+ maps to either zaA+ or zaA on a national rating scale
 - Due to the negative outlook on the sovereign S&P map the BB+ to zaA
- BAGL's national scale rating was lowered to 'zaBB+' from 'zaA'
 - The global rating of BAGL is notched down due to perceived structural subordination
 - This is seen as a two notch downgrade as the sovereign global foreign currency rating is below investment grade, therefore S&P downgraded BAGL to BB- two notches below that of Absa (BB+) on a global rating scale
 - BB- maps to either zaBBB- or zaBB+ on a national rating scale
 - Due to the negative outlook on the sovereign S&P map the BB- to zaBB+

Global-scale long term rating	National-scale long-term rating
BBB and above	zaAAA
BBB-	zaAA+
ZA	zaAA
	zaAA- ABSA
BB+	zaA+
ZA	zaA ABSA
	BGL
BB	zaA-
	zaBBB+
	zaBBB
BB-	zaBBB-
	BGL
	zaBB+
B+	zaBB
	zaBB-

ZA	South African Sovereign Rating
BGL	Barclays Africa Group Rating
ABSA	Absa Bank Limited Rating

Source: S&P and Barclays Africa Treasury

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>

SARB / NT

- **Regulations**
 - Banking Legislation - <https://www.resbank.co.za/RegulationAndSupervision/BankSupervision/BankingLegislation/Pages/default.aspx>
- **Latest Guidance Notes**
 - Point of Non-Viability - <https://www.resbank.co.za/Lists/News%20and%20Publications/Attachments/5946/G7%20of%202013.pdf>
 - Committed Liquidity Facility - <https://www.resbank.co.za/Lists/News%20and%20Publications/Attachments/6888/G5%20of%202015.pdf>
- **Working Papers**
 - Resolution Framework - <http://www.treasury.gov.za/publications/other/RFFI/2015%20Resolution%20Framework%20Policy.pdf>

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